Adidas sees $1.2 bln sales hit as supply snags drag on

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German sportswear company Adidas warned on Wednesday of a 1 billion euro ($1.2 billion) hit to sales from factory closures in COVID-hit Vietnam and supply chain bottlenecks that it expects to affect business into next year.

Shares in the company fell more than 5% as it became the latest multinational to report manufacturing disruptions and shipping delays as the global economy rebounds from the worst effects of the pandemic.

Factory closures in Vietnam from July to September and a gradual re-opening since October meant Adidas had lost capacity for 100 million items in the second half of 2021, finance chief Harm Ohlmeyer told journalists.

That was exacerbated by delays to container shipping at both origin and destination ports, with a third of shipments leaving Asia with significant delays, Ohlmeyer added.
The lost capacity will wipe 1 billion euros off total sales across the fourth quarter of 2021 and the first quarter of 2022 even after mitigation actions, with the sourcing network set to be mostly back to normal by the end of this year, Adidas said.

Rival Puma has also warned supply bottlenecks would mean a shortage of its products in 2022.

Vietnam usually accounts for 28% of Adidas sourcing and its factories mostly make shoes for the company. Adidas managed to shift production to China and Indonesia for 30 million units, Ohlmeyer said, and is redeploying stock from markets in Asia currently hit by lockdowns, as well as using more air freight to get products to customers on time.

The company also plans to cut the number of products it offers at a discount and increase prices by around 5% going into 2022.

Adidas expects "flattish" sales in the fourth quarter, meaning about 17-18% sales growth for the full year, Chief Executive Kasper Rorsted said. The company expects sales growth of at least 8-10% for 2022, Ohlmeyer said.

Third-quarter sales rose a currency-neutral 3% to 5.752 billion euros while operating profit fell 8.5% to 672 million euros, missing analysts' average forecast.

Sales fell 15% in Greater China owing to renewed pandemic restrictions as well as the ongoing fallout from a consumer boycott that Adidas has faced in the country since March.

Western brands have come under fire in China for saying they would not source cotton from Xinjiang after reports of human rights abuses against Uyghur Muslims. Beijing denies any abuses.

Adidas has launched an action plan to try to revive its fortunes in China, long its most important growth market. It has set up a dedicated studio to generate faster marketing and is increasing its creation of products just for the Chinese market.

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