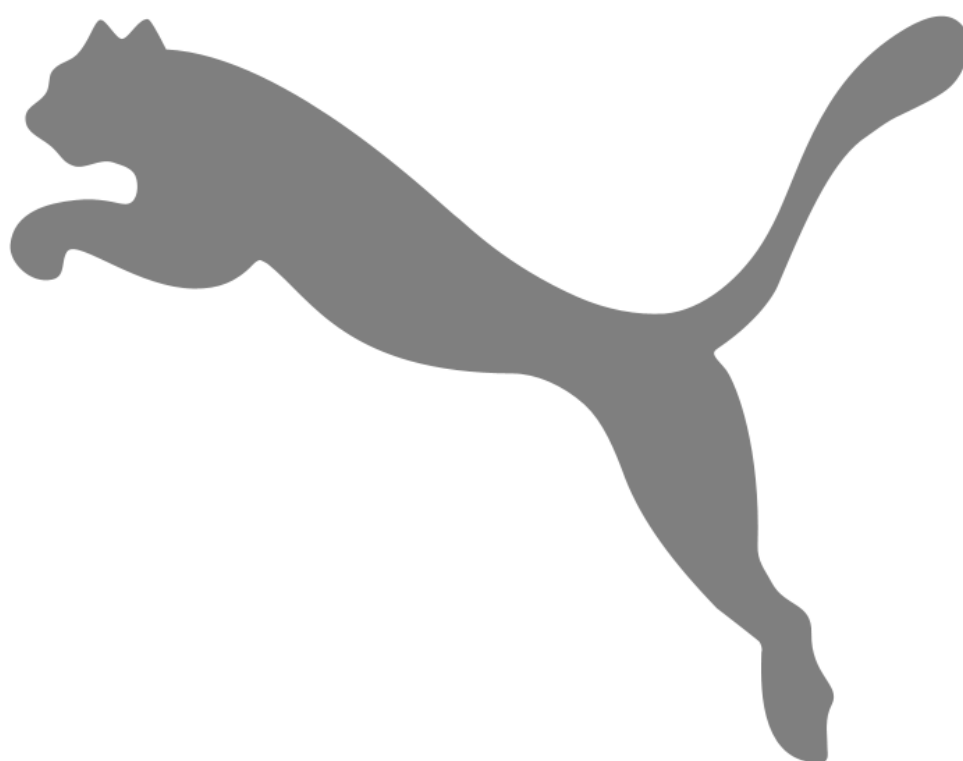


PUMA
Q3 2025
TRANSCRIPT



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CONFERENCE CALL PARTICIPANTS (Q&A)

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Monique Pollard – Citi

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Warwick Okines – BNP Paribas

Grace Smalley – Morgan Stanley

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Geoff Lowery – Rothschild & Co Redburn

Krista Zuber – TD Cowen

Robert Krankowski - UBS

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

PRESENTATION

Manuel Bösing

Hello, everyone, and welcome to PUMA's conference call for third quarter of 2025. Joining me today are our CEO, Arthur Hoeld, and our CFO, Markus Neubrand. Arthur and Marcus will take you through the presentation. And afterwards, we'll open the floor for questions.

Before we begin, please note the cautionary statements regarding forward looking information on the next slide. For the Q&A, we kindly ask you to limit your initial questions to two per person, so that as many participants as possible have the opportunity to join the discussion. With that, I'll hand it over to you, Arthur.

Arthur Hoeld

Thank you, Manuel. And good afternoon and welcome from my side here as well, from Herzogenaurach. Very happy that we can share with you today an assessment of where I see PUMA after three months in the job. But also, equally more important, our plan to move forward.

Let me just briefly make a personal comment that I'm incredibly excited about, the opportunity to lead PUMA into the future. I'm very excited about the legacy, the credibility that this brand has, and also about the potential that we will join here as a company and as a brand build on in the future. It's an opportunity to rebuild and reconnect one of the strongest brands in the sporting goods industry. And I'm a strong believer in the future and in the potential of the cat.

Well, let me start. Why is that? First and foremost, it is based on the strong, strong archives and the strong brand history that PUMA has. 77 years since its foundation in 1948. When you go through decades of sporting history, you'll always see PUMA at the very forefront. But it was with our football players that have been dominating the field and the pitches across the world. Starting with the Portuguese star, Eusébio, Maradona, Pelé, Cruyff, Lothar Matthäus. PUMA was always there when it mattered, when the big games were being played.

Still, today, Usain Bolt is the fastest man on earth. The fastest man who has clocked the time with the support of PUMA and the incredible shoes we provided for him. But also, in the era of where sports meets style, and sports meets culture, our ground breaking innovation with Jil Sander back in the days set the tone for an entire industry.

We fast forward to today. Our athletes, our athletes are winning, and our athletes are performing in PUMA products, apparel, footwear, accessories. Only recently, Armand Duplantis didn't only win the gold medal in the Tokyo Track and Field Athletics championships, but he also did it with great style, setting another new world record.

The captain of the German basketball team, Dennis Schröder, another PUMA athlete, took the German team to become European and world champion at the very same time. And also, when you look at the qualification status, the teams that have already qualified and secured their position for the 2026 World Cup in North America. Out of the 28 teams, seven will be wearing PUMA. So we are absolutely up at the top and are on par with competition.

And why is that? Because we at PUMA are providing the best platforms and the best technologies for athletes to win and to succeed. When you look at NITRO, arguably the most innovative running platform that is in the market today. Winning awards, but equally or even more important, getting amazing feedback by athletes. Athletes are wearing the product to set new records, to win races, and to improve their personal best. In NITRO, I would say is [unclear 00:04:06] still one of the most or the best kept secrets in our industry and provides significant potential.

Equally, we have relaunched our collaboration and extend our collaboration with HYROX. A fitness and running movement that will only gain traction in the years to come. It is already drawing huge crowds and huge audiences. Participants from all over the world, wherever the events take place. In most cities to date, HYROX participation is higher than of the marathons. Marathons have been run for more than a hundred years, and HYROX, as an event series, is only seven years old. PUMA is the exclusive partner when it comes to product development and communication around HYROX, as future growing sports.

And last, but not least, of course, we are very proud of our global reach. We have many, many partnerships, being it in the field of soccer, with the likes of Man City. Being it in Formula One. Or our style collaborations with A\$AP ROCKY, just to name a few of them.

And that also highlights that we are one of the very, very few brands that is credible in pretty much all sports that matter around the globe. PUMA is well positioned in all categories, where athletes are competing, where records are broken, and where new standards are being achieved.

And finally, of course, we are a brand, we are proud of that. We are brand that's well known and well liked everywhere around the globe. We are present, we're noticed, and we are certainly a brand that has a global reach, dating back to a long history, but also our achievements over time. Yet, of course, at this point in time, it is important that we do consider and do recognise the shortcomings and the issues

that PUMA is having right now, and what is holding PUMA back to succeed.

First and foremost, I would like to address the notion of a lack of brand heat. What you see here on the slide is the research that we've commissioned at the beginning of the year, which clearly states a situation we are not happy with. We are a brand that is lagging behind our competitors at the moment. We're certainly a brand that doesn't command the same attention or brand love or brand heat that is required to succeed in the market.

Second to that, we're also realising that our share, our channel mix between DTC and wholesale, is not on par with competition. On the right hand side, you see the industry benchmark, which basically says that most competitors are having their business 60% in wholesale and with customers, and 40% in DTC. Our share is only 30% in DTC, which means it limits our opportunity to showcase our products, to excite consumers directly with our storytelling, and also determine how we're going to show up in the marketplace.

It also is worthwhile notifying that out of a global top ten customers that we service. Three of them are in the segment that we call mass merchants. Mass merchants are usually places where off price business, off season business is sold in a very wide distribution and in a not very brand enhancing manner. This is certainly an issue for us as a brand, and that is something we have started to tackle, and I'll talk about that one in the very close future.

Our product offering is also not cutting through, and you might ask yourself why that is. We've outlined three very simple reasons for that. A, we have way too many products, and we're supplying way too many articles each and every season into the trade. That means our range is complex, and therefore, our efforts don't really cut through. That also leads to the fact that our icons, the key products that PUMA should be known for, are not really established. Consumers don't really know when you're asking them about PUMA, what is the key product that that brand stands for? And that is certainly a huge opportunity for us.

And thirdly, on the pace here, we also have to recognise that we're sometimes scaling our efforts too fast and too soon. We don't take the time to build up what could become a commercial success, what could become a great franchise with the right approach, with the right go to market and with the right go to market and commercial strategy. So therefore, also, we're not efficient enough when it comes to our lifecycle management.

That is also something that we have realised here at the company. Storytelling is not really as integrated as it should be. Between the product teams, the marketing teams and the sales teams we're acting too fragmented. We're too much organised in silos. We therefore don't really create holistic and interesting enough marketing concepts that have a lasting commercial success within the market.

As a result of that, we do have to realise, and to recognise that PUMA as a brand, has become too commercial over the years. Too commercial from a distribution perspective, too commercial from a pricing, and also from a promotion perspective. And that is something which applies globally for our brand, unfortunately.

Consequence of that, and Markus will talk a little bit more about that, is, of course, that we have quite a high level of inventories. A high level of inventories, both from our very own perspective. So in our own warehouses, in our stores, which has led to a very unfavourable situation over the last few quarters. At the same time, and that is on the right hand side displayed here, we're not happy with our weeks cover or the rate of sales within key and major customers. As this chart or this graph exemplifies, we're overexposed. We have too much stock, also with our customers to date, which leads to an unfavourable sell out situation.

Our sales line in 2025 has dropped. We've alluded to that one already in our last call. And Markus will elaborate further on that. Our expected EBIT loss in 2025 is also something which we have talked about, and that is a consequence of the dropping sales line, but also about the measures, of the measures that we have taken over the last few months. And we do, of course, also recognise that our cost base at the same time is absolutely not sustainable. And some who've taken immediate action on which we course correct for the future to come.

So these are all things which we have recognised as weaknesses and as opportunities for us moving forward. Over the last few months, we've called into immediate actions to course correct them. So when I was talking about a lack and a deficiency in our distribution, we have started to clean up what we call undesirable wholesale business. We have stopped deliveries. We have taken a top line hit with those undesirable customers, basically. We have started to clean up our overstock at wholesale partner. And I want to reiterate, we have started to clean up. That is something which we'll continue to do in the next couple of quarters as well, actually.

And also, most notably, we have reduced the discounts in our very own channels. So whether it's e-commerce or retail, we have started to show up as a more healthy brand again that commands price points, which consumers are absolutely willing to pay for our products.

From a cash management perspective, reduced our PO placements for next year. That means we will deliver product and we'll deliver stock into the market according to demand that we're seeing to avoid over into a situation like this build up in recent years. We're also very concerned, and we've made great efforts moving forward with our account receivables and our overviews.

From an OPEX perspective, we have taken both tactical measures, but also we have addressed our operational inefficiencies. We will also reduce significantly our range size and the complexity, how we go to market as a brand.

We are also announcing immediate restructuring measures. That means, for example, we are going to significantly reduce our product range, the amount of product that we are creating. But also clarity with which how we're going to go to market, and with which we have an integrated distribution that will be significantly focussed and allow us to succeed and to penetrate the market much better than we've done in previous years.

In order to improve our operating model, we're also going to be much more integrated in the future between the brands, the business unit, and our so-called go to market unit. We're also looking at a different way of orchestrating us between the global and the local entities in the future.

One of the consequences is that over the year 2025 and 2026, we are going to reduce our workforce, our corporate workforce, by 1,400 positions. That's about 20% of that population in PUMA. 500 of those positions have already been covered with the Next Level initiative, which was communicated first half of 2025.

The remainder of that. So another 900 positions will be reduced over the course of 2026. And that is certainly something which will be a clear effort for us in order to save costs and to expand our programme further between 25 and into 2026.

We have also announced leadership changes. So, two months ago, we have appointed a new chief operating officer with the name of Andreas Hubert. He will, in the future, be responsible for sourcing, logistics and our digital and technology strategy. This year, this week, also, we have

announced the expansion of Maria Valdes' role. She will increase her responsibilities from a chief product officer to now also be in charge of brand and marketing and go to market with her title now being Chief Brand Officer.

We have also added new leadership personnel to our team. We have a new leader of HR appointed two weeks ago. We have a new leader in retail channel that will split from e-commerce from a global perspective, starting with us 1st of November. We also have a new leader in the VPNA area in [unclear 00:15:12]. And we have also with Manuel that is on the call with us today, a new leader of our investor relations team.

So many changes also from a people and from a leadership perspective. And with that, I would like to hand over to Markus to take you through our current Q3 results.

Markus Neubrand

Many thanks, Arthur. And now, let's head deeper into the financials. As Arthur mentioned, 2025 is a strategic reset year for PUMA. In Q3, we took decisive steps to strengthen our foundation for 2026. Including reducing unhealthy wholesale business, lowering excess inventory, and limiting promotions in our DTC channels. These measures, while necessary for long term brand health, had a short term impact.

In Q3, sales decreased by 10.4% on a currency adjusted basis to €1.96 billion. And in the first nine months of 2025 by 4.3% to €6.97 billion. Reported sales were down 15.3% in the third quarter of 2025, driven by currency headwinds, especially from the US dollar and the Argentine peso.

The vast majority of the sales decline in the third quarter is driven by the reset activities. Reset initiatives, including cancellations, inventory take backs, and reduced promotions in full price stores and e-commerce.

Our wholesale business declined by 15.4% to €1.4 billion. The decrease was driven by significant inventory take backs, and proactive steps to reduce exposure to mass merchants in North America. We also phased out undesirable business in Latin America, EMEA, and APAC regions.

The direct-to-consumer business grew by 4.5% to €570 million. DTC growth was led by e-commerce, which increased by 5.6%, despite fewer promotions aimed at improving brand perception.

Sales in owned and operated retail stores rose by 3.9%, showing growth in both full price and outlet locations. The DTC share of total sales increased significantly to 29%, up from 25% in the third quarter of 2024.

The reset initiatives implemented resulted in sales declines across all regions. America's region sales dropped by 15.2% to €678 million. Latin America experienced a modest sales decline, but the most significant decrease occurred in North America. The US market was especially impacted by distribution cleanup efforts due to its high reliance on mass merchant wholesale business.

Asia Pacific region sales fell by 9% to €367 million. With greater China's wholesale business seeing a sharp decline from reset actions partially offset by DTC growth.

EMEA region sales decreased by 7.1% to €911 million, primarily due to weaker wholesale performance in Europe, influenced by inventory take backs and reduction of undesired business.

Footwear sales decreased by 9.9% to €1 billion, reflecting broad declines across most categories. Within footwear, we saw growth in the Sportstyle Prime segment, driven by the Speedcat family, partially offset these declines, with particularly strong performance in the Asia Pacific region in the third quarter. However, sales growth in the EMEA and North America regions for Sportstyle Prime did not meet expectations.

PUMA's performance categories, basketball and performance running, remained resilient. Achieving healthy growth. This growth was supported by successful product launches, such as the Velocity NITRO 4 running shoe.

Our apparel sales fell by 12.8% to €636 million, mainly due to decline in Sportstyle, PUMA's largest apparel category. Training apparel showed positive momentum, with strong growth driven by HYROX, where PUMA serves as the exclusive partner. Additional growth in apparel was seen in motorsport and basketball segments. Accessory sales declined by 6.1% to €274 million.

Now, let's move on to the operating performance. Again, we've taken decisive steps and started implementing reset initiatives that had a strong impact on our profitability in the third quarter. Gross margin declined by 260 basis points to 45.2%. This decline was primarily driven by increased promotional activity in the wholesale channel. Additional impact came from higher inventory reserves, which were necessary due to ongoing distribution cleanup measures. Increased freight costs led to additional margin pressure during the period. These negative effects were partially offset by more favourable distribution channel mix, thanks to the significantly higher share of DTC sales compared to the same quarter last year.

Operating expenses, including royalty and commission income, decreased by 2.7% compared to the prior year quarter. The decrease in absolute terms, reflects the positive impact of our cost efficiency programme. The decrease in OPEX was partially offset by continued growth in our direct-to-consumer business, especially in e-commerce. Higher depreciation amortisation resulting from investments in DTC initiatives and infrastructure. Marketing expenses increase as a percentage of sales in the third quarter. And overall, OPEX ratio increased by 570 basis points to 43.5%.

Adjusted EBIT, excluding one-time costs, decreased to 39.5 million due to sales decline and a lower gross profit margin, resulting in an adjusted EBIT margin of 2.0% in the third quarter. PUMA incurred one-time costs related to the cost efficiency programme of €10.1 million in the third quarter, and I will provide more details later in this chapter. Consequently, the reported EBIT came in at €29 million, resulting in a reported EBIT margin of 1.5%.

Our financial results improved by 6.3%, reaching -€44 million in the third quarter 2025, compared to -€47 million in Q3 2024. Taxes on income amounted to €38 million, down from €48 million in the previous year. This decrease was primarily due to lower earnings before taxes. Partially offset by write offs of deferred tax assets in the US, China, and Brazil.

Net income attributable to non-controlling interests amounted to €10 million, compared to around €15 million last year, reflecting a softer performance in socks and body wear in the US. As a result, the net loss for the period was €62 million, while Q3 2024 had reported a net profit of €128 million.

And also a very quick wrap up of our year-to-date numbers. On the first nine months basis, this takes us to an adjusted EBIT margin of 1.7% and the reported EBIT margin of -0.2% and a net loss of €309 million. Last quarter, we already outlined that we see elevated inventory levels at PUMA, but also in the wholesale channel. As a consequence, we've taken immediate measures to clean up distribution by executing take backs. At the same time, we've taken steps to reduce our undesired business. Both measures are necessary to build a healthy base for 2026 and beyond.

However, these actions will remain a headwind on our inventory level, which will peak in the fourth quarter of 2025. To offset this inventory development, we have reduced and will further adapt our purchase orders to our demand

forecasts and existing inventory levels to avoid additional supply. And to finally bring back inventories to a more normalised level by the end of 2026, we will execute product clearance through outlets and selected wholesale partners, supported by targeted promotional initiatives.

Now, let's have a look at some of our balance sheet KPIs. As just mentioned, partially driven by inventory take backs from wholesale partners to clean up distribution. Our inventories increased in the third quarter by 17%, currency adjusted, 17% in euro terms, and 24% to currency adjusted, to €2.1 billion. Trade receivables decreased by 18% to €1.2 billion, mainly due to lower sales. Trade payables decreased by 2% to €1.3 billion, reflecting reduced purchasing orders in the third quarter. The working capital increased by 2% to €1.9 billion. Net debt increased to 1.2 billion, mainly driven by increased bank liabilities. To support the operating business and finance working capital.

Let me give you some more background on the free cash flow development. This is a clear focus area for us. The free cash flow came in at -€686 million in the first nine months of 2025. Looking at this development, you can see that the free cash flow is impacted by our reset activities in 2025. And we expect that this impact will continue in 2025. With free cash flow in Q4, substantially below prior year level.

Thus, we are taking decisive steps to mitigate the decline by focusing on a tight working capital management. This includes the reduction of purchasing volumes based on our demand forecasts and existing inventory levels. Enhancing our cash conversion cycle by strict [unclear 00:27:37], outstanding monitoring, as well as optimising our payment terms, especially for indirect procurement.

PUMA incurred one-time costs totalling €113 million in 2025 so far. Roughly 75% of these costs were attributable to the cost efficiency programme initiated at the beginning of 2025. This includes expenses related to personnel costs, closure of unprofitable stores, and other one-time non-operating expenditures, such as consulting costs, as well as impairment of intangible assets related to digital infrastructure. The remaining costs are related to goodwill impairment in Japan in the second quarter.

Looking ahead, we expect further one-time costs in the fourth quarter related to the expansion of the cost efficiency programme announced earlier. We will provide more details on the exact level and savings in due course.

PUMA United is a partnership between PUMA and United Legwear, which mainly focuses on the sale of socks and

body wear in the US market and Canada. The partnership contributed €428 million to our sales in 2024. PUMA currently holds a 51% stake in the company. As part of the ongoing reset measures and efforts to optimise the PUMA distribution network, PUMA is considering moving from a partnership model to a licensing model in the fourth quarter of 2025.

The PUMA United Business is currently fully integrated in the operating segment, Region North America. In a potential future licensing model set up, PUMA United will no longer be consolidated into PUMA's financial statements. Also, PUMA would receive royalties from United Legwear once a licensing agreement would be signed.

Next, I would like to give you a short update on US tariffs. We've managed to limit the mitigated impact of the tariffs to around €50 million on gross profit in 2025. One of the three levers of this has been optimising our supply chain. We continue to reduce further our China to US exposure. The vast majority of our US imports originate from Asia, with Vietnam, Cambodia, and Indonesia accounting for the majority of the US production.

The second lever is the introduction of selective pricing adjustments, starting in the fourth quarter of 2025. We've seen price increases in the market, and we are very selective and careful with our price increases, which also depends on the price points we are selling. The third lever is our long standing partnerships with vendors and wholesale partners with whom we are working closely to mitigate the impact of the tariffs.

Based on the development in the first nine months of 2025, we confirm our outlook for the full year 2025. Sales decline of low double digit in constant currency. Reported, we expect the reported EBIT loss and our capital expenditures are expected to be around €250 million. As Arthur said, 2025 is a reset year, and we will continue to face headwinds on the margin side in the fourth quarter 2025. Especially from a gross margin perspective, our reset initiatives will lead to a substantial decline versus previous year. And full year 2025 gross margin is expected to be close to the level we have seen in the third quarter.

To sum it up. Our analysis is clear and decisive steps are being taken that we already see reflected in the numbers. Challenges ahead, but we believe Q3 was already a significant first step in the right direction. And with that, I would like to hand it over back to Arthur.

Markus, thank you very much. So, after the status analysis and giving you the numbers for Q3, I would also like to talk about our way forward and the ambition that we have defined as a management team together for PUMA in the future.

We clearly have to recognise that our brand position is not in the top three anymore. The softening sales line and increased competitive activities in the market have made us falling back. So we clearly call out as our goal for a company and for our brand to become a top three sports brand in the future again.

Top three globally means we have to return to above industry growth after 2027. That will come hand in hand, of course, with a return to healthy and sustainable profits as a brand, as an organisation. We will definitely move to become one global sports brand. And it's very important to notice here that we will remain and be a sports brand with a global reach and a unique way of how we're going to market. And it's very important to recognise that we are focusing on sports as our prime destination and the place where we're also going to create a halo effect for the entire organisation.

What are the winning principles of the one global sports brand approach? It is absolutely determined for us to become more relevant for our consumers again. We need to start by building a very, very clear and unique brand direction for PUMA. We need to make sure we stand for something that consumers around the globe are going to recognise. It needs to be absolutely indistinguishable what PUMA as a brand will be. Our meaning and our talkability will significantly increase. That will all be based around an integrated approach for products and our storytelling.

We'll make sure that we're going to communicate our innovation, our archives, our products, as well as our heritage with intriguing stories, and with an intriguing way, an innovative way how to reach consumers in the key and relevant markets around the globe.

And last, but not least, and very important from our perspective, will be a very deliberate go to market and distribution story. And all of those things mean we're going to be discussing, strategizing, and implementing those plans right from the get-go as a synced up and integrated team.

We'll pursue a clear approach to strengthen our brand. That does mean we're going to invest into marketing and will be continuously very focussed on the categories, on the stories,

and on the markets, that we will make a difference in the future. Our storytelling, as I've mentioned already, will be an integrated one. We will be very focussed to really have fewer stories out there that cut through and hit the nerve of today's consumers. All of that with a clear ambition that each and every initiative that we're investing behind will have to create a brand halo effect for the entire PUMA brand.

It also means our approach to product will be adjusted. Yes, as a sports brand, we are going to innovate. And as a sports brand, we're going to invest behind our innovations, primarily in three distinct categories football, training, and running. We'll significantly increase our efforts when it comes to our rich archives. Bring backs and products from the past decades will be of key important for us to rebuild our brand, but also to be commercially significantly more successful than what we've been in the past. And that will all mean we're building significant and meaningful franchises that consumers will recognise, and that will determine our brand moving forward.

We are striving to win on and off the pitch. Being a performance and being a sportsman, we, of course, know what it takes to build products for performance that are worn in sports, on the pitch, on the running track, and in the gyms. But it's equally important that we realise that we can inspire, we can inspire consumers through sports. But by wearing those products for style, off the pitch, in lifestyle, in street, where PUMA can definitely become a much more dominant force than what we are to date.

We'll give ourselves a much clearer category focus moving forward. I've named the three sports categories that we want to be actively investing from a consumer perspective. That is going to be football, running, and training. And we'll focus on the Sportstyle category, primarily the so-called select in prime channels. That means in those areas, we expect growth in each and every market around the globe.

Below that, we're, of course, going to have other sports categories, which include golf, motorsports, indoor and basketball. These are important in certain parts of the globe. And, of course, we are going to continue with them. However, the planned growth will come from the four areas I've mentioned above.

And then we'll have our backbone categories, which will drive commercial success and also harvest the halo effect that was talked about earlier. Namely, the areas of core, kits and accessories. We will be evolving our channel mix. That

means we are going to have a healthier growth, a healthier and sustainable growth with our wholesale partners. And we are targeting a higher growth in our DTC channels. Higher growth in under-penetrated e-commerce channel, but also higher growth in our own brick and mortar channels.

That does not mean that PUMA will move to a DTC first or DTC only strategy. It's about balancing out our efforts, growing in both areas and getting closer to the industry benchmarks I mentioned previously.

One thing we are very proud of is, of course, our flagship stores. And I would just like to announce that on November 20th, we'll open the doors in London, Oxford Street, for our latest addition to our retail fleet. Our flagship store will open its doors and intrigue consumers with great stories, great products, and an amazing shopping experience.

So, to conclude, the journey that we've announced a few months ago will continue. I would like to reemphasize that 2025 is the year that we are going to reset our business and our brand. We're reorganising, we're refocusing, we're providing clarity for our organisation. The execution of that will last well into 2026.

We need to rebuild the momentum and the confidence in our brand and in our operation. And that change will take time. Hence, we call the year of 2026, a year of transition. Our absolute goal and our commitment is to grow again as a brand in 2027. We clearly want to accelerate beyond the industry momentum and gain ground again versus competition.

More of those details will come in our messaging in the first half of 2026. So, to sum it up, our ambition, our North Star, is to become a top three sports brand in the future again. We are promising to return to growth above the industry norm by 2027. And we'll return to a healthy profit and a healthy mix after that as well.

This is not just a plan that will get us there. I fully realise that within PUMA, we have to change our mindset. We have to change our discipline, and we also will believe much more in what we say and what we execute. We're committed to our history. We're committed to our DNA within the sporting goods industry, and we're incredibly proud of our logo, the cat.

We do believe we have what it takes to shift the fate of PUMA and to move forward as a much more successful brand. With all the adaptations and all the changes we've just

outlined in the last few minutes. Thank you very much for your attention. And we'll play the video, please.

Q&A

Manuel Bösing

Thank you, Arthur. Thank you, Markus. We are now ready to start the Q&A session. Operator, please open the lines 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 touchtone telephone. If you wish to remove yourself from the question queue, you may press star, followed by two. If you're using speaker equipment today, please lift the handset before making your selections.

Anyone who has a question may press star, followed by one at this time. In the interest of time, please limit yourself to two questions only. One moment for the first question, please.

The first question comes from William Woods from Bernstein. Please go ahead.

William Woods

Question's just on the inventory position. I suppose you've been in the business for a couple of months now. Has the inventory position surprised you versus what you expected?

And then the second question is, you talk about the different sports and different areas that you're going to focus on. One area that I suppose you haven't mentioned as much is the different geographical strengths and weaknesses of the business. Where do you see your focus being geographically? Thank you.

Arthur Hoeld

Thank you very much for your question. So, just to briefly mention now, I wasn't extremely surprised by what we've reported in Q3 and Q4. And that's why we've also very swiftly moved into an action plan, and to a decisive way of addressing our inventory issues with the measures that both Markus and myself were mentioning.

From a geographic perspective, I would like to point out that our key focal areas will be our home market, Europe. It will definitely be also about succeeding in North America as the most influential and the largest sporting goods market in the world. And we're thirdly going to address our position in China. Those will be the key three geographies that, as a brand and as a business, we are going to focus on moving forward, or with slightly different tactics. And those we'll talk about and reveal at a later point in time next year.

William Woods

Excellent, thank you.

Operator

The next question comes from Monique Pollard from Citi. Please go ahead.

Monique Pollard

Hello, afternoon, thank you for taking my questions. So the first question I had was just around the balance sheet. I was interested in understanding how much undrawn credit you have at this point in time versus where you were at the half year. And just generally, how you feel about the balance sheet health with, obviously, the working capital strategies that you outlined for us, Markus?

And then the second question is on United Legwear. So you mentioned that you might license this business at the end of the year. Should we expect a material cash inflow from that license agreement if it were to take place?

And then just on the accounting, So obviously, you've mentioned there's 428 million of revenues last year that would no longer be consolidated. What sort of gross margin does that revenue come with? And then I guess we should be thinking of stripping out all of the EBIT for that business, which I assume is somewhere in the region of 120 to 150 million. Thank you.

Markus Neubrand

Thank you, Monique, for your questions. I'll start with the first one around the balance sheet. Clearly, the capital structure is part of our strategic analysis. And obviously, in focus right now. Our leverage is elevated and will stay elevated in the fourth quarter of 2025, and also throughout the first half of 2026. Given our favourable financing conditions in the past, no financial covenants are applicable. At the end of the third quarter, we had cash and cash equivalents of €265 million and more than 500 million of unutilised credit lines available. We are working on and are very confident on securing additional financing across various instruments.

Then the second part of your question regarding PUMA United. The rationale, PUMA United transitioning to a licensing model will allow our North American team to focus and develop the core business. I think as Arthur also just mentioned, helping from a geographic perspective, a very important, globally influential market. In addition, it will reduce complexity.

Regarding further details around also that transition to a licensing model. I would like to I think then also refer to my previous remarks that I've made. You have additional disclosures for the non-controlling interests available in our annual report under notes section for 2024. But of

course we'll make an announcement once we have made and entered into a definite agreement, which we expect to do so during the fourth quarter of 2025.

Monique Pollard

Thank you. Just coming back on that United Legwear point, but should we expect any cash inflow from the licensing agreement, or it's just a switch to royalty income going forward?

Markus Neubrand

It's a switch to royalty income going forward. I think that's what we talked about in terms of the transitioning from a partnership to a potential licensing model.

Monique Pollard

Understood. Thank you.

Operator

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

Jürgen Kolb

Yes, indeed. Thank you very much. Good day. Thanks for the presentation. And the first indications as to where you want to take this brand. Two questions in this situation. First of all, on the market positioning, Arthur, you said becoming a top three brand. And you mentioned, obviously, that relates to growth and profitability, of course. But where do you see PUMA in terms of pricing? Will PUMA become a premium brand? Is that something you're looking at? Do you need to increase R&D expenses?

On the performance side, obviously, you've already been quite successful with launching the NITRO products at higher prices, but not so much in the leisure lifestyle category, I'd say. So where do you see that price wise positioning, and how relevant will collabs be in the future? That's my first question.

The second one. Obviously, some of these product developments and introductions in the past, as you already said, did not work. And you've made a lot of personnel changes. But did you also change processes? Did you change responsibilities, not just where and who is responsible for certain categories, but the go to market process? Has that been changed, or is that something you're planning to do in H1 26? Thank you very much.

Arthur Hoeld

Jürgen, thank you very much for your question. So, as part of enhancing our brand momentum and increasing our brand desirability, we are looking, of course, at up-pricing and premiumising our product portfolio. That, however, does not come ultimately at the expense of higher R&D costs. As you said, as you pointed out, some of our technologies are already in a very, very good shape. The NITRO technology being our positioning in football, but also our Collab with the likes of HYROX.

Where we have definitely room for improvement is on the lifestyle side, but also on the side where we have a significant amount of so-called comfort products. We do believe that with a better brand positioning, we have room there for higher price points, but also for being way less promotional driven. So those two points together, I believe, will allow PUMA to become a much more premium brand in the years to come.

Second part of your question was changing processes. Yes, absolutely. And I think I've alluded to that. We will become a more integrated team operating in the future, less siloed, less sequential. So the go to market, the design, the product, and the brand teams will sit together, not just physically, but at the beginning of a season, and discuss what will make us ultimately successful in a more succinct and in a more orchestrated manner, with a smaller range.

Our processes have not been adjusted in the past in order to succeed, But we're in the process of doing that. And hand in hand with that, of course, also goes structural and personnel changes. That all will work out in 2026, affecting the collection as of 2027. As everyone knows, in our industry, we usually work on an 18 month product cycle. So the first impact of that new approach should be expected in spring, summer 2027.

Jürgen Kolb

Got it. Very good. Thank you very much.

Operator

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

Warwick Okines

Thanks. Good afternoon, everyone. Just interested in United Legwear from a consumer perspective rather than a P&L perspective. By moving to license, is your aim to reduce the amount of these products that you sell to consumers in GMV terms?

And then secondly, around your comments about reducing the breadth of your range, I suppose some people would say that PUMA's problem has been that you haven't had enough product. So why is that the right direction to take? Thank you.

Arthur Hoeld

So, on the first question, no, we're not intending to reduce the products which are offered under United Legwear at the moment. We're very confident about the strength of its products and also their relevance in the market. This is a business model change that we'll talk about, but not something that will affect consumer relevance.

And secondly, I do believe our range is definitely way more than enough in order to address a consumer in our markets.

I think one of the issues that we're having is we're creating too many products. We're not spending enough time and enough energy to land the few which are important, and also make sure with enough and sufficient marketing and storytelling, we're going to land those products sufficiently. That's both across the sports, but also even more so in the lifestyle area.

So with those cuts that we're going to do from a range architecture perspective, I'm more confident that we'll cut through as a brand, and we'll provide clear franchises and clear product stories to succeed with consumers.

Warwick Okines

Understood. If I could just come back on United Legwear, so you're confident that none of that product is being sold in undesirable channels that you'd wish to clean up?

Arthur Hoeld

No, that goes hand in hand. Of course, when we talk about our distribution strategy, it's all products which are carrying the PUMA logo. So we'll make those efforts on all areas being it's accessories, underwear, so the licensed business, but also our inland business. Absolutely. That's an effort that goes hand in hand. Specifically, in that case, addressing our position in the North American market.

Warwick Okines

Got it. Thank you so much.

Operator

The next question comes from Grace Smalley from Morgan Stanley. Please go ahead.

Grace Smalley

Hi. Thank you. My first question would just be on the Sportstyle Prime, which is clearly outlined as a potential growth opportunity, alongside the performance categories you've outlined. I guess Sportstyle Prime was also identified as an opportunity under the previous strategy, given PUMA's low market share in that channel. And, of course, Speedcat was expected to be a significant unlock for that.

As you think about going after opportunities in Sportstyle Prime going forward, what are the key learnings from the previous strategy, and how should we expect your go to market approach to this channel to evolve?

And then my second question would just be on profitability and to giving us a helpful steer on expecting to return to above industry growth in 2027. But from a profitability perspective, given you've said next year is a transition year, should we expect that you could still have an operating loss in 2026? Or how should we think about the path back to profitability and the drivers from here? Thank you.

Arthur Hoeld

Thank you very much for your question. So, what we are going to address with a significant opportunity in Sportstyle

Prime business is in [inaudible 00:56:44]. We're going to offer a broader product portfolio than what we have done in 24 and 25. We've been very, very focussed on the so-called low profile business, namely the Speedcat business. We had some successes there, and we're definitely confident that with the right measures and the right approach, this will carry us also into 2026.

However, there's much more room in that area in our rich, rich archive, will give us way more opportunities being in the court business, in the basketball business, in a lifestyle running business. So we'll broaden our portfolio there and will become more relevant in very, very consumer relevant segments. That also means our go to market strategy. Our approach will change. We will be looking for seeding the products. We'll be making sure we invest behind the right silhouettes and franchises, and then make them commercially ready for larger volumes to be introduced into the market in 2027 and beyond. So that should give us a better positioning in that market, but also significant growth opportunities moving forwards.

And to your second question, of course, we're very focussed this year with our immediate actions taken with our new defined strategic priorities. And that also means that we're going to transition 2026, the entire company, and would return to profitable growth in 2027. As much as I can say on the reported EBIT, I would envision a strong improvement in 2026 versus 2025. We're expecting one, of course, for 2026, but clearly way below our 2025 levels. Also, our brand momentum and distribution to quality will, of course, take time, and that's what we call the transition in 2026. But we believe we'll be in a much better position coming 2027. Thank you.

Grace Smalley

Thank you.

Operator

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

Andreas Riemann

Good afternoon. First of all, thanks, Arthur, for sharing your thoughts on the PUMA brand and for identifying the problems. Two topics. One is the take backs. So, how much of product, actually, roughly, are you planning to take back in 25 and 26 together? And linked to that, is it possible to say how much does it affect footwear and apparel? That will be the first topic, the take backs.

Then, second, on the team, there were some personnel changes. You did provide some comments here. But is the team that you need now in place? Is the organisation in the right structure for you? Or is there more change needed

before you can start the execution? These would be my two topics. Thanks.

Markus Neubrand

Andreas, let me take the first question regarding the inventory development. During the presentation, we've given you a chart where also you've seen the illustrative development that we foresee with our inventories also for the fourth quarter. Where we expect also that our inventories will peak in the fourth quarter, and that we expect also from then on, I think through the measures also that I have been speaking about. An improvement, a normalisation towards the end of 2026.

The illustration, and of course, also what we have done in the take backs are a negative impact, which increases our inventory levels. We have executed take backs in the third quarter already. We're expecting more take backs in the fourth quarter of 2025. And with that, also, we expect the majority of the take backs will be done in 2025. And from then on, of course, we'll focus on liquidating these inventories through our own factory outlet channels and selected wholesale partners.

And, of course, very important, as I talked about, the future purchase orders, and Arthur referred to this as well, we are very careful in placing our purchase orders. Take into account the inventories that we have, that we expect to come back. And of course, also were very based on the expected demand that we see for 2026.

Arthur Hoeld

Thanks, Markus. And on the teams and the changes, I announced another reduction of our corporate workforce by another 900 people throughout the year of 2026. That will, of course, mean that we are going to adjust our structures on all levels of the organisations, the global functions for the local teams. That also means we are in the process of redefining some of those interactions and overall of our go to market model.

That does, however, not mean that we're going to put our organisation or our efforts on hold. The continued development of our spring, summer 2027 collection is just underway. And that will also go hand in hand with a revised go to market strategy. So expect further changes in the structural perspective within the PUMA organisation.

Andreas Riemann

Okay, thanks.

Operator

The next question comes from Wendy Liu from JP Morgan. Please go ahead.

Wendy Liu

Many thanks for taking my questions. I have two, please. One is, you mentioned in the press release that you expect

to return to growth in 2027 after you completed work on inventory and wholesale channel cleanup. I see in Bloomberg, the consensus at the moment is 7.5 billion sales for 2026. Do you view that 7.5 billion level as a clean base to grow your business in 2027, or should we expect a deeper reset? Which, for instance, should we see you cutting your sales size to 7 billion, 6.5 billion, or even lower by end of 2026, so you can start fresh in 2027?

And then my second question, sort of related, but could you please quantify the size of the wholesale business that you would look to cut? I think you mentioned that three in ten of your wholesale doors are with mass merchants. Is that fair to assume that 30% of the wholesale network might be cut in the ideal case? Thanks.

Arthur Hoeld

Thank you for your question. So, let me start with answering your second question. When I talked about the three customers in our top ten selection being mass merchants, that is, of course, not equivalent with us cutting 30% of our wholesale business or reducing that even further. What I was alluding to is that within those customers, we're significantly reducing our exposure, and we're therefore adjusting our business with them. They have a position in the market, like with all other brands, but we are going to significantly reduce our exposure on there.

And to your first question. It is also very important to realise that for 2025, that is our year of reset. And that is the year where we are going to basically adjust our business and adjust our top line as if [unclear 01:04:30] markets have alluded to. Our United decision will be relevant for our absolute revenue base, that that will be about it. 2026 then will be a year of transition, where we are adjusting and implementing all of those decisions to lead us then to healthier base and to healthier platform for then expected growth in 2027.

Wendy Liu

Got it, thank you.

Operator

The next question comes from Nick Anderson from Berenberg. Please go ahead.

Nick Anderson

Hi. Thanks for taking my question. Just wondered if you'd had any thoughts specifically around the product mix in terms of footwear, apparel, and accessories, and very specifically, on the accessories category? You do over index versus peers. And I guess part of that is the Cobra Golf brand. And I wonder if you had any specific plans or thoughts yet on the Cobra Golf brand. Thank you.

Arthur Hoeld

No, we're quite happy with how golf and the Cobra brand is

performing for us. As I've outlined, it is one of our pillars for our credibility in performance and in sports. And on the other question, we are certainly keen to also grow with our accessories business, not just from a share, but from an absolute perspective. But it's also a consequence of a stronger brand and a stronger brand halo that allows us then to sell more and to place more accessories within the distribution landscape.

Nick Anderson

Thank you.

Operator

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

Thierry Cota

Yes, good afternoon. Thank you very much for taking my questions. On DTC, I'd like to understand better the strategy to raise the exposure of revenues. You already have a large number of stores. So, what is the strategy going forward? Is it opening more stores or closing underperforming ones, or opening different ones or in different locations? And in that idea of a ramp up DTC, should e-commerce outperform or not? I believe it accounts for about a third of your retail sales today. Would be nice to know if you confirm that. And where do you see that going?

And secondly, you've said two targets. One is to go back to healthy and sustainable profits, and the other one to grow like the industry in 27, if I understood well. So I'd like to know, in your view, what is the industry growth in 27 or normalised growth, number one? And number two, what do you call sustainable and healthy profits for PUMA? Is it 6 to 7% EBIT margin, or is it low teens, like the sector average is today? Thank you.

Arthur Hoeld

So, from a retail perspective, brick and mortar, that is specifically, our goal is still certainly to extend our factory outlet network, to be even more in charge, be more in control of liquidating our products. But equally, at the same time, taking advantage of the growing opportunities in factory outlet parks and premium factory outlets.

Secondly, we have already started to reduce our retail network, our unprofitable part of our retail network, and therefore, we will be very selective from a geography, but also from a location perspective, where we are going to invest with full price retail stores moving forward.

Second part of your question, we do definitely believe that our e-commerce to date is under-penetrated, and we have a significant opportunity to enhance both our exposure, but also our full price opportunities within e-commerce. And that applies for each and every area around the globe. And

that is a process we've started already. I've alluded to that. And our promotional activities on dotcom have certainly significantly been reduced over the last few weeks.

Second question. It is, of course, sheer speculation, what the expected industry growth will be in 2027. We believe it will be around about 5%. That is an industry average that I think will be achievable moving forward. I would, at this point in time, not make any comments about the healthy profits and what we believe could be an improvement versus 2026.

It is a bit too early at this point in time. I think I've alluded to our significant efforts in 2025, we're really focussed at this point in time. I'm only in the company for three months to get our ship in place again, to transition into a healthy environment in 2026. And beginning of next year, we'll then disclose those plans as well. Thank you.

Thierry Cota

Thank you. Maybe just a follow up to make sure I understand. So you consider that in industry a predictable level would be mid-single digit, once we're out of the current down cycle. And your view is that PUMA could grow at that level going forward or exceed it, Because I think you said you wanted to exceed not in 27, but later, the industry growth, is that correct?

Arthur Hoeld

Yes, 27. And the following years, we're very confident that we will exceed the industry average growth. Yes.

Thierry Cota

Great, thank you.

Operator

For any further questions, please press star and one. The next question comes from GJ Lowery from Rothschild and Co Redburn. Please go ahead.

GJ Lowery

Hi, team. Just one question, really. You've been very clear about your desire to elevate. I wonder how far you'd explored an alternative strategy around really doubling down on operating at one, two, three price points below some of your competition. It's just when I look at the more premium aspects of sports where they don't feel notably underserved, and PUMA, historically, has had quite a lot of success at what I would say are quite sharply value, but with sports credentials backing it type price points. Any thoughts around those issues would be much appreciated. Thank you.

Arthur Hoeld

Yes, we're not moving away from some of those very valuable, and by the consumers, highly appreciated entry price points. We do, of course, recognise we have a very strong position in there, and we're going to be defending that one.

However, the growth opportunity commercially, but also from a brand perspective, will lie in mid and higher pricing tiers. That is also quite notably the case, because unless you're creating a brand desire and a so-called halo effect in the upper channels, it is very tough to sustain the brand momentum in the entry price points and in the commercial areas.

GJ Lowery

Understood. Thank you.

Operator

The next question comes from Krista Zuber from TD Cowen. Please go ahead.

Krista Zuber

Hi, this is Krista, on for John. Thank you for taking our questions. Just first on the cash flow expectations. You plan to preserve the cash flow, you talk to slowing down the inventory growth, reduction in the purchase orders, and the transitioning of PUMA United to a licensing model. How does this inform your thinking or your approach to sport partnerships and marketing investments from here, and what you think is the optimal marketing spend on normal revenue base? And I just have one follow up after that. Thank you.

Markus Neubrand

Can you just clarify your question? I think it was about what is the normalised marketing spend? Nothing then relating to, I think, the cash flow that we can fund. We talked about overall, clearly, cash flow is the focus. And I think then also in the first question, explained, also to be working now on additional financing through different instruments.

In terms of the marketing spend going forward, clearly, we will continue to invest into the brand, and I think we continue to expect around 10%. And I think of sales, I think is a good indication in terms of our marketing investment.

Krista Zuber

Thank you. And then just looking back over PUMA's history in the past ten years, the peak operating margin was eight to slightly above 8%. Many of your global athletic brand peers, some of which are also undergoing comprehensive strategic transformations, have talked to a double digit to a mid-teens operating margin much longer term.

So, just curious where you're sitting now. I realise you've only been there for three months, but curious to how you see the long term operating margin opportunity in relation to past administration targets of around low double digits or 10%? Thank you very much.

Arthur Hoeld

I think it's fair that I can't comment on the long term margin goals after being three months into the office. As I said, the significant structural adjustments and changes that we're making across the entire organisation and the immediate

goals that we're pursuing will put us up for a conversation. And that conversation, I would like to have them with all of you at the beginning or into 2026.

Krista Zuber

Thank you.

Operator

We now have time only for one more question. Which comes from the line of Robert Krankowski from UBS. Please go ahead.

Robert Krankowski

Hello. I've got two questions. The first one will be on gross margin. You very helpfully mentioned the gross margin for 2025. But when you think about 2026, a lot of the cleanup initiatives will continue. But also, we are going to have benefits from transactional effects, as well as some of the cost savings, I remember, which should also benefit the gross margin. So, should we think that 2025 is the trough, or are you going to basically still see a significant deterioration in 2026?

And then maybe a question on margins again, in terms of long term, but slightly different. You mentioned that you plan to invest around 10% in your marketing spend, and you also want to outperform the industry. But if in 2027, you are not getting close to the industrial performance, would you accept being lower on your margins for longer, but investing more in the brand just to achieve the industrial performance? Or you'll be just trying to balance it and grow closer to industry average, but improving your margins? Thanks.

Arthur Hoeld

Robert, thank you very much for your question. Let me start with the first point. At this point, clearly, we are not guiding for 2026. I think we'll provide a guidance for 2026 with the publication of our fourth quarter results at the end of February next year.

The drivers I think that you just outlined also when you asked your questions, yes, our hedging strategy is transparent. I talked about it all during the Q2 results. And given the current currency environment, also the US dollar, I think it's a tailwind. And I think this is one factor, I think that will be at play. But at this point in time, I think too early to go into further details.

And in terms of the second question, I think they now talked about overall. I think they give an indication for marketing spends also here. And I know we've received over a lot of question asking about [unclear 01:17:04]. And I think that 2027 and our vision mean we will be providing and working on for the first half 2026 of a further update of our plan. And also, at this point in time, I think then also, we're providing

you a detailed guidance. And then also targets for a midterm. And I think development is too early. And I think that here we would like to ask for your patience, and we'll get back to you with more details during the first half of 2026.

Operator

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

Manuel Bösing

Thank you very much, Maura, and thanks to everyone for your questions and comments today. We truly appreciate your continued interest in PUMA. We'll stay in touch, and we look forward to speaking with you again soon. This concludes our call for the third quarter of 2025. Thank you, everyone, and goodbye.