

Financial Analysis of PUMA 2019-2022

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Quick introduction of Puma's company ...

Puma SE is a German company founded in 1948 by Rudolf Dassler. It specializes in the sale of sports goods (i.e. it sells products, not services). The company is based in about 120 countries. It is mostly based in EEMEA, North America, Latin America, Greater China and Pacific Asia.

The sell sports clothes and accessories sector is a booming market. The company holds large market share in its sector. Its main competitors are Nike (at the top) and Adidas. The size of these two companies are relatively significant compared to Puma.

The main products sold, in decreasing order of volume, are: shoes, clothing, sports accessories.

The crisis of the COVID-19 obviously impacted the companies of this sector; as outdoor activities were significantly reduced during confinement, the sales of sport articles have been impact negatively with a significant impact on company' 2020 result.

The Group's sales are **seasonal** and result in varying sales and resulting profits throughout the year. **Sales and resulting profits tend to be highest in the first and third quarters** of the financial year and inventory levels tend to be lowest. This is respectively due to the start of the spring/summer and autumn/winter collections.

Hence, in order to estimate the 2022 financial results, we used results of 1-6 2022 multiplied by 2, following the assumption that **1-6 and 7-12 results are approximately symetrics in term of sales and charges.**

1 - Income Statement

| | 2022e (H1) | 2021 | 2020 | 2019 |
|----------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| | € million | € million | € million | € million |
| Sales | 7,828.2 | 6,805.4 | 5,234.4 | 5,502.2 |
| Cost of sales | -4,162.2 | -3,547.6 | -2,776.4 | -2,815.8 |
| Gross profit | 3,666.0 | 3,257.8 | 2,458.0 | 2,686.4 |
| Royalty and commission income | 26.8 | 23.9 | 16.1 | 25.1 |
| Other operating income and expenses | -3,008.2 | -2,724.6 | -2,264.9 | -2,271.3 |
| <i>thereof impairment losses on trade receivables and other financial assets</i> | | 0.2 | -30.7 | -3.4 |
| Operating result (EBIT) | 684.8 | 557.1 | 209.2 | 440.2 |
| Financial income | | 29.9 | 35.4 | 25.8 |
| Financial expenses | | -81.7 | -82.3 | -48.4 |
| Financial result | -51.8 | -51.8 | -46.8 | -22.6 |
| Earnings before taxes (EBT) | 632.8 | 505.3 | 162.3 | 417.6 |
| Taxes on income | -161.4 | -128.5 | -39.2 | -108.6 |
| Consolidated net earnings for the year | 471.4 | 376.8 | 123.1 | 309.0 |
| attributable to: | | | | |
| Non-controlling interests | 60.2 | 67.2 | 44.2 | 46.6 |
| Equity holders of the parent (net earnings) | 411.2 | 309.6 | 78.9 | 262.4 |
| Earnings per share (€) | 2.74 | 2.07 | 0.53 | 1.76 |
| Earnings per share (€) – diluted | 2.74 | 2.07 | 0.53 | 1.76 |
| Weighted average shares outstanding (million) | 149.63 | 149.59 | 149.56 | 149.52 |
| Weighted average shares outstanding, diluted (million) | 149.64 | 149.59 | 149.56 | 149.52 |

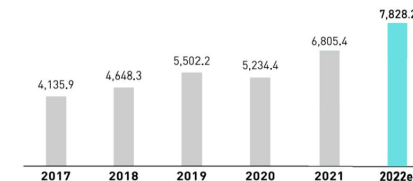
amounts are in Euro

SALES

Despite the 2020 financial year which has been strongly impacted by the Covid-19, Puma has managed to maintain the sale decrease to a minimum level of 4.9%, corresponding to a currency-adjusted decline of 1.4%.

However, 2020 impairment losses on trade receivables and other financial assets are ten times higher than the previous year, as well as financial expenses that are almost twice as high as 2019. This leads to a strongly **weakened net result** (€123.1m).

➤ 6.04 SALES (in € million)



Otherwise, In 2021, sales were up 30% over 2020, and 23.7% over 2019, indicating not only a good post-sanitary crisis recovery, but also a better performance than before the crisis.

The 2022 results (based on estimates at 1/2 of 2022) indicate even better performance, with an increase of **15%** compared to 2021. The **estimation of Puma of a 10% increase** has been largely exceeded, it is however important to note that the strong changes in exchange rates and currency depreciations, this year may bias this result, but even considering this factor the company achieves an excellent performance.

1 - Income Statement

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Profit margins

Net profit margin growth is a good indicator of Puma's profitability :

| | 2022e (based on H1) | 2021 | 2020 | 2019 |
|----------------------------|---------------------|---------------|---------------|---------------|
| Net profit margin | 8,57% | 4,55% | 1,55% | 4,77% |
| Gross profit margin | 46,83% | 47,87% | 46,95% | 48,82% |

From 2021 to 2022, the net profit margin has almost doubled.

Gross profit margin remains relatively stable through the years, with an average ratio of 47.6%.

This ratio reflects the pricing power of the company, and can be influenced by different factors such as inflation, exchange rate variations...

However, in 2022 we face these factors and yet Puma does not seem to be affected at this level. We can conclude that it has been able to growth its stale to maintain this ratio (because with inflation, costs increase as well). In its 2022 half year Press Release, Puma mentions its strategy of “**keeping our price competitive and prioritize sales growth and market share gains above short-term profitability**”.

EBIT

Concerning the Operating result, Puma forecasted in the 2021 press released an **EBIT between € 600 and € 700 million** for their 2022 Outlook.

We can see that the that this estimation is in line with the 2022e result : **€ 684.8m** (non currency-adjusted). This corresponds to a **22.9%** increase.

Results of 1-9 2022 registered an EBIT of **€ 600.1m**, hence we can suggest that the operating result of the financial year 2022 might be higher than our expectations based on H1, due to the significant results of the third quarter (EBIT Q3 2022: €257.7m).

The net results follow the same upward trend, net earnings grew by 25.1% in the same period.



Despite the highly uncertain environment, PUMA reiterates its 2022 outlook for **currency adjusted mid-teens sales growth**, and an **operating result (EBIT) in a range of € 600 million to € 700 million** (2021: € 557 million). PUMA's net earnings are expected to improve accordingly. The development of the gross profit margin and OPEX-ratio will continue to depend largely on the extent and duration of the negative impacts described above.

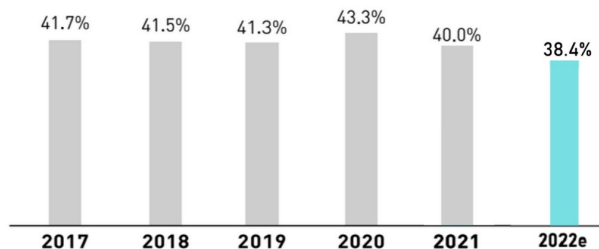


1 - Income Statement

OPEX

During Covid-19, the company had to support a lot of costs related to operating production such as costs of warehousing and logistics and sales-related costs. But thanks to its **cost control** strategy established, Puma succeeded in limiting the increase of OPEX, resulting in a decrease of the OPEX/Sales ratio since 2021 :

➤ 6.11 OPERATING EXPENSES (as a % of sales)



Earnings per share

Despite the financial year 2020, earnings per share follow an **upward trend**. From 2020 to 2021, EPS almost quadrupled, Puma has hence exceeded its **profitability targets** in the past financial year. Neither Adidas nor Nike has reached such an increase of EPS from 2020.

From shareholders' point of view, the company has succeeded in **increasing its profitability toward the years**.

| | 2022e (based on H1) | 2021 | 2020 | 2019 |
|--------------------|---------------------|---------|---------|------|
| Earnings per share | 2,74 | 2,07 | 0,53 | 1,76 |
| Variation | 32,37% | 290,57% | -69,89% | - |

2 - Balance sheet Statement ⁽¹⁾

Cash position

Puma has been able to increase its **cash position** through the years, even during the Covid period, which illustrates the strength of the brand. They also did not use their credit lines in 2021, indicator of Puma's autonomy regarding to debt and cash disposal.

Nevertheless, in the Q3 2022 report, we can see an important decrease of Cash and Cash equivalents amount (498.4) compared to the previous year (755.2), and a significant increase of 30.4% of trades payables for the same period, compared to trade receivable,, raising financial liabilities: there might have been a deterioration of the Cash during this financial year, resulting in a cash decrease and indebtedment of the company toward its suppliers. Puma might have face some difficulties to maintain its cash cycle.

| Balance Sheet | Dec. 31, '21 € million | Dec. 31, '20 € million | Deviation | Dec. 31, '19 € million | Deviation |
|---------------------------------------------------|---------------------------|---------------------------|-----------|---------------------------|-----------|
| ASSETS | | | | | |
| Cash and cash equivalents | 757.5 | 655.9 | 15.5% | 518.1 | 26.6% |
| Inventories | 1,492.2 | 1,138.0 | 31.1% | 1,110.2 | 2.5% |
| Trade receivables | 848.0 | 621.0 | 36.5% | 611.7 | 1.5% |
| Other current assets (working capital) | 268.7 | 174.5 | 54.0% | 196.0 | -11.0% |
| Other current assets | 123.3 | 23.7 | 420.4% | 45.2 | -47.6% |
| Current assets | 3,489.8 | 2,613.0 | 33.6% | 2,481.2 | 5.3% |
| Deferred taxes | 279.9 | 277.5 | 0.9% | 237.7 | 16.7% |
| Right-of-use assets | 940.5 | 877.6 | 7.2% | 719.0 | 22.1% |
| Other non-current assets | 1,018.0 | 916.0 | 11.1% | 940.3 | -2.6% |
| Non-current assets | 2,238.4 | 2,071.0 | 8.1% | 1,897.0 | 9.2% |
| Total Assets | 5,728.3 | 4,684.1 | 22.3% | 4,378.2 | 7.0% |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current financial liabilities | 68.5 | 121.4 | -43.6% | 10.2 | - |
| Trade payables | 1,176.5 | 941.5 | 25.0% | 843.7 | 11.6% |
| Other current liabilities (working capital) | 704.6 | 526.2 | 33.9% | 524.9 | 0.3% |
| Current lease liabilities | 172.4 | 156.5 | 10.1% | 144.8 | 8.0% |
| Other current liabilities | 42.6 | 127.2 | -66.5% | 35.3 | - |
| Current liabilities | 2,164.5 | 1,872.8 | 15.6% | 1,558.9 | 20.1% |
| Deferred taxes | 48.8 | 40.6 | 20.1% | 53.0 | -23.3% |
| Pension provisions | 31.9 | 38.2 | -16.3% | 34.1 | 11.8% |
| Non-current lease liabilities | 851.0 | 775.2 | 9.8% | 600.5 | 29.1% |
| Other non-current liabilities | 353.5 | 193.4 | 82.8% | 211.4 | -8.6% |
| Non-current liabilities | 1,285.3 | 1,047.4 | 22.7% | 899.0 | 16.5% |
| Shareholders' Equity | 2,278.5 | 1,763.9 | 29.2% | 1,920.3 | -8.1% |
| Total Liabilities and Shareholders' Equity | 5,728.3 | 4,684.1 | 22.3% | 4,378.2 | 7.0% |

| Balance Sheet | June 30, '22 € million | June 30, '21 € million | Deviation | Dec. 31, '21 € million |
|---------------------------------------------------|---------------------------|---------------------------|-----------|---------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | 498.4 | 755.2 | -34.0% | 757.5 |
| Inventories * | 1,984.4 | 1,388.7 | 42.9% | 1,492.2 |
| Trade receivables * | 1,189.8 | 931.1 | 27.8% | 848.0 |
| Other current assets * | 273.9 | 219.2 | 25.0% | 268.7 |
| Other non-current assets | 250.7 | 33.7 | - | 123.3 |
| Current assets | 4,197.2 | 3,327.9 | 26.1% | 3,489.8 |
| Deferred taxes | 298.2 | 278.2 | 7.2% | 279.9 |
| Right-of-use assets | 1,001.4 | 917.4 | 9.2% | 940.5 |
| Other non-current assets | 1,109.6 | 988.6 | 12.2% | 1,018.0 |
| Non-current assets | 2,409.2 | 2,184.2 | 10.3% | 2,238.4 |
| Total Assets | 6,606.4 | 5,512.1 | 19.9% | 5,728.3 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current financial liabilities | 41.8 | 110.4 | -62.2% | 68.5 |
| Trade payables * | 1,657.1 | 1,270.6 | 30.4% | 1,176.5 |
| Other current liabilities * | 723.0 | 376.4 | 25.5% | 704.6 |
| Current lease liabilities | 190.8 | 159.5 | 19.6% | 172.4 |
| Other current liabilities | 67.0 | 61.0 | 9.9% | 42.6 |
| Current liabilities | 2,680.3 | 2,178.0 | 23.1% | 2,164.5 |
| Deferred taxes | 57.4 | 39.6 | 45.1% | 48.8 |
| Pension provisions | 32.8 | 39.3 | -16.6% | 31.9 |
| Non-current lease liabilities | 905.9 | 827.8 | 9.4% | 851.0 |
| Other non-current liabilities | 345.0 | 426.5 | -19.1% | 353.5 |
| Non-current liabilities | 1,341.1 | 1,333.2 | 0.6% | 1,285.3 |
| Shareholders' Equity | 2,585.0 | 2,000.9 | 29.2% | 2,278.5 |
| Total Liabilities and Shareholders' Equity | 6,606.4 | 5,512.1 | 19.9% | 5,728.3 |

2 - Balance sheet Statement

Equity ratio

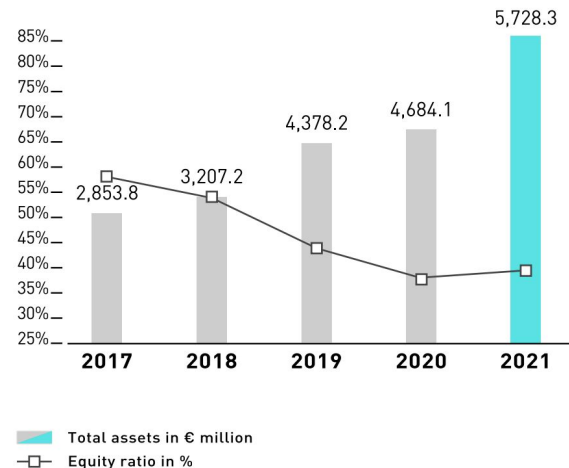
The increase of equity through the years traduces the solidity of the capital base. The equity ratio reflects the level of leverage used by the company. Since 2020, Puma has been able to maintain this ratio near 40% despite the increase of assets. In Q3 2022, the value of the ratio is 39.8%, very close to last year.

This ratio might be considered as low and showing riskiness, but however its equity ratio is in line with Puma's main competitors'.

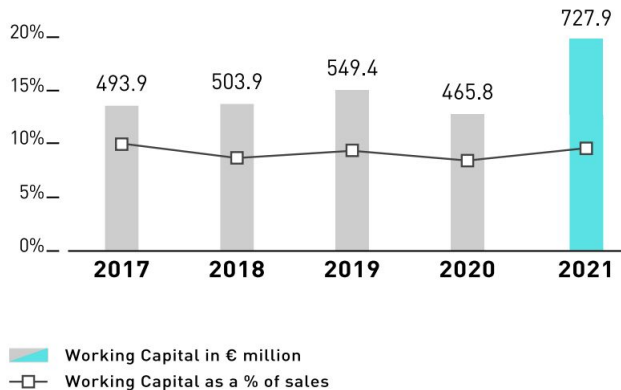
The decrease of this ratio is mainly driven by the significant increase of the asset in the recent year.

| | 2021 | 2020 |
|--------|-------|-------|
| Adidas | 35,4% | 31,8% |
| Nike | 33,8% | 25,7% |
| Puma | 39,8% | 37,7% |

TOTAL ASSETS/EQUITY RATIO



WORKING CAPITAL



Working capital

In Puma's sector of activity, it is normal to have a positive Working Capital(due to inventories in particular). A positive Working Capital following an upward trend results in a **growth of the activity**.

We observe a decrease in 2020, as a result of the Covid crisis, mostly due to the trade payable increase caused by extended payment terms.

In 2021, we see a strong increase of inventories (rise of Puma-owned retail stores) and trade receivables compared to the increase in trade payables. However, in spite of Covid, the factory closures in South Vietnam has amortized this effect, leading to a slight increase of WC in 2021.

At end of september, WC amounted to 1,339.0, corresponding to a **86.2%** increase compared to a year ago. This exponential increase is mostly due to currency effects and inflation, impacting the inventory level. However, trade payables have rose significantly (50.5%) compared to trade receivables (21.9%) : This might traduce Puma's difficulty to maintain its cash cycle.

2 - Balance sheet Statement

Net debt

The negative net debt implies that the company possesses more cash and cash equivalents than its financial obligations and is hence more financially stable.

Even during the Covid Crisis, Puma managed to control its net debt thanks to its cash increase, which shows the strength of the company. However, there is an important **deterioration of the cash** at Q2 2022 (-34% compared to Q2 2021). This decrease is mostly due to **currency effects**.

| | Q2 2022 | 2021 | 2020 | 2019 |
|------------------------------------------------|---------------|---------------|---------------|---------------|
| Financial liabilities (current and noncurrent) | 353,3 | 380 | 266,4 | 173,5 |
| Cash and cash equivalent | 498,4 | 757,5 | 655,9 | 518,1 |
| Net debt | -145,1 | -377,5 | -389,5 | -344,6 |

In order to analyse the net debt level of Puma, we calculate the ratio **Net Debt on Equity** to compare with Puma's principal competitors: Nike and Adidas.

Net Debt on Equity ratio

| | 2021 | 2020 |
|--------|---------|---------|
| Puma | -16,57% | -22,08% |
| Nike | 23,51% | -4,05% |
| Adidas | -17,73% | -12,80% |

Puma has been able to maintain a low net debt on equity ratio during the Covid Crisis (-22,08%), compared to Nike and Adidas, which underlines the autonomy of Puma and ability to finance itself without big amount of indebtment. For the other financial years, Puma has a ratio in line with its competitors.

(1) Note about Balance Sheet Analysis : As Balance Sheet statement represents a snapshot of the enterprise financial stocks and not flows, it appears inappropriate to replicate estimations based on Q1 (multiplying by 2). Hence we take in count the balance of Q2 2022 to compare this financial year with the others.

3 - Company's investment policy

During these four years, the company **has not stopped investing** in fixed assets, which results in a positive change in net fixed assets, each year. This positive change in net fixed assets was also the case in 2020 during the COVID-19 crisis and in 2022 during the current crisis in Ukraine, which led to the closure of PUMA stores in Russia.

Nevertheless, we can see a much higher growth in absolute value of net fixed assets in 2019 compared to the three following years, which confirms the impact of these two crises.

| | 2022 H1 | 2021 | 2020 | 2019 |
|-----------------------------------------|-------------|-------------|-------------|-------------|
| Property, plan and equipment | 564,70 | 472,4 | 406,9 | 394,8 |
| Right of use assets | 1001,40 | 940,5 | 877,6 | 719 |
| Intangible assets | 471,80 | 471,8 | 443,4 | 454,5 |
| Total cumulated net fixed asset | 2037,90 | 1884,7 | 1727,9 | 1568,3 |
| Variation annual net fixed asset | +153 | +157 | +160 | +229 |

(2) Note about estimation of fixed assets : As fixed assets in the balance sheet represents a snapshot of the enterprise at a given time, here it appears inappropriate to estimate 2022 end year by multiplying 2022 H1 by 2. Therefore, we use 2022 H1 values.

Capex/Depreciation

Although the absolute growth of net fixed assets in 2022 has not returned to the same level as in 2019, the Capex/Depreciation ratio in 2022 is equivalent to that of 2019. This ratio indicates the investment policy of the company. A high ratio shows that PUMA is investing highly in its long-term assets, implying an expectation of future growth and not only to maintain its current fixed assets.

| | 2022e | 2021 | 2020 | 2019 |
|----------------------------------|---------------|---------------|---------------|---------------|
| Annual Capex | 345,9 | 372,9 | 364,3 | 450,4 |
| Annual amortization/depreciation | 172,9 | 216,1 | 204,7 | 221,3 |
| Capex/Depreciation | 2,0013 | 1,7256 | 1,7797 | 2,0352 |

In 2019, PUMA has a ratio of 2, which indicates that **the company is investing to grow the business** and to possibly match its two biggest competitors NIKE and ADIDAS.

As the COVID-19 crisis has impacted many sectors, including PUMA's sector, we can see that in 2020 and 2021, this ratio has seen a decrease compared to 2019. Although the company continues to invest and keep in view its growth objective and its policy which remains the **investment and not only the maintenance of its current fixed assets**.

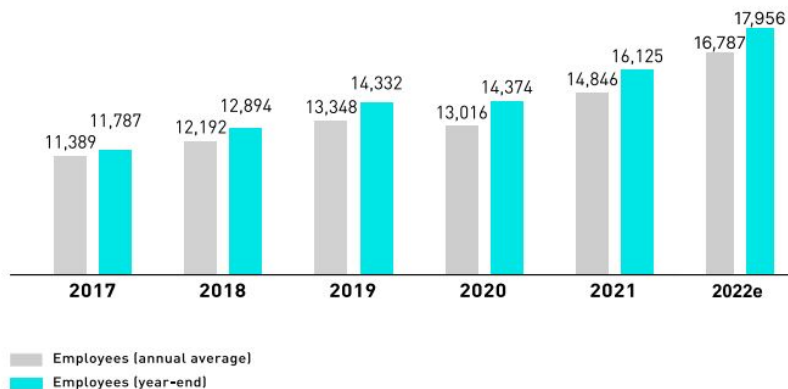
Note that in 2022, **this ratio returns to its initial level of 2019** with a level of 2. Even if, the ratio has returned to its initial level of pre-crisis - not by an equivalent level of capex but rather by a decrease in depreciation of existing fixed assets - this indicates the optimism of the head of PUMA, both on the PUMA company but also on the geopolitical context.

3 - Company's investment policy

Investment policy and employee

This policy of investment in the growth of the company can also be reflected in the growth of the number of employees in the company.

We can see an **annual growth of around 10%** each year with an exception in 2020, the period of the COVID-19 crisis, when all PUMA stores without exception were affected by the containment. The **impact of COVID-19** has resulted in a negative variation in the average number of employees of **-2.49%** and a small growth of **+0.29%** in the number of employees at the end of the year 2020, an increase of **42** employees in absolute terms.



| | 2022e | 2021 | 2020 | 2019 |
|--------------------|----------|----------|---------|----------|
| Variation employee | +11,36 % | +12,18 % | +0,29 % | +11,15 % |
| Variation average | +13,07 % | +14,06 % | -2,49 % | +9,48 % |

| | 2022e vs 2019 |
|--------------------|-----------------|
| Variation employee | +25,29 % |
| Variation average | +25,76 % |

However, a **rebound** can be noticed in 2021, a growth even more important than that of 2019. With a growth of **+14.06%** over the year 2021 against **+9.48%** over the year 2019, a growth of **+14.06%** which is not only due to the reopening of stores and the stabilization of business but also due to the **opening of new store** in different countries.

Despite the geopolitical context of early 2022 and the direct impact on some PUMA stores as well as on the employees of these stores. We can see the optimism of the leaders that translates into the **continuity of the policy of growth** of the number of employees of PUMA.

Between 2019 and 2022, the number of PUMA employees will grow by approximately 25%, which is in line with the investment policy.

(3) Note about 2022 estimation : Here, looking at the evolution of number of employees year after year, again it appears inappropriate to estimate 2022 by multiplying 2022 H1 by 2. Hence we decide to use the growth rate between 2021 H1 and 2021 end year, to estimate 2022 end year based on 2022 H1.

3 - Company's investment management

Investments

Investments in fixed assets of around € 220 million are planned for 2019. The increase compared to the investments in 2018 mainly relates to planned investments in our own distribution and logistics centers. Further investments will also be made in the expansion and modernization of the Group's own retail stores as well as in infrastructure in order to create the operative requirements for the planned long-term growth.

Investments

Investments in fixed assets of between € 220 million and € 250 million are planned for 2022. The capital expenditures will mainly concern investments in own distribution and logistics centers, investments in the expansion and modernization of the Group's own retail stores and investments in infrastructure to create the operative requirements for the planned long-term growth.

Investments

Investments in fixed assets of around € 150 million are planned for 2020. The capital expenditures will mainly concern investments in own distribution and logistics centers, investments in the expansion and modernization of the Group's own retail stores and investments in infrastructure to create the operative requirements for the planned long-term growth.

Investments

Investments in fixed assets of between € 200 million and € 220 million are planned for 2021. The capital expenditures will mainly concern investments in own distribution and logistics centers, investments in the expansion and modernization of the Group's own retail stores and investments in infrastructure to create the operative requirements for the planned long-term growth.

| | 2021 | 2020 | 2019 |
|-----------------------------------|-------|------|-------|
| Cash used in investing activities | 202,4 | 151 | 218,7 |

| | 2022 H1 | 2021 H1 |
|-----------------------------------|---------|---------|
| Cash used in investing activities | 92,3 | 99 |

Investment objective

We can see that the **objective of investing** in the development of the group and therefore in its infrastructure has remained a key element, even in times of crisis. Every year PUMA invest continuously into new project of infrastructure such as **new stores or IT infrastructures**.

Although there was a decrease in investment in 2020, the year of the COVID-19 crisis, **investment has not been completely stopped**, with a level of investment of around 150 million euros for that year.

It can be seen that in the following year, 2021, the level of the investment budget has risen to a level of around € 200 million, **almost the level of 2019**. PUMA continues this investment momentum, forecasting an investment level of between **€ 220 million and € 250 million** by the end of 2022.

Note that in the first half of 2022, the investment level is approximately equivalent to the 2021 H1 level. As the investment target set in 2021 has been reached, i.e. an investment level of around 200 million in 2021, and the health context is improving, so the 2022 target of over 220 million can also be expected to be reached.

4 - Company's profitability - ROCE - ROE

| | 2022 H1 estimated | 2021 | 2020 | 2019 |
|-------------|-------------------|---------------|---------------|---------------|
| EBIT | 684,8 | 557,1 | 209,2 | 440,2 |
| Equity | 2897,3 | 2278,5 | 1763,9 | 1920,3 |
| Net debt | -145,1 | -377,5 | -389,5 | -344,6 |
| Net income | 411,2 | 309,6 | 78,9 | 262,4 |
| 1-t | 74,50% | 74,60% | 75,80% | 74,00% |
| ROCE | 18,54% | 21,86% | 11,54% | 20,67% |
| ROE | 14,19% | 13,59% | 4,47% | 13,66% |

The return on capital employed is an indicator to evaluate the economic profitability of the company. It measures the capacity of a company or one of its projects to generate profit in relation to the level of capital invested or committed.

The return on equity calculates the profitability of the company based on its equity only.

We can see that ROCE and ROE remain **stable at around 20% and 14%** respectively, without considering Covid impact on 2020.

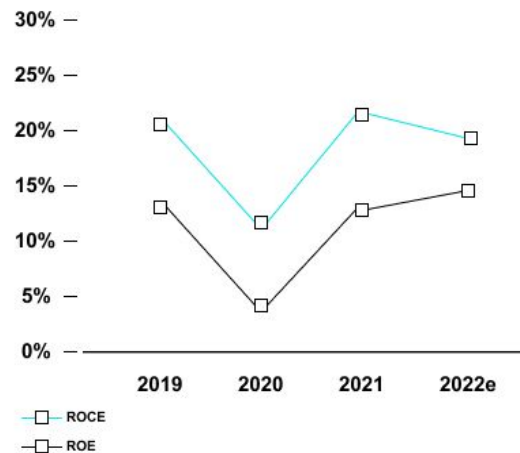
Again, we see the important **impact of the COVID-19 crisis** where we see a **division by 2** of the ROCE and a **division by 3** of the ROE. This impact is clearly visible on the graph, with a **downward spike** in the year 2020. However, Puma has succeeded in maintaining a ROE positive even during this critical period, and hence able to pay dividends, which is an interesting point from shareholders' point of view.

The level of the two indicators has **return to the initial level** of 2019 in the following year, which confirms the fact that it is due to a cyclical crisis and is not due to a structural effect of the company.

The level of **ROCE** close to 20% indicates that for every 100€ used in the company's activity, we have an operating result of 20€.

The level of **ROE** around 14% indicates that for every 100€ brought by the shareholders and invested in the company's activity, we have a net profit of 14€.

Comparing these levels to those of NIKE and ADIDAS, we can see that PUMA is slightly lower in terms of profitability on equity and on debt. But is at a much lower level in terms of return on equity, especially compared to NIKE.

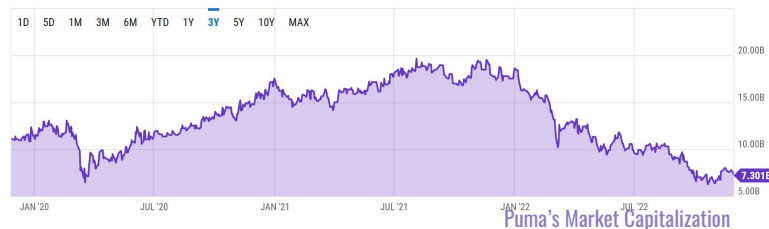


| | 2021 PUMA | 2021 NIKE | 2021 ADIDAS |
|------|-----------|-----------|-------------|
| ROCE | 21,86% | 26,08% | 25,81% |
| ROE | 13,59% | 44,86% | 28,70% |

5 - Current multiples

Market capitalisation

Puma, as its main competitors has faced an important rise of the value of its stocks at the start of the Crisis, extending for almost two years, showing the confidence of investors in Puma's company.



The market capitalization for 2022 used for the multiples corresponds to the market cap in November 2022. This value is relatively low compared to the previous years.

| | 2022e | 2021 | 2020 | 2019 |
|-----------------------|---------------|----------------|----------------|----------------|
| market capitalization | 7 768 000 000 | 16 083 000 000 | 13 804 000 000 | 10 222 000 000 |
| net debt | (145 100 000) | (377 500 000) | (389 500 000) | (344 600 000) |
| net income | 411 200 000 | 309 600 000 | 78 900 000 | 262 400 000 |
| minority interests | 60 200 000 | 67 200 000 | 44 200 000 | 46 600 000 |
| amortization | 308 800 000 | 287 300 000 | 275 700 000 | 246 400 000 |
| EV | 7 683 100 000 | 15 705 500 000 | 13 414 500 000 | 9 877 400 000 |
| sales | 7 828 200 000 | 6 805 400 000 | 5 234 400 000 | 5 502 200 000 |
| EBITDA | 1 001 600 000 | 862 800 000 | 502 900 000 | 686 600 000 |
| EBIT | 684 800 000 | 557 100 000 | 209 200 000 | 440 200 000 |
| | | | | |
| EV/sales | 0,98 | 2,31 | 2,56 | 1,80 |
| EV/EBITDA | 7,67 | 18,20 | 26,67 | 14,39 |
| EV/EBIT | 11,22 | 28,19 | 64,12 | 22,44 |
| PER | 18,89 | 51,95 | 174,96 | 38,96 |

amounts are in Euro

Ratio analysis

By combining the market devaluation of the company with the important sale growth that Puma has faced during this financial year, there is a significant decrease of the ratio for 2022.

These lower ratios are good indicators for potential investors as they reflect a market undervaluation of the company by the market. Most of the ratios represent half of those of 2019.

The high PER ratio, especially for 2020 and 2021, reflects confidence of investors in Puma's future value and may traduce an overvaluation of the price stock.

The market value of Puma has been readjusted by the market (Nike and Adidas market cap following the same trend), but Puma important growth revenue and net income in 2022 might provoked an upward movement of puma's common stock, and create an incentive to invest.

5 - Current multiples

In 2021, each of these 4 ratios has increased from 2019. PUMA is valued at 64 times its EBIT, due to a significant drop in its EBIT during the year of the COVID crisis while the enterprise value has increased.

Same goes for 2020's price earning ratio which got multiplied by almost 5.

In 2021, PUMA's valuation, got closer to 2019 level, even though the level is still superior.

| | 2022e | 2021 | 2020 | 2019 |
|------------------|--------------|--------------|---------------|--------------|
| EV/sales | 0,98 | 2,31 | 2,56 | 1,80 |
| EV/EBITDA | 7,67 | 18,20 | 26,67 | 14,39 |
| EV/EBIT | 11,22 | 28,19 | 64,12 | 22,44 |
| PER | 18,89 | 51,95 | 174,96 | 38,96 |

Puma and its competitors

By comparing the enterprise ratios of 2021 of Puma with its competitors, we observe, that Puma is relatively in line with its competitors.

A high PER ratio can be interpreted as an overvaluation of the company's stock, or that investors are expecting high growth rates in the future. In this case, as Puma faces an important increase in its sells, it can be interpreted as an optimism of Puma track from investors.

Even though Nike has relatively higher ratios, Puma has been able to increase its sales considerably since 2019 compared to the two leaders of the industry:

Sales growth nike 2019 to 2021 : 13.9%

Sales growth adidas 2019 to 2021 : -10%

Sales growth PUMA 2019 to 2021 : 23.7%

2021 EV-ratios

| | Nike | Adidas | Puma |
|----------|------|--------|------|
| EV/SALES | 6,0 | 2,2 | 2,3 |
| EV/EBIT | 38,5 | 23,8 | 28,2 |
| PER | 46,1 | 32,5 | 52,0 |

Puma and Nike ratio computation is based on the annual financial report of the companies, by using the same formula and statements in order to compare them to each other.

Should we invest in the PUMA's stock?



By combining the analysis approaches of the different statements from 2019 to Q2 2022, we can conclude that Puma had managed to recover from the Covid-Crisis by a cost control plan and good management of expenses without having to increase prices and hence impact the consumer.

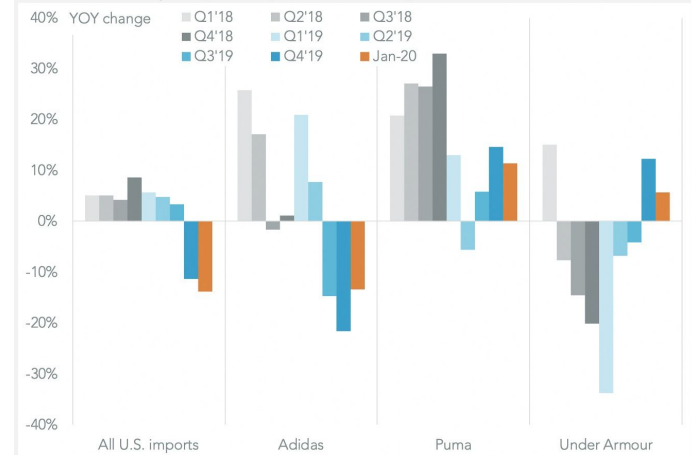
Its relatively low and negative net debt toward the last years traduces its financial stability, even during the pandemic period. Moreover, the company is facing an important sale growth, as show the 2022 half year financial statements, promising attractive results for this financial year and improving its competitiveness.

The graph published by S&P on the left reflects Puma's ability to recover from the crisis through importations compared to its main concurrent Adidas.

Thanks to its regular investments in retail stores, IT and other structural expenses, Puma is focusing on a development strategy of its brand through its retail activity and sales.

Moreover, the results through the years are in line with estimations and outlooks made for a year to the following. Puma is also faithful to its plan expenses for the following year, for example with its investment strategy.

Puma leads race to recover, Adidas need to work out how to grow
US seaborne imports, Jan. 1, 2018 - Jan. 31, 2020



Should we invest in the PUMA's stock?

As mentioned in the market cap analysis, the company appears to be currently undervalued by the market, whereas its sales and net results improve. Hence from a **investor point of view**, investing in Puma's stock can be a promising strategy.

From a **bank point of view**: does the company look risky ?

Even though we observed a deterioration of the cash in June 2022 balance sheet, it remains important to analyze the future 2022 annual report to see if Puma has been able to readjust its cash circle across the year.

Also, the company is relatively stable across the years, managing to finance by itself through equity rather than debt.

Puma's returns on equity and profitability indicators across the years reflect a promising bet for **Shareholders**, as they have been able to benefit from the return of their investment with the flow of dividends received each year, even during the pandemic.

Puma can be seen from all this different perspectives as a potential source of revenue and a promising investment.

To conclude, **Puma**, thanks to its strength and stable capital position, manages to grow significantly, particularly since the last two years; in order to be able to affirm its position in the sportswear market and compete against the two big leaders of this industry: Nike and Adidas .

