PUMA
Q4 & FY 2024
Preliminary Results Call
TRANSCRIPT

CORPORATE PARTICIPANTS

Arne Freundt PUMA SE – CEO
Markus Neubrand PUMA SE - CFO
Gottfried Hoppe PUMA SE – Director Investor Relations

CONFERENCE CALL PARTICIPANTS (Q&A)

Warwick Okines – BNP Paribas
Adam Cochrane – Deutsche Bank
Grace Smalley – Morgan Stanley
Anne-Laure Bismuth – HSBC
Cedric Lecasble – Stifel
Monique Pollard – Citigroup
Piral Dadhania – Royal Bank of Canada
Andreas Riemann – ODDO BHF
Jörg Philipp Frey – Warburg Research
Jürgen Kolb - Kepler Cheuvreux
Geoff Lowery – Redburn
James Grzinic - Jefferies

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

PRESENTATION

Gottfried Hoppe

Hi, everyone. Welcome to PUMA's Q4 and FY 2024 preliminary results call. First of all, let me thank you for taking the time to participate in this call at such short notice. As last time, I'm joined by our CEO, Arne Freundt, and our CFO, Markus Neubrand. Arne and Markus will take you through a short presentation before we open up for a Q&A session.

Before we get started, I would like to remind you that the results are preliminary at this stage, and that a full-year update on 2024, including our outlook for 2025, will be provided on 12 March. Consequently, there will be no additional numbers on the 2024 results or the outlook for 2025 provided during today's call. And with that said, over to you, Arne.

Arne Freundt

Thank you, Gottfried. A warm welcome also for my side to today's conference call to discuss our preliminary results for Q4 and the full year 2024. Before I guide you through the numbers, I would like to do some initial remarks.

We closed the year 2024 with a strong Q4, posting 9.8% constant currency growth, putting us for the full year at a solid [currency adjusted] growth of 4.4%. We are satisfied with that solid performance for the full year. And I'm also very satisfied that we were able to sequentially improve our sales quarter over quarter throughout the year. I'm also satisfied that when we look at Q4, we see that we were able to improve our year-to-date trend of the first nine months in all of our strategic growth areas. We saw improved growth in Q4 in Europe, US and Greater China. We saw improved growth in Wholesale, and we saw also improved growth in Footwear.

While we are satisfied with our solid performance on the top line, we are clearly not satisfied that we were not able to translate our growth into incremental profitability [profit], and also that we were not able to fulfil our Q4 outlook to the full extent. This was mainly driven by a softer Latin American market, as well as a softer Chinese market. Nevertheless, we still finished our net sales and EBIT in the line of our initial outlook, and the net income fell short of the full year.

Before we now go into the preliminary numbers, it's important for me to put our numbers into the context of our brand elevation strategy, because the short-term maximisation of sales is not the objective which we are currently pursuing. What we want to achieve is that we want to improve our brand health, and by doing that, growing in the right distribution and categories. We also said when we presented to you during the Capital Market Days, that we will also accept to grow not as fast as in the past, but we want to grow more sustainable, but still ahead of the market.

What was the starting position 12 months ago? We said to you that our past growth trajectory was driven by prioritising sales maximisation over brand health and distribution quality. This did have certain consequences. We saw that we had lower penetration in the aspirational Sportstyle Prime market. We also saw that we are in our full price realisation lower than the industry benchmark. And also, we recognise that we had a higher sales volatility in important markets, like the US and China, because we could not build that customer loyalty built on brand love.

This is exactly what we would like to change with our brand elevation strategy, which we have announced to you during the Capital Market Days early 2024, and said, we will focus on building that foundation in the course of 2024 and 2025. The ultimate objective is that we are building the foundation for sustainable and accelerated growth, and that we are improving our profitability [profit].

What do we want to achieve with our brand elevation strategy? We want to achieve that we are growing higher performance share. That's important for us as a performance brand, to have that credibility in that important market, which is core to our DNA. We also want to improve our Sportstyle Prime share and achieve a higher full price realisation which stronger brands can realise. And by this, we will also realise a higher gross profit margin. And finally, if we build higher customer loyalty based on brand love, we will also ensure a more sustainable growth, especially in key markets like the US and China.

What are the three pillars of our brand elevation strategy, which we announced to you in 2024? The first one is improving the brand equity. The second, strengthening our sports credibility. And the third one is to increase our relevance in Sportstyle Prime. On the first pillar, how do we improve our brand equity? By becoming a more distinctive and emotional brand in the consumers' mindset. In 2024, we launched our first brand campaign in ten years and saw a good improvement on important brand KPIs, like unaided awareness and consideration. We're very encouraged by these results and have worked in the past months on our next brand campaign, which will go live in March 2025, based on the refined brand positioning.

And the second pillar, strengthening sport credibility, we clearly said we need to focus on the sharp end of performance and make sure that PUMA is building up the reputation of an innovation-led company. This is what we did in 2024 by really focusing on performance running, and on our leading technology, Nitro. We see that we continue to make progress and were able to gain further market share in this important segment, all on the back of our Nitro technology. And this is really important for us, as we're building the foundation of a strong brand DNA.

And our third pillar is increasing relevance in Sportstyle Prime. In 2024, also here we made good progress by transitioning our product offering in this important channel, and by focusing also to win in the sharp end of Sportstyle, in the elevated distribution like KITH, END. and Size? If you go back 12 months ago, we either had no market share, or we were not in the top ten of these important accounts where hype and heat starts. In only 12 months, we were able in most of these accounts to become a top five to top eight brand, with a clear aspiration to become a top five brand in all of these accounts in the near future.

Obviously, there's always a time lag between when the heat and hype is existing until it translates into the commercial opportunity. This is also why we introduce to you our demand before commercialisation strategy with three clear phases, incubation, igniting, and maximising. Only two months ago, we have moved our Speedcat from an incubation phase into Ignite phase to make it more available to a broader set of consumers before we then go into the maximisation in course of the summer. We are very satisfied with the progress which we have.

If we take this altogether, 2024 was the first year where we prioritised our brand health and distribution quality over short-term sales maximisation. And in 2025, we will continue to do so by continuing our brand elevation journey, by continuing to invest into a brand campaign, while we continue to focus on improving our sales.

Now, let's move on to some numbers. 2024, as I said, we have closed with 4.4% constant currency [sales] growth. As I said in the beginning, I'm satisfied that we were able to see a sequential improvement throughout the quarters, exactly as we have also projected in the beginning of the year. We saw a first half of the year with low single-digit [sales] growth, and then the second half of the year with high single-digit [sales] growth. It's very encouraging that we are regaining that momentum.

When we go now into the sales breakdown, let me give you some more details. On the channel level, we were able to grow Wholesale with 7% [currency adjusted]. That's a strong improvement versus our trend of the first nine months, where we were down minus 1.5%. Posting 7% in Q4 is a strong improvement, but it did fall short of our own expectations. There are two components which drive our Wholesale business. The one is our pre-order business, where we are collecting the order six to nine months ahead of the sales, and we were seeing a solid translation of our order book into sales. The other part is our reorder business, where capturing immediate business opportunities in that quarter, and here we saw a flattish development due to adequate stock levels of our retail partners throughout the holiday season.

The Direct-to-Consumer channel, grew 16.1% [currency adjusted sales], more or less in line with our year-to-date trajectory. The slight shortfall was driven here by Latin America and China.

On the divisional side, we see that Footwear and Apparel was contributing equally strong to our growth with almost 9%, while Accessory was posting 14.5%. This strong growth in Accessory was driven by a strong body and legwear business, both in Europe, as well as in the US, together with our joint venture partner.

And finally, on the regional side, which we present here based on our segment reporting, we were able to grow Europe and EMEA double digits, which is very satisfactory. North America came in with 2.6% and slightly ahead of what we have anticipated. Please remember, in our last earnings call, we have said that North America should grow for the second half low to mid-single digit.Coming in with 2.6% for the Q4, we are more in the mid-single digit range. The two regions, which had softer growth in Q4 than anticipated, were clearly Latin America, posting 7%, and Greater China, posting 7.4%.

In Latin America, it was partially driven by a softer environment and demand during the holiday season, as well as our shortfall in DTC, as we prioritise our wholesale accounts, delivering the backlog orders through our constrained warehouses. In Greater China, it continues to be a very difficult environment, so we were happy to show that growth, but clearly, we did have higher expectations. Other APAC came in also strong, with a plus 19% growth.

While we are satisfied that we were able to show a strong [currency adjusted sales] growth in Q4 with 9.8%, we are clearly not satisfied that we fell short of our own expectations. With Markus joining the PUMA board, we clearly made it the top priority that we need to review our processes and provide you with a more reliable projection going forward, which takes better into consideration the dynamic environment in which we are operating. With that, I would like to hand over to Markus, to guide you through the operating performance.

Markus Neubrand

Thank you, Arne, and good afternoon, everyone. While we achieved accelerated [sales] growth in the fourth quarter, we are not satisfied that we were not able to translate our growth into additional EBIT and net income for the full year. In 2024, our sales in EBIT reached the lower end of our outlook, and the net income was below our expectations. Let me take you through our preliminary fourth quarter results in more detail.

Our fourth quarter 2024 sales improved by 9.8% on a currency adjusted basis to €2.3 billion. Our sales growth was below the expected low double-digit currency adjusted growth. As Arne mentioned, the sales performance was softer than expected, mostly driven by Latin America and Greater China. Sales increased by 15.5% in Euro terms. As anticipated, foreign currencies turned into a tailwind, mainly driven by the Argentine peso.

Our EBIT margin remained flat compared to last year at 4.8%. The fourth quarter EBIT of €109 million remained below our expectations, mainly due to the regional mix, namely lower contribution from Latin America and higher promotions. The fourth quarter was a more promotional environment than we anticipated. We've remained agile and reactive to this environment, which resulted in higher promotions compared to last year.

Our OpEx ratio remain broadly stable compared to last year's quarter. The increase in absolute OpEx is mainly driven by a lower base due to the Argentine peso devaluation in the previous year's quarter, a higher DTC share and investments into our infrastructure.

Our net income came in at € 24 million, below our expectations. In addition to the lower-than-expected sales and EBIT, the following factors negatively impacted net income in the quarter: Stronger than expected socks and bodywear business in the North American market led to higher non-controlling interests. Higher [than expected] net interest expenses, mainly due to different timing of working capital financing needs. And in addition, our tax rate increased compared to last year, mainly because of a change of the regional mix of our taxable profits.

Let's review the full-year 2024 operating performance. On a full-year basis, our sales grew by 4.4% on a currency adjusted basis, and 2.5% reported to € 8.8 billion. All regions, product divisions and distribution channels contributed to the improvement compared to last year. Except for the fourth quarter, the foreign currencies remained a headwind to our sales and accounted on a full-year basis to roughly € 150 million, or a 2 percentage points headwind. Going into 2025, we anticipate FX headwinds to moderate.

Our EBIT margin decreased by 10 basis points, marking 7.1% at € 622 million. For the full year, our gross profit margin improved by 110 basis points to 47.4%. We will provide you with the puts and takes on the gross profit margin development during our upcoming earnings call on 12 March 2025. Our OpEx ratio increase was mainly driven by our continued expansion of the DTC business and continued investments into our infrastructure, all in line with previous statements. And of course, more colour will be provided during our next earnings call.

Our net income was down 7.6% to € 282 million, below our expectations. As explained for the fourth quarter, this was mainly caused by a lower-than-expected sales and EBIT and was also impacted by higher net interest expenses, higher non-controlling interests, and a higher tax rate. And with that, I pass it back to Arne.

Arne Freundt

Thank you, Markus. Before we open up for the Q&A, I would like to spend a few minutes to introduce to you the cornerstones of our nextlevel program. What is very important to understand is that we continue to stay focussed on our brand elevation strategy, because this is the strategy how we are building the sustainable foundation for accelerated growth. It will be complemented, though, with our nextlevel program, to make sure that we are translating our incremental growth also into incremental profitability [profit].

Our nextlevel program really pursues two objectives. One is short term for 2025 to gain operational leverage, to also translate that growth into profitability [profit]. But the other component is also a proactive one, as we do see that the currencies, especially the USD, are currently strengthening under the new government, and we project that it could turn into an additional FX headwind in 2026. To address exactly these upcoming headwinds, we have also started our nextlevel program to take proactive measures.

On of our nextlevel program, there are three pillars. The first one is reducing complexity. Here, we focus on cost optimisation in our direct and indirect procurement. To make it a bit more concrete, in the direct cost we are seeking for complexity reduction, especially on the materials side. In the new setup of a product and sourcing under one leadership, we see the opportunity to leverage our competencies across categories better, to make sure we are bundling our purchasing power behind better materials with more innovation, and leverage them across categories. On the indirect procurement side, we see the opportunities to bundle our purchasing power of PUMA Group more globally, especially in logistics and IT. That means we are changing our procurement approach on these back-end synergies and leverage the scale which we have.

The second pillar is to stabilise headcount with a clear ambition to further grow, but we want to stabilise our headcounts and allocate them permanently behind our strategic growth areas. This will help us to improve our PEX ratio.

And finally, one core element of our nextlevel program is also to protect our marketing investment. We will continue to invest [around] 10% of our sales in marketing. But obviously, we will also continue to improve our marketing spend with improved ROI. That means that we always try to shift more money from our departmental costs and from production costs into the working spend, to make sure that every marketing dollar which we invest has an impact on the consumer.

Wrapping up, the nextlevel program is our program to make sure that we reach our 8.5% EBIT margin by 2027. Also, compensating the additional FX headwinds, which might arise from the recently restrengthened US dollar. Our nextlevel program is also to be seen as a program which builds a new organisational muscle to really improve our competitiveness, to make sure we're constantly freeing up resources to reinvest them into the brand, as well as into product, to strengthen our competitiveness.

To wrap up, as I said in the beginning, I'm satisfied with the solid growth which we have posted for 2024, and I'm also satisfied that we were able to see the sequential improvement of our growth through 2024, showing that we are regaining momentum and the progress which we did on our brand elevation side. I'm clearly not satisfied that we were not able to achieve all of our expectations, especially on the EBIT side and net income side for the full year, and specifically for the fourth quarter. Now we have taken, with Markus's arrival, clear actions to improve our processes, to provide you with better projections. And we have initiated our nextlevel program to turn our growth into more profitability [profit]. With that, I would like hand back to Gottfried.

Q&A

Gottfried Hoppe

Thank you, Arne and Markus. Moira, we are now ready to open up for the 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 touchtone 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. In the interest of time, please limit yourself to two questions only.

The first question is from Warwick Okines from BNP Paribas. Please go ahead.

Warwick Okines

Thanks. Good afternoon. I've got two questions, please. The first is, could you expand on your comments about flat Wholesale reorders in Q4? Was this because wholesalers had too much of other brands or too much PUMA? Did you see cancellations?

That's the first one.

And then, secondly, Arne, how do we square your comments about brand elevation with the over-proportional growth that you had in accessories with the body and legwear business? Thank you.

Arne Freundt

Thanks, Warwick, for your questions. Regarding our reorder business, obviously it's always a total inventory position of our Wholesale partners. And what we have heard from our Wholesale partners is that the holiday season was in line with their expectations, thus the additional reorder opportunities did not materialise. Also, considering that we had a strong reorder business in 2023.

On the Accessory business, when you ask about our brand elevation, I think it's very important to recognise the work which we are doing, which will then also translate later on into additional sales. I'm not sure about your comment on Accessories, because also Accessories business is showing the health of the brand if we are able to sell more of that business. But again, also quarterly sales are not reflecting the whole yearly trajectory. The brand elevation is focusing on improving our brand DNA, brand equity and the consumer's mindset, and strengthening our performance and Sportstyle credibility. And that will, at the end, improve our sales.

Warwick Okines

Thanks, Arne.

Operator

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

Adam Cochrane

Good afternoon. Thanks, guys. First question is with regard to Latin America, you talked a little bit about the prioritisation of Wholesale compared to DTC. Can you just dive in a little bit, has there been any fundamental change in Latin America, either the competitive position or the consumer behaviour with what's going on? Just a little bit more on your comments with regards Latin America.

And then secondly, when you have your DTC business up 16%, and you talked about the Wholesale up seven, what is driving the difference in performance between those two? Usually, the strong DTC is a good lead indicator on wholesale performance. Is there anything that you can help us try and explain the gap between the two? Thanks.

Arne Freundt

Thank you, Adam, for your questions. On Latin America, I think it's important to reflect on what we have said also in earlier earnings calls. We said that we have certain constraints on our warehouses, which led to certain backlog of our orders. Going into Q4, we prioritise to deliver these backlog orders to our Wholesale accounts over refilling our Direct-to-Consumer channels. This is why we could not realise all the sales opportunities in DTC, but as we always prioritise Wholesale over DTC, we stay true to our strategy of being the best wholesale partner.

In terms of changing environment in Latin America, I think the one market that we called out is Argentina, as the government is imposing a new austerity policy, which is obviously changing also the environment. But also here we saw continued volume growth in Argentina.

On your second question, please remind me again, Adam?

Adam Cochrane	DTC versus Wholesale.
Arne Freundt	I think it's true to what we always said, that I think Wholesale, we always see a time lag between the sell-in and the sell-out. And this is also why we saw the softer H1 as we were working through the higher inventory levels with our wholesalers, making sure that we are freeing up the OTB [Open-To-Buy] for the second half of the year. And this is exactly what we have seen, that we were able to oppose the stronger second half Wholesale business. And Direct-to-Consumer, as we always said, is a direct reflection of the momentum. And here we are very happy that we could see a very stable DTC trajectory throughout the whole four quarters.
Adam Cochrane	There hasn't been a large increase in markdown product being sold via DTC, whether that's online or in stores?
Arne Freundt	Q4 obviously is always a very special season with all the important shopping holidays, 11/11, Black Friday, 12/12. Obviously, it always tends to be a more promotional environment. And as Markus has highlighted, also in that environment, we stayed very agile to make sure we are satisfying the demand.
Adam Cochrane	That's great. Thank you.
Operator	The next question is from Grace Smalley from Morgan Stanley. Please go ahead.
Grace Smalley	Hi. Good afternoon. Thank you for doing this conference call. My first question would just be on the brand elevation strategy. Very clear from your prepared remarks, Arne, that you're still committed to that. I guess, just in terms of the timeline and progress you've made here relative to what you outlined at the CMD last year, is there any change to your thinking on how long it takes to achieve the brand elevation or the investments that you need to put behind that? And then my second question, somewhat related, is just on marketing. I think you said there in your prepared remarks that you do expect to keep marketing at 10% of sales. Given all the

	work you are doing on the cost savings, why not choose to reinvest those savings into increased marketing spend to help support the brand innovation strategy, rather than focusing on hitting your eight and a half margin target? Thanks very much.
Arne Freundt	Thank you very much for your questions. On the brand elevation strategy, we said that it's a journey which we started in 2024, and as we have also said, that ‘24 and ‘25 are the years where we would like to build the foundation of a stronger brand, and also accept that we will grow not as fast as in the past, but still grow faster than the market. And I think this is exactly what we have delivered in 2024, and this is also what we want to deliver in 2025. As we also said, we want to improve sales in 2025 versus 2024.
	When it comes down to a why sticking to the 10% marketing spend and not increasing that further, we do believe that 10% is really the adequate amount of money to put behind the brand, and it's about a constant improvement of the ROI. I see further improvement potential to really optimise the working spend by further reducing or optimising our departmental and production spend. I still see the opportunities here, and really making sure that we optimise every single marketing dollar. And unless I see that we have really maximised this, for me, the 10% is really the right way to think about our marketing investment.
Grace Smalley	Very clear. Thank you.
Operator	Next question is from Anne-Laure Bismuth from HSBC. Please go ahead.
Anne-Laure Bismuth	Hi. Thank you for organising this call. I have two questions. The first one is on the operating deleverage. Can you come back on the different elements that explain the operating deleverage in Q4? And also, is it linked to potentially higher marketing investment with the broader launch of the Speedcat?
	And my second question is about the level of inventories on the global scale, and especially on a regional basis with your distributors. Are you satisfied with that? Are they on last year’s levels or where there is some discrepancy, can you give us an update on this, please? Thank you.
Markus Neubrand	Thank you for your questions. Let me start with the first part of your question regarding the OpEx deleverage in the fourth quarter. Based on the information we disclosed with the preliminary results, the OpEx ratio that is implied is broadly in line with the previous year's fourth quarter. What is important to note, and I also addressed this in my prepared remarks, we had an increase in the absolute OpEx, which is mainly driven by the lower base due to the Argentine peso devaluation in previous year’s quarter, and we had a higher DTC share. Then also, as

you also explained, also in terms of the revenue growth, and we continue to make investments into our infrastructure. Let me repeat, in terms of operating OpEx ratio, I think it's broadly in line with the previous year's quarter.

Then regarding inventory and also addressing that part of your question, we will, also as Gottfried said at the beginning of the call, we will provide you a full update on 2024 results on 12 March 2025. And then we, of course, will also go further into the OpEx drivers, gross profit margin drivers, but clearly also on the inventory and overall working capital development. Please bear with us, and I think we'll get back to you on 12 March.

Anne-Laure Bismuth: Thank you.

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

Cedric Lecasble: Good afternoon. Thank you for taking my questions. I have two also. The first one is on the LatAm fix with your warehouses. You seem to have had this issue over some of the last months. Can we have maybe an idea of where you stand? Is it close to being fixed? And when do you expect it to be fixed, not to have to allocate between DTC and Wholesale? It's been capping your business in Q4. That's question number one.

Second one is on North America. You said in your initial remarks that the slight miss versus your internal expectations on top line were driven by LatAm and China, more than North America. In North America, you had the low single-digit growth in Q4. What are your plans? What progress have you made? What makes you comfortable on North America, and what should we expect in terms of targets and progress in the next quarters? Thank you very much.

Arne Freundt: Thank you, Cedric, for the questions. On the LatAm warehouses, what is the situation? We currently have the right capacity to fulfil our demand going forward. Is it as efficient as we would like it to be? No, because we are still operating out of more than one warehouse. Capacity is there, the cost efficiency is not there yet. Why did we have a constraint? Because obviously, going into the holiday season, there's always an increased demand. And we had still the backlog orders from the constrained capacity going out of Q3. Going into the next year, capacity wise, we have no limitations in Latin America to fulfil our demand and to go back to that strong growth trajectory again.

On North America, again, what I said in the last earnings call, that our expectation for H2 was to grow low to mid-single digits. On the strong growth of Q3, with 6% and now 2.6%, we were able to close the second half with a mid-single digit growth. This is also why I said we were slightly above our expectations,

	because we closed H2 for North America with mid-single-digit and not low-single-digit to mid-single-digit. What makes me confident on North America is that we do see also, going forward into 2025, that we will continue to improve our distribution quality. The shape of our order book shows that we are continuing to progress in our brand elevation journey.
Cedric Lecasble	Thank you, Arne.
Operator	The next question is from Monique Pollard from Citi. Please go ahead.
Monique Pollard	Hello. Afternoon. Thank you for taking my questions. The first question I just had was on e-commerce progress in the fourth quarter. I'm just trying to understand how much, given it's cyber week, Black Friday, etc., there was maybe increased e-commerce penetration, and that drove some of the difference between the Wholesale and the DTC, just given your comments that the DTC should be a good forward indicator for the Wholesale momentum. And then the second question I had was around the non-controlling interests. The thing I just don't understand is the higher-than-expected non-controlling interest, presumably, as you said, that's your North American socks and bodywear business doing better. So that should also have come through in the earnings. Just trying to understand why that would lead to a net income miss?
Arne Freundt	Monique, I will take the first question and then Markus the non-controlling interest one. Exactly as I said, our DTC business continued to grow strong, with 16.1%, with e-commerce growing stronger than bricks and mortar. I think it's generally something which we observe in many markets, that the street traffic is a bit softer, but we are able to convert the consumer online, which is great, but also bricks and mortar showed a significant growth, so that's good for us. E-commerce was really leading the growth, and it is for many of these important shopping periods, 11/11, Black Friday, the preferred shopping channel. And this is where we were able to recapture the demand. Markus, you take over for the non-controlling interest.
Markus Neubrand	Thank you, Monique, for your question. Regarding the non-controlling interests, you're right. Arne mentioned in the prepared remarks that our Accessories business performed strongly in the fourth quarter, driven by two markets. And North American business is PUMA United, where we have a non-controlling interest. And, yes, this performed better than expected. Also, of course, then on the net income side, of course there's that negative impact, it has a positive impact on the EBIT side.

	Going back to overall, in terms of EBIT development in the quarter, and what I've shared with you earlier is, if we look at why did fourth quarter EBIT perform below our expectations? This is mainly due to the regional mix. I think that was [driven by] the [lower] Latin America contributions, we had higher promotions. Those were the key factors, I think, that were driving the fourth quarter EBIT performance. And mentioned also earlier, we'll go into further details also then in the upcoming earnings call in March.
Monique Pollard	That's understood. Very clear, thank you.
Operator	The next question is from Piral Dadhania from RBC. Please go ahead.
Piral Dadhania	Thank you. I only have one follow up, actually, because the others have been answered. My question is around the nextlevel cost saving program. Could you help us understand what level of cost saving you're targeting and whether there is any potential upfront costs that we should be aware of, perhaps for 2025? Thank you.
Markus Neubrand	Overall, we launched the nextlevel program, and we already took decisive actions. If we look at the magnitude, I think your question, Arne shared with you what the elements of the nextlevel are and what our focus is on also of this program, to achieve and enable the 8.5% EBIT margin by 2027. We will provide you more colour on the elements of the nextlevel program during the upcoming earnings call for the fourth quarter in March of 2025.
Piral Dadhania	Thank you.
Operator	The next question is from Andreas Riemann from ODDO BHF. Please go ahead.
Andreas Riemann	Good afternoon. Two questions from my side. First, on the nextlevel program. In '24 there was actually no indication for such an efficiency program. I'm just trying to understand what happened or what changed your mind in the last few weeks to initiate this, is it Markus coming in as a new CFO with new ideas? Anything you can add here, what changed your thoughts would be appreciated. Nextlevel is the first topic. And the second one for Markus on the interest result, actually. In the last few years your financial expenses were up significantly. Is that a topic for you, Markus, that you have on the agenda, and is there anything you can do about it, to reduce that in the coming years? This would be my two questions. Thanks.
Arne Freundt	Thank you, Andreas. Let me take the first one on nextlevel. When we refer to decisive actions already taken in 2024, this is then referring to the reorganisation, restructuring of certain

subsidiaries, which we are not on the adequate profitability level. These are actions which we already took in 2024 to make sure that all subsidiaries are where they need to be in terms of profit contribution. I think why have we initiated, as I said, the nextlevel program is not only to protect our profitability and increase it now, but also to take proactive measures.

I think that is clearly what has changed in course of November, in course of the US election, that the US dollar has strengthened significantly. And obviously, as we are hedging 12 to 18 months ahead, we do foresee that this dollar strengthening stays, that more headwinds are coming our way in 2026. And this is why we said we proactively now need to react to make sure we are improving our operational leverage to compensate these effects and can achieve our 8.5% in 2027. Over to you for the interest.

Markus Neubrand	Thank you, Andreas, for your question. The nextlevel program, also an element of it, will also be our focus to improve the free cash flow and with the improvement of our free cash flow, ultimately, of course also with your question regarding the financial results, targeting an improvement of our financial results going forward. So, yes, clearly, I think my focus is also on improving everything between, of course, our EBIT and the net income to ultimately, of course, create more value for our shareholders.
Operator	The next question is from Jörg Philipp Frey from Warburg Research. Please go ahead.
Jörg Philipp Frey	Hi, gentlemen. Again, on your 2027 margin target. Well, at first sight, if you look at it while you originally hedge basically this level for 2025, it implies more or less two lost years. Is it really that way, or is it more fairer to say you looked at increasing headwinds from US dollar and fear that this will spoil your plans, and you have to calculate with much stronger headwinds for 2026 and it's more a precautionary move? Or is there really something big that is implying that the situation is much worse than we assumed? And then on the minorities again, there was a time when you successfully bought back minorities. Just wondering, how is this joint venture structured? Are there ways of an increasing allocation of marketing expenses to the JV or put-and -call options or anything like that? Just some colour on that would be helpful.
Arne Freundt	Thank you very much. Let me, again, take the first one and then Markus takes the second one. As we said, nextlevel has two components, one short term and one proactive precautionary measure. I think when we look back to 2024, we had started the year with the different assumptions we had on trade duties, or also development on certain countries like China, which have not

	fully materialised and also that changed then the contribution to the profitability. This is the reactive part, where we already took decisive action in 2024, and we'll take more decisive action in 2025 to react to these changed assumptions to which we have communicated early in 2024. And the other one is what we currently see, that with the 1.04 [EUR/USD], obviously that's a different hedge, which we would now need to start to close for 2026. And if this dollar continues to be that strong, it will be additional headwinds. And here, we don't want to be in a situation that we are not taking actions now, so it's a precautionary measure for a stronger USD.
Markus Neubrand	Regarding your question regarding the PUMA United. Overall, I think, as we mentioned before, we are pleased in the fourth quarter with the performance that we had, which was better than expected for our socks and bodywear business in the US and Canada. Overall, and regarding your question specifically, in terms of we have contractual agreements, shareholding agreements, operating agreements in place, of course, that govern overall the operation also of PUMA United, that we are respecting.
Jörg Philipp Frey	Thank you.
Operator	The next question is from Jürgen Kolb from Kepler Cheuvreux. Please go ahead.
Jürgen Kolb	Thanks very much. And thanks for this call, indeed. Two questions. First one, on the Sportstyle Prime business. How much inroads, how much success have you seen there? Do you feel that the visibility of PUMA in the target accounts has increased or is this something which will come at a somewhat later stage? And which product, especially on the footwear side, was the star in this specific segment? And the second thing, on China, you mentioned it came in somewhat below expectations. Would you think that this is more of a market situation, or is that that PUMA, arguably still very small in China, but is losing a little bit momentum, that maybe some of the retail accounts looking more at bigger brands? So, your thoughts on China? Thank you.
Arne Freundt	Thank you, Jürgen. Regarding Sportstyle Prime, as I said, that 2024 was basically two things. Number one is to transition our product portfolio in the Prime [category] and also winning in the top end and also Sportstyle Prime [distribution], again, in the more elevated distribution, where heat and hype starts to exist in END., KITH and Size?. And I think on that elevated distribution channel, we made huge progress. And as I mentioned already in my initial remarks, in many of these accounts we basically had no market share 12 months ago, and now we are in many of

these accounts top five to eight brand, with a clear ambition and trajectory to become a solid number five and better.

This is very important for us, because this is where heat and hype starts, and then it basically trickles down to the broader Prime consumer and the more commercial channels. When you say visibility improved, that is for 2025 the objective, and this is also what we have said, that we want to return back to growth in the [Sportstyle] Prime channel on the more commercial doors in 2025. And we feel very confident that with the order books and the product, we are on a good way to do so.

In China, I think overall, the market is a very tough one. We do see that the consumer is very muted. We do see that the traffic is soft on the streets. We really focus our efforts on capturing where the demand is, which we really see online. And we were really able also to capture the demand there and show growth. I think growing 7% in that environment is a very good achievement. And we also believe with these numbers, we were able to improve our market position by one position in China in 2024. Again, we have high ambitions for China, but it's a challenging market as we speak. But we stay fully committed, as it's strategically important for us to win in China.

Jürgen Kolb

Understood. Thank you very much.

Operator

The next question is from Geoff Lowery from Redburn Atlantic. Please go ahead.

Geoff Lowery

Hi there, team. Just a quick question for Markus, please. Four months into the job, how would you rate your visibility down into the business? I was quite struck by Arne's early comments about increasing reliability. How much visibility do you feel you have versus how much you would want to have around the key levers of income statement and balance sheet? Thank you.

Markus Neubrand

Thank you, Geoff, for your question. I'm four months in now into the job, as you mentioned. Arne also addressed it in the prepared remarks, that overall, in terms of providing a reliable outlook, I think is clearly a priority. In terms of overall transparency and what I'm focusing on now, I think in a dynamic market environment we are facing, we need to have the agility also in terms of our understanding, also with our financials, also what the business dynamics are, and making sure that also in this environment, especially, we establish and think more in different scenarios outside of a base case scenario.

And that's where, I must say, I've been working with the teams, and I think finance and the commercial teams also closely, to develop a good understanding in terms of also how the PUMA business performs. And clearly, and I think as mentioned earlier, that we are committed to provide that reliable forecasts going forward.

Geoff Lowery: Understood. Thank you.

Operator: The next question is from James Grzinic from Jefferies International. Please go ahead.

James Grzinic: Thank you and good evening. I just had a quick one. Appreciate the challenge of dollar spot. I'm just wondering if you can help us understand how much of that incremental gross margin hit you had to already contract when you look out to ‘26 and how much you feel you've got the flexibility maybe to hold back on those hedges? Just trying to understand that, just at what point are you fully contracted on the challenge for 2026 gross margins, please?

Markus Neubrand: I'll take that question, thank you. What we shared during the third quarter call is that for 2025, we are now more than 95% hedged on our overall US dollar exposure. And we shared also in general, I think we are always hedged 12 to 18 months out in terms of overall our expected exposure. I will provide you with a full update also, in terms of also within the release of our full-year results for 2024 on 12 March.

James Grzinic: I'll wait for that then. Thank you.

Operator: There are no further questions at this time. I hand back to Gottfried Hoppe for closing comments.

Gottfried Hoppe: Thank you very much, Arne. Thank you very much, Markus. Thank you very much, Moira. Ladies and gentlemen, let me also thank you once again for taking the time to participate in today's conference call at such short notice. If there are any left questions, we'll be available for you by 10 February before our quiet period starts. In the meantime, have a nice day and talk to you soon. Bye-bye.