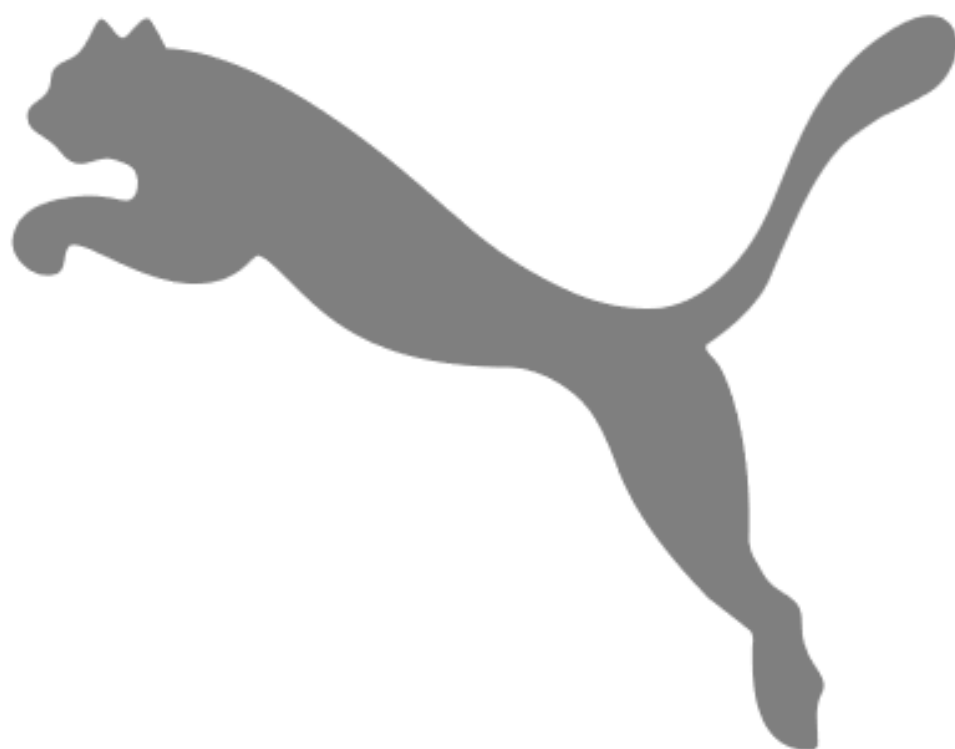


PUMA
Q2 & H1 2025
Preliminary Results Call
TRANSCRIPT



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Anne-Laure Bismuth – HSBC

Adam Cochrane – Deutsche Bank

Monique Pollard – Citigroup

Jürgen Kolb - Kepler Cheuvreux

James Grzinic - Jefferies

Warwick Okines – BNP Paribas

Piral Dadhania – Royal Bank of Canada

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

PRESENTATION

Oliver Maier

Thank you very much, Sergen. I would like to welcome all of you to our conference call to discuss PUMA's preliminary second quarter results for 2025. Joining me on the call today is our CEO, Arthur Hoeld, who joined the PUMA team on July 1st, and our CFO, Markus Neubrand. Markus will set the scene for today's call and take you through a short presentation, where we would like to explain the major moving parts of the information disclosed last night. I'm very happy that Arthur decided to join our call, as I'm sure he would be keen to share his first observations of the last four weeks and use the opportunity to put things into perspective.

After that, we should have ample time for our Q&A session. Talking about Q&A, I would like to ask you all for a favour and limit your initial questions to maximum two questions, to allow as many people as possible to ask their questions in our allotted time. Thank you very much for your cooperation. Before we begin, please note the cautionary language in our Safe Harbour Statement on the next slide. And without any further ado, over to you, Markus.

Markus Neubrand

Thank you, Oliver, and welcome, everyone. Before we review our preliminary numbers, I want to provide some important context for today's update. As a management team, our priority is to ensure PUMA's long-term success and to act in the best interests of all of our stakeholders. The ongoing market trends and PUMA-specific challenges, are expected to continue affecting our business into the second half of 2025. This has prompted us to review our outlook for the remainder of 2025 and to update our guidance accordingly. As we transition leadership, it's important that we provide flexibility to assess our strategy and make adjustments where it is necessary. Our decision to update you today, ahead of our scheduled results, reflects our commitment to transparency and proactive communication.

As part of this process, we're incorporating new assumptions for the second half of 2025, which results in several one-off items. While these near-term challenges are significant, we are taking decisive actions, including additional measures, to further align our cost base in the second half of the year. These steps are designed to ensure PUMA remains competitive and well positioned for future opportunities. For now, let me take you through the preliminary business and financial performance.

Our sales in the second quarter decreased by 2% in constant currency to €1.94 billion, ending up below our expectations for the quarter. This performance led to a

sales decrease of 1% in constant currency in the H1 2025 to €4.02 billion. Most regions that we define as our key markets contributed to such performance. Most importantly, we saw weakness in North America with minus 9% in Q2. In particular, the Wholesale channel has been challenging for us, as well as the brick and mortar business in that region. Europe declined by 4%. The soft performance was mainly driven by the Wholesale business. Greater China declined by 4%. The soft Wholesale performance, especially in Mainland China, overshadowed strong DTC growth, driven by our e-commerce business in that region.

When reviewing the sales breakdown by channel, one can observe that our sales generated in the Wholesale business decreased by 6%, mainly driven by our footprint in North America, clearly missing our expectations. The same trend was also observed in Greater China, as well as in Europe. Our Direct-to-Consumer business grew by 9.2% in constant currency, to €601 million, led by the e-commerce business, which grew 19.4%, while sales in owned and operated retail stores increased by 3.4%. The DTC share rose to about 31%, up from roughly 28% in the previous year. Looking at the developments by division, it's worth pointing out footwear sales increased by 5.1% to €1 billion and 61 million, driven by Running and Sportstyle categories.

Let's continue with the operating performance. In a nutshell, sales were softer than initially expected. Our preliminary second quarter of 2025 sales decreased by 2% on a currency adjusted basis to 1.9 billion. Sales in euro terms decreased by 8.3%, and include negative currency effects on our sales, mainly from the US dollar, Mexican and Argentinian peso, as well as the Turkish lira. Our gross profit margin decreased by 70 basis points to 46.1%.

Taking a closer look at our gross profit margin. Our gross profit margin was impacted by several offsetting factors this quarter. While we benefited from favourable sourcing prices and freight, as well as improved channel and regional mix, these gains were more than offset by promotions and currency headwinds. Our promotional activity was mainly driven by Greater China and North America. Adjusted EBIT ended up at minus €13.2 million. The decline in EBIT was mainly driven by the lower gross profit margin. Net income performance was driven by the lower than expected adjusted EBIT, as well as non-recurring charges and mainly one-time costs linked to the nextlevel programme, as well as the goodwill impairment and a deferred tax asset write-off.

When we look at the second quarter and the H1 performance, we've experienced various company-specific challenges that need to be addressed going forward. That being said, if we look at the first two challenges mentioned, it's clear that shifting our brand momentum and improving both our channel mix and quality are really strategic issues. They are not things that we can fix overnight. They require a longer term approach to be addressed. What we can focus on and address in our outlook for 2025 are the effects of US tariffs and the high inventory levels we are currently seeing. These are areas where we can and have been taking more immediate action. Elevated inventory levels in our balance sheet are leading to lower full price realisation. In response, we've adjust our future orders to better match expected demand. We will continue to actively reduce inventory levels. It is clear that we need to improve at selling our products at full price.

US tariffs. The US market represents around 20% of our global sales. In other words, the majority of around 80% of our global sales is not exposed to the US tariff situation. The vast majority of our US imports originate from Asia, with Vietnam, Cambodia, and Indonesia accounting for the majority of the US production. It is important to note that when we decide where to produce, we focus on optimising the total landed costs. This includes not just the product cost or FOB, but also logistics and duties. We have managed to limit the impact of the tariffs to around €80 million on gross profit in 2025. The main levers for this have been optimising our supply chain, introducing strategic pricing adjustments starting in the fourth quarter of 2025, and working closely with our vendors and retail partners. In addition, our China exposure got reduced further for the Spring/Summer 26 collection.

Year-on-year, the inventory increased by 10% in euro and 18% in constant currency to €2.15 billion, representing 25 of the last 12 months' sales. One of the main factors driving elevated inventories relates to North America, where we accelerated deliveries in anticipation of the US tariff deadlines. Overall, we see an increase of inventories across most markets. As mentioned earlier, we've adjusted the future orders based on the expected demand. But please keep in mind that such an effort to reduce inventory is a process that takes a while. I would expect this to take up to 12 months.

In response to the developments mentioned, PUMA has revised its full-year guidance. Currency adjusted sales are now forecast to decline low double digit. We anticipate a negative currency impact of around five percentage points

on top line development in 2025. For the EBIT, we expect a loss in the full year 2025, reflecting softer topline development, increased currency headwinds, the impact of the US tariffs, and additional measures, including one-off charges, to further align the cost base in the second half of the year. We are providing an earnings outlook for reported EBIT only. Given our second quarter performance and the muted growth outlook for the second half of 2025, PUMA has revised its capital expenditure plans for the year. We now expect to invest around €250 million in 2025.

Quite a lot to digest. But with these adjustments, we are committed to create a long-term value adding strategy for all our stakeholders. Great to have Arthur on board. With this, I hand over to Arthur, our new CEO, who would like to share some remarks. Over to you, Arthur.

Arthur Hoeld

Thank you, Markus. And I wish everyone a very good afternoon. I'm very excited that I have the opportunity to join one of the very few legitimate multi-category sports brands as the CEO. The heritage of PUMA, the legacy, the innovation, and the many, many partnerships are exceptional, and I'm very, very privileged to be in this position right now. I would also like to acknowledge the dedication of our management team, and I would like to reiterate that, of course, we do own this outlook together. I would also like to acknowledge the disappointment that was provided towards the capital market with that announcement.

The first few weeks, three weeks in total, I would like to spend a few of the key observations I've had here. When I was listening to the teams, when I was learning about what makes PUMA tick, when I was talking to the partners and the various customers. I believe a very thorough assessment is really necessary for me as to the foundation of making any bold moves in the future. We're living in a rapidly evolving market environment. And we need to be ambitious, yet at the same time, realistic with what we can achieve and what we will promise. There are immediate operational challenges, and Markus mentioned some of them. The quality of our distribution mix, the high levels of inventories, but also insufficient full-price sell-through are, of course, something we'll tackle immediately.

There's tremendous potential of this brand, which has not been unlocked, but it does require a reset and a new way forward to be successful in the future. There will be several key questions I would like to ask myself and the team. Do we have the right products for consumers and our wholesale partners? If so, why is our brand not achieving

the required visibility and engagement? And how do we increase the focus on creating consumer exciting stories that will strengthen us in our market presence? We will ask ourselves whether we have the right, the appropriate distribution channel mix. And, of course, as well, whether we have the right quality of distribution. And that's for me clearly a path forward. And the path forward means we have to build the foundation for long-term, sustainable growth of this company.

We'll do that by providing quality financial planning. We'll be strengthening the quality of our distribution. And we are, of course, revisiting our growth plan for 2026 and beyond. I don't think you'll be surprised to hear that 2025 will be a reset year for us and 2026 will be our transition period. Our goal clearly will be to establish a risk adjusted, financially disciplined framework for operational change and a sustainable, profitable growth. The commitments you'll see from us for the next few months will, of course, first and foremost, to strengthen the team, to win in the future. I continue to be deeply engaged with our teams and our stakeholders, starting with travels to the United States, as well as Asia, with the track and field World Cup in Tokyo and our team in China.

I'm committed to open and transparent communication with both investors and analysts. And therefore, I'll also share a more detailed roadmap after completing my initial review and discussions with my team. The date for that will be around end of October this year. I would like to thank you, at this point, for your trust and partnership to write a new chapter for PUMA moving forward. With that, I would like to hand back to Oliver. Thank you.

Oliver Maier

Great. Thank you, Arthur. Thank you, Markus, for your remarks and your comments. I think we are already ready for Q&A sessions, so please open up the lines for Q&A.

Q&A

Operator

Ladies and gentlemen, at this time, we will begin the question and answer session. Anyone who wishes to ask a question may press star, followed by one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star followed by two. If you are 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. And as a

reminder, in the interest of time, please limit yourself to two questions only. We have the first question coming from the line of Grace Smalley from Morgan Stanley. Please go ahead.

Grace Smalley

Good afternoon. Thank you. My first question, Arthur, I appreciate it's still early, but I think the previous strategy really focussed on brand elevation, and I'd just be interested to hear your initial thoughts on that brand elevation strategy and where you think PUMA's positioning should be, and just how you're thinking about the PUMA brand differentiating itself relative to the competitive landscape going forward?

And then my second question, I think you touched on during the presentation there a couple of times, this idea of improving channel mix. Just be interested to understand further what you see as the opportunity on channel mix and how we should expect your wholesale and DTC strategy to evolve, looking ahead. Thank you very much.

Arthur Hoeld

Thank you. First of all, as I've said, I've been in the job here for three weeks, and I'm still very keen to learn to understand what makes PUMA, what makes our employees, what makes our brand tick. The previous strategy of brand elevation, we will not continue in this organisation. I will take time to assess and take the right steps with my team, and as I suggested in the call, that will be end of October with a very clear message back to you guys, but also everyone else that needs to be concerned about PUMA's future.

On the second point, when it comes to distribution and the distribution mix, I think we have a great opportunity now in PUMA to strengthen our channel exposure, our own channel exposure, whether it's e-commerce or retail. And together with my teams, we are going to work on what I would call the window to the world, the window to the consumers, with a better and a stronger offer moving forward. At the same time, we look at a healthy mix when it comes to our wholesale partners, and that will apply across all continents. That measure will also be discussed with our teams in the next few weeks and months, and will be part of our strategy and our plan moving forward. That's going to be communicated in October, then.

Grace Smalley

Thank you very much. Look forward to hearing more in October. If I may, just one follow-up, more on the near-term. I think the top line guidance for the second half really implies quite a sharp deceleration versus the front half. Could you just help walk us through where that

deceleration exactly is coming from, and to what extent, perhaps, some of the guidance embeds a degree of conservatism in the second half on top line? Thank you.

Markus Neubrand

Grace, if I may take that question. As you rightly pointed out, the guidance, whether we've given for the full year with a low double-digit sales decline in constant currency, I think, implies a deceleration second half. Where this is coming from, if you look at the Q2 trends and what we've seen also in H1, I think let me start with from a regional perspective. We've seen softness in North America, Europe, and Greater China, that we expect to continue. Here, from a channel perspective, we see in the Wholesale channel, with being down 6% in the second quarter, being under pressure, where we've seen increased order cancellations and a lower reorder business.

The challenges that I talked about in my prepared remarks, I mentioned brand momentum, and let me give you one example around brand momentum. We talked about Speedcat previously. Speedcat, low profile trend continues to resonate in Asia, in markets like Korea, Japan, Southeast Asia, and China, where some do well. If we look at our core markets in Europe and North America, we have good success with selected retailers, more trendsetting retailers, But overall, sell-out expectations in these markets remain currently behind expectations. We factored this into the outlook, then combined with the challenges I mentioned around the elevated inventory levels that we have, but also our partners have in selected markets, have led to the decrease of the top line expectations for the full year 2025.

Grace Smalley

Thank you very much. Very clear.

Operator

The next question comes from the line of Anne-Laure Bismuth from HSBC. Please go ahead.

Anne-Laure Bismuth

Thank you for taking my question. I have two questions. First one is, thank you for providing that granularity, but to explain that a big slowdown expected in H2. But can you give us a bit more colour about how should we think about the sales development between Q3 and Q4? And is there anything meaningful that we should read into that?

And my second question is about the revised EBIT guidance, which implies a big downward revision. What are the moving parts leading to a loss this year, apart from operating leverage and tariffs? If you could provide more details about how to think about discounting effects and operating expenses? Thank you.

Markus Neubrand

Thank you very much, Anne-Laure, for your question. First, I think we've provided the outlook for the full year, and, of course, the implied second half guidance. At this stage, I will not provide any further details around the split between Q3 and Q4. Talking about the EBIT guidance and the adjusted EBIT guidance, the change. Clearly, if you look at the change compared to the previous guidance that we've given, sales drop, I think is the key contributor in terms of the change in the sales expectations to the overall profit shortfall. Then to remind you, the previous guidance excluded US tariffs. Now I've provided you the impact. We mitigated impact from US tariffs that we expect for the full year. I talked about also currencies are a headwind as well. Looking at these, I think those are the key factors that explain the drop in the overall EBIT guidance for the full year.

And the additional, we've had one-off charges you've seen in the second quarter that increased. And we expect to work on additional measures in the second half, we initiated additional measures in the second half of this year, to align our cost base with the sales trajectory. And this all has been factored into our outlook for the EBIT for the full year.

Operator

The next question comes from the line of Adam Cochrane from Deutsche Bank. Please go ahead.

Adam Cochrane

Good afternoon. Markus, the difference between your DTC and Wholesale performance, how can you reconcile the relative strength that you're seeing in DTC and the weakness of your wholesale partners and their sell through? Is it really you're just selling the products in your own channel with heavy discounts in order to start clearing the inventory? Or is there something more to it than that?

And then secondly, as you see the partners clearing inventory, you're talking about a brand reset and things. How are you going to try and avoid any brand damage for PUMA over this period? You want to increase full-price sell through, but in the short term, how do you avoid customers getting used to buying PUMA on discount, given the clearance that you've got?

And if I might sneak in a last one, you haven't mentioned cash flow at all. I know there's been some concerns over the cash generation of the business. There's a number of one-offs, there's a number of moving parts. How should we think about the cash flow and the net debt for the year? Thanks.

Markus Neubrand

Thank you, Adam, for your questions. Let me start first with

the second part, where you asked about a brand reset. Going back to all the remarks Arthur just made and the challenges. Our focus is on improving our distribution quality and distribution mix, and addressing elevated inventories and aligning inventories with the expected demand. Clearly, I think focusing on building the brands and building a sustainable, profitable business, I think that's the key principle. And that has led us to the challenges I explained earlier, but that's also what we've reflected in our guidance for the full year.

Then, going back to the first part of your question, where you asked about DTC trend and Wholesale. What we're seeing in DTC, as I highlighted off my prepared remarks, e-commerce business is the strongest performing DTC channel, where we see continued success across the regions. Brick and mortar, if you noticed from Q1 to Q2, there has been a deceleration in terms of the trends, where you see that in some markets, and I think here calling out in North America, where we see our brick and mortar business being under pressure. I know we've shared previously that our traffic, I think it's here the key challenge that we're seeing coming to our brick and mortar stores, which also translates in lower comp sales, here now in the North American market.

Now, going to the last part, and a question about cash generation and net debt. Let me give you we've shared the preliminary results, half year report still to be disclosed at a later point. What I can provide you is that our net debt increased at the end of the second quarter, increased slightly compared to the end of Q1 2025. A good part of this increase is coming from our seasonal pattern of paying for ordering of finished goods for the whole Autumn/Winter season, mainly in the first and second quarter. We've increased inventory that I've shared with you. I assume that this is, of course, the reason for the increase in the net debt.

Cash flow discipline is given by overseeing and steering flows from a central level, but focusing on it through already announced, the nextlevel programme. Currently, the increased debt and bank debt is funded mainly through our revolving credit facility, but we just issued, in May 2025, a new Schuldschein of €210 million, which was, again, oversubscribed at very reasonable rates. Why we consider the current RCF utilisation conditions of all of our financing instruments offer enough headroom for further financing transactions, if we need to do in the second half or later on. Besides usual representations and thresholds and baskets, no maximum debt levels, no covenants are

applicable, making our financing situation resilient in the current phase.

Adam Cochrane In terms of the Wholesale versus DTC, I understand your point about saying the sales in e-com were higher. I was trying to get at, do you know why they are higher in e-com and bricks and mortar compared to Wholesale? Is it different products? Is it different mix? Is there anything you can tell us as to why there's such a large difference in sales performance between channels?

Markus Neubrand One key topic that we have and where we have the divergence in performance is brand presentation in Wholesale versus the DTC. That's the key driver then for the difference in the performance.

Adam Cochrane Thank you.

Operator The next question comes from the line of Monique Pollard from Citi. Please go ahead.

Monique Pollard Hello, everybody, afternoon. Thank you for taking my questions. Two, if I can, please. The first was just on the US tariffs. You've talked about this 80 million impact, that's the mitigated impact. And talked about potential for price increases. Just wanting to understand how you're going to balance price increases to offset that US tariff with elevated inventory levels and wholesale declines and a lack of reorders, etc., and cancellations in the order book. And whether those price increases will only be in the US or whether they could be global. That's question number one.

Second question is just on these one-off costs. When we heard from you two and a half months ago, we were told there would be 75 million of one-off costs, about 35 million of those falling in the second quarter. Now, we're at the end of the 2Q, we've been told 85 million of one-off costs. You mentioned some other things beyond the nextlevel programme, so goodwill impairment. If you could just explain what has been impaired and this deferred tax write off, if you can explain that, and whether that makes up the 50 million difference between the 35 million we were expecting and the 85 million in the quarter. Thank you.

Markus Neubrand Thank you, Monique, for your questions. Let me start first with the US tariffs. The strategic pricing adjustments I refer to in my prepared remarks are for the US only. Then further on the US tariffs, as explained, we expect a mitigated impact of €80 million of this year. Talking about the one-offs in the second quarter, the €85 million, roughly two thirds of it relates to nextlevel as we made progress. And here, the major part of the non-recurring one-time

costs associated with nextlevel have been related to the reduction of corporate positions that we talked about earlier. The other third of the one-off charges of 85 million represents a goodwill impairment in Japan that we had to recognise in the second quarter of this year.

Monique Pollard

Thank you.

Operator

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

Jürgen Kolb

Thank you very much. Two questions. First of all, the sharp sales decline, which has already been mentioned in H2. Does that also include product returns? You're expecting retailers and you invite retailers to ship back merchandise to your place, so that you can channel it through via your own factory outlets?

And secondly, maybe a little bit of further details on your split on performance products on the footwear side and leisure, how these two channels performed specifically.

And also, a quick comment maybe on the apparel business, which was clearly weaker in the second quarter. What drove that sharp decline there? Thank you.

Markus Neubrand

Thank you, Jürgen, for your questions. First one, regarding the distribution, as I mentioned and talked about the overall improving distribution quality, I mentioned also the challenge of elevated inventories that we have, but also we see elevated inventories with our partners in key markets. We'll focus on making sure that we align, we are disciplined with our sell-in, and, of course, also in line with the sell-out.

Talking about your question regarding sales of the performance products versus lifestyle products. Talking about footwear, I called out in my prepared remarks that the running was one category that was driving, contributing to the sales growth of footwear. Which clearly, as you've seen our brand campaign then focussed on running, supported the growth of our running footwear products. Sportstyle also here in footwear, improved as well.

Going further into the apparel section here, we see, and we have already seen in the first quarter of this year, we've seen softness in apparel. Here we have no, in terms of the last years, we are pumping events on the team sport business. That helped increasing our business, especially in the second quarter of last year, that we are now lapping in this year's numbers.

Jürgen Kolb

Got it. Thank you.

Operator	The next question comes from the line of James Grzinic from Jefferies. Please go ahead.
James Grzinic	<p>Good afternoon. Thanks for the time. Two questions, really. Appreciate that, clearly, the Wholesale channel has an over inventory position as well, but I wonder whether you've got a good sense of how big the problem is. And quite clearly, I presume there will be some stock takebacks, at least in China, within that guidance for the second half sales? That's the first question.</p> <p>The second question, can you give us a little bit of a sense of how full-price sales ratio has deteriorated in DTC? I presume the much stronger online performance is indicative of the fact that more of the sales online are being done at a discount. But if you can give us a scale of how that has deteriorated through time, that would be very helpful. Thank you.</p>
Markus Neubrand	<p>Thank you, James, for your questions. Also when Jürgen asked the question earlier on Wholesale. Clearly, we have from our key accounts, we work with them closely, we receive sell-out and inventory information, and we know what their stock position is. And we work closely with our partners in terms of improving their inventory position and helping them to improve the sell-out. And yes, this can include returns as part of the normal business. And I think then working with our wholesale partners in key markets, I think that's the common practice that we have been working with previously.</p> <p>Talking about, and when I made my comments about the margin development in the second quarter, I think that promotions increased. This applies not only to Wholesale, but also to our DTC channels. What we stressed that with these, and I think then all the measures that Arthur Hoeld had talked about as well, that our goal is to improve all full price realisations going forward.</p>
James Grzinic	Can I perhaps just ask one last one? Because I presume it is quite a lot to get your arms around. Do you feel that you've got an exact sense for the scale of the issue at this point? Or is the flex in the EBIT guidance indicative that you're still trying to put a precise scale on the challenges?
Markus Neubrand	In terms of the flex in the EBIT guidance that we've been providing, Arthur shared in his prepared remarks that we are currently working on a roadmap, and we will share further details at the end of the third quarter. That's where we would like to work together with Arthur and with the teams, to finalise this roadmap, and then will be able to provide further details on the impacts. We have, on the

inventory situation of our partners in key markets, of our key partners in the global markets, we have a good visibility.

James Grzinic

Understood. Thank you so much.

Operator

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

Warwick Okines

Thanks. Good afternoon, everyone. Two questions, or follow-ups, really. The first is, you talked about some of the one-offs in Q2. It would really be quite helpful to get a sense of the magnitude of the additional one-offs that you're expecting for the second half, above and beyond the roughly 20 million of nextlevel one-offs that were pencilled in for the second half of the year.

And the second question is whether you could just talk a little bit more about your approach to sell-in to Wholesale at the moment in the second half. Is it more you pulling back, or is it wholesalers pulling back from buying? And what implications does that have for the risk of you losing shelf space? Thank you.

Markus Neubrand

Thank you, Warwick, for your questions. I'll take the first one, and then Arthur will respond to your question about Wholesale. Regarding the one-offs, and I talked about additional measures I think we've initiated to align our cost base. Where this may come with one-off charges, that's also what I shared in my prepared remarks, and has been embedded in our guidance for the full year. Then I'll hand over to Arthur.

Arthur Hoeld

Thank you. The question related to our wholesalers will, of course, be in a partnership conversation. We're very keen to make sure that what the team has established here over the years will continue, and that we're taking care together of a healthier market environment. Therefore, the conversations are ongoing, but they will, of course, be influenced by us and our desire for PUMA overall to have a cleaner marketplace than what we have right now. Thank you.

Warwick Okines

Thanks very much. Markus, if I could just come back, I appreciate it's embedded in your guidance, some additional one-off charges, but you've not given us any sense of magnitude, whether it's 10 million extra or 100 million extra. Could you just give us a bit of help with that? Thank you.

Markus Neubrand

At this point in time, I will need to ask for your patience until we come back to you with the third quarter release, Warwick. What I can share, and I touched on it in my

prepared remarks, if you look at the second quarter results, we have deferred our tax expense, our tax result has been impacted by deferred tax asset write-offs. I think that's all I can give you in terms of the non-recurring charges. But then, besides that, I need to ask for your patience, and I'll come back to you with the third quarter release.

Warwick Okines

Got it. Thanks, Markus.

Operator

Ladies and gentlemen, if you would like to ask a question, please press star, followed by one on your telephone. The next question is from the line of Piral Dadhania from RBC. Please go ahead.

Piral Dadhania

Thank you. Good afternoon, everybody. Two for me as well, please. The first just relates to North America. Clearly, a softer than expected performance from a regional perspective there in Q2. Could you just give us an update as to whether the off-price clean-up activities that were being worked on last year and perhaps the year before are largely complete now? Are you now in a position where the accounts you're working with are probably where you want them to be or is there more work to do there? And has that any bearing on your Q2 results?

And then the second question just relates to changes in the Wholesale order book. Based on the implied second half revenue outcomes, have you seen any changes to the Wholesale orders that you have in hand for Autumn/Winter 25 deliveries? And can you give us any insight into how the Spring/ Summer 26 order book is filling up? Thank you.

Markus Neubrand

Piral, let me let me answer the second part of your question first. What we've embedded in our updated revenue guidance is that compared to our initial expectations, Q4 orders can be below expectations. Also, and I touched on it in the prepared remarks and earlier questions, in the second quarter we've seen higher order cancellations and lower reorder business, which was contributing to the lower than expected performance.

Talking about North America and the performance we've seen in the second quarter, I talked about that Wholesale has been under pressure, but also the brick and mortar business, with lower traffic. In terms of the distribution quality, also here the quality of our Wholesale distribution in North America, there's still work left for us to do in the future.

Piral Dadhania

Thank you. Very good.

Operator

As a reminder, if you would like to ask a question, please

press star, followed by one on your telephone. There are no further questions at this time. I hand back over to Oliver Maier for closing comments.

Oliver Maier

Great. Thank you very much, Sergen. Thank you very much, everybody, for your questions and your remarks. Very much appreciate it. We'll stay in touch and we talk soon. Thank you so much. That ends the call for the second quarter. Appreciate it. Bye-bye.