AS Earnings Call Transcript

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Quarter: 3

Operator: Thank you for standing by, and welcome to the Amer Sports Third Quarter Fiscal 2025 Earnings Conference Call. [Operator Instructions] I'd now like to turn the call over to Omar Saad, SVP, Capital Markets and Investor Relations. Please go ahead.

Omar Saad: Welcome, everyone. Thanks for joining Amer Sports Earnings Call for the third quarter of fiscal year 2025. Earlier this morning, we announced our financial results for the quarter ended September 30, 2025, and the release can be found on our IR website, investors.amersports.com. A quick reminder to everyone that today's call will contain forward-looking statements within the meaning of the federal securities laws. These forward-looking statements reflect our current expectations and beliefs only. They are subject to certain risks and uncertainties that could cause actual results to differ materially. Please see the safe harbor statement in our earnings release and SEC filings. We will also discuss certain non-IFRS financial measures. Please refer to our earnings release for important information regarding such non-IFRS financial measures, including reconciliations to the most comparable IFRS financial measures. We will begin with prepared remarks from our CEO, James Zheng; and CFO, Andrew Page, followed by a Q&A; session until approximately 9:00 a.m. Eastern. James will cover key operational and brand highlights, and Andrew will provide a financial review at both the group and segment level and also walk through our guidance for the full year 2025 as well as an initial high-level sales and margin outlook for 2026. Arc'teryx CEO, Stuart Haselden; and Salomon's CEO, Guillaume Meyzenq, will join for the Q&A; session with that, I'll turn the call over to James.

Jie Zheng: Thanks, Omar. Amer Sports' strong momentum continued in the third quarter as our unique portfolio of premium technical brands continues to create white space and take share in sports and outdoor markets around the world. All 3 segments performed extremely well, led by exceptional Salomon footwear growth and Arc'teryx omni-comp reacceleration and solid growth from Wilson Tennis 360 and our Winter Sports Equipment franchise. We delivered strong results across the P&L;, including 30% growth, 130 basis points of adjusted operating margin expansion and more than doubling our adjusted EPS. Our Performance was led by very strong growth and profitability in Outdoor Performance, led by Salomon footwear and Technical Apparel led by Arc'teryx. We also had a solid contribution from the Ball & Racquet segment, led by Wilson Tennis 360. All 4 regions accelerated in Q3 and achieved double-digit revenue growth, and that strong momentum has continued into Q4. We believe Amer Sports is a uniquely positioned company within the global sports and outdoor space. Our specialized, highly technical brands serve the premium sports and outdoor market, which continues to be one of the healthiest segments across the global consumer landscape. Several factors give me confidence for our near, medium and long-term outlook. First, we own a unique portfolio of premium innovation-driven sports and outdoor brands. Second, Arc'teryx is a breakout brand story with leading growth and profitability for the outdoor industry driven by its disruptive direct-to-consumer model. Third, Salomon Footwear has unique products and brand positioning and a very strong demand, but still a small share of the global sneaker market. Fourth, Wilson Equipment and our Winter Sports Equipment brands already have leading market shares and will deliver slower long-term growth, except for Wilson Softgoods, which we believe has significant long-term growth potential. And fifth, we have a strong differentiated platform in Greater China, where we continue to deliver best-in-class performance across our 3 big brands. I want to take a moment to address September fireworks incident. We regret our

involvement and are working closely with the local authorities to address the impacts. We remain deeply committed to our communities and consumers and are taking actions to ensure we do better going forward. Before I turn it over to Andrew Page, allow me to briefly recap key brand highlights from our 3 segments, starting with Technical Apparel, which is led by Arc'teryx. Arc'teryx delivered another quarter of broad-based strength across regions, channels and categories, especially footwear and women's. We are encouraged by Technical Apparel's continued momentum in the direct-to-consumer channel, where the omni-com reaccelerated to 27% from 15% in Q2. We envision Arc'teryx as a truly global brand with significant runway to grow in all major markets, and we are particularly encouraged by the meaningful Q3 acceleration in North America and Europe as well as continued strength in Asia and China. Strong Women's momentum continued in Q3, growing 40% and was one of Arc'teryx' fastest-growing categories. We continue to see a large opportunity to serve women in the outdoors in a different way, focusing on pinnacle design and performance. The new women's Leutia Pant was a standout performer in the quarter and was a top 5 model across all U.S. epicenters. Our women's climbing pant, the Clarkia, also continues to be widely popular since its launch last year. For Fall-Winter 2025, we are expanding our focus on color and have launched new models like the Nia pant and women's-only shell jacket styles like Emaris and Altira. We continue to experience rising brand awareness and affinity with women in the U.S. and Europe, as we have improved fit, style and function. As we discussed at our recent Investor Day, Women's will represent approximately 25% of global Arc'teryx sales in 2025, and we expect it to become 30% of sales by 2030. Footwear also continues to be a key growth driver with 35% growth. Shoe models launched in the fall included the Konseal, a modern take on the classic approach shoe, which is light, grippy and built for long technical missions. We also launched Norvan Nivalis, a winterized evolution of the Northern LD4, delivering high-performance running in cold conditions with a bold, modern silhouette. Looking forward, Arc'teryx has an exciting pipeline of shoe launches for next year, and we continue to believe footwear will be a large and profitable growth avenue for Arc'teryx. Footwear will represent approximately 8% of global brand sales this year, and we expect it to reach 13% by 2030. Our Veilance sub-brand is still small, but grew strong double-digits in Q3 and we are excited for the future potential of this brand. Veilance is expanding into new high-end wholesale partners in North America, and you can now find Veilance in Nordstrom in the U.S., and Holt Renfrew in Canada. Veilance will represent approximately 5% of global brand sales in 2025, and we expect it to reach 7% in 2030. Circularity and ReBIRD continue to be at the heart of our brand. We now have 32 ReBIRD centers, which supported our successful September trade-in initiative, whereby guests received a 30% credit for returning their used Arc'teryx jackets. I would also like to mention Peak Performance, the other brand within our Technical Apparel segment. We are pleased to share that Peak Performance is seeing stabilizing sales, and profitability in its core European business as well as early green shoots in North America. We introduced Peak to REI in September, and we are also opening a Vancouver Flagship store in the previous Arc'teryx space in time for this Winter season. Moving to the Outdoor Performance segment, which was led by another outstanding quarter from Salomon Footwear and Apparel, as well as a healthy performance from Winter Sports Equipment. Salomon footwear momentum continues across all regions, especially Asia, with strong demand for both Sportstyle and Performance products. In addition to sneakers, bags and socks are also growing strongly across regions. There are several ongoing factors that give us confidence that Salomon footwear is well positioned for significant profitable growth in the years ahead. Number one, global Sportstyle momentum continues. One of Salomon's unique strengths as an outdoor brand, is how well we are connecting with younger consumers, especially women. Our Sportstyle offering is critical to Salomon's unique position as the modern outdoor sneakers brand, resonating with women in a way traditional outdoor brands have not. Second, our performance and running lines are also having great success. Our GRVL franchise is unlocking the run category for Salomon like never before. Salomon is gaining traction in the Run Specialty channel in North America and EMEA. And even China, which has been a Sportstyle-centric market is seeing traction in Performance Products. We are also seeing a benefit from improving capability to launch globally coordinated marketing campaigns to support our Sportstyle and Performance launch. Third is Salomon's continued amazing brand heat in Greater China and Asia, where we believe we operate the most productive and profitable sneaker shops in the industry. Beyond Great China, Salomon is also

experiencing surging demand in Korea and Japan, both large sneaker markets. Fourth, our epicenter strategy is working. Our strategy to open a handful of brand stores alongside strategic elevated wholesale distribution in key metro markets is critical to elevating Salomon's presence and awareness globally. Epicenter cities include Paris, London, Shanghai, Beijing, New York, L.A., Milan, Miami and more to come. Fifth, we are seeing accelerating demand in Europe, Salomon's home market. Salomon is experiencing strong pull demand from consumers, which drives strong reorders, preorders and sell-through for both Sportstyle and Performance. Sixth in North America, which is still a much smaller sneaker market for us compared to Europe or Asia. It's growing at a solid double-digit rate, but under the surface. We can see that it's growing even faster. We are still exiting certain retail and e-com channels that work right for Salomon, while we simultaneously ramp up our North America direct-to-consumer footprint and wholesale expansion with the key strategic partners. Lastly, as we continue to elevate Salomon's brand awareness, we are excited about the upcoming Milano Cortina Olympic, where Salomon is a premium partner, outfitting all volunteers. This will be a great moment for the brand in its home market. I also want to mention our Winter Sports Equipment franchise, which had a very strong Q3 with healthy shipment to start the season and solid order books for the winter season overall. We were thrilled by the outstanding performance from Atomic athletes in the World Cup in SÃ¶lden, Austria. The event represents a great start for the season in Europe with record attendance and the broadcast viewership, which is a positive indicator of the engagement and the passion people in Europe have for winter sports. In 2025, Winter Sports Equipment is expected to represent only 28% of the outdoor performance segment, down from 46% in 2022. Moving to Ball & Racquet highlights. Ball & Racquet had strong sales in Q3 with 16% growth, driven by continued strength in Softgoods and racquet sports. Our Tennis 360 products continue to resonate very well with consumers from performance racquets to tennis apparel and footwear. Wilson Softgoods continued its explosive growth, more than doubling in the quarter with very strong growth across all 3 major regions. The brand has some big moments at this year's U.S. Open, both on and off the court. Wilson hosted brand activations across New York cities during the tournament, including our 4-day Wilson Tennis Club pop-up in Soho and our on-site U.S. Open shop again posted record traffic and sales. On court, Aryna Sabalenka won her fourth singles titles at the U.S. Open playing with Wilson Blade v9. On the product side, in July, Wilson unveiled Ultra v5. This is the most versatile Ultra racquet yet designed for intermediate to advanced players seeking both power and precision. Beyond the Tennis 360, we saw slight growth in golf, driven by EMEA and the Dynapower line and Infinite putter. Baseball was essentially flat, as growth in bats was offset by a decline in gloves and gear. Inflatables was down due to continued challenging market conditions and tariff-driven price increase. U.S. retailers and consumers are showing some price sensitivity in this category, and we plan to introduce a slightly lower price point, premium ball next year to make sure we are well positioned at the sweet spot on the price spectrum. With that, I will turn it over to Andrew.

Andrew Page: Thanks, James. The headline is that our strategy is working. Our brands are firing on all cylinders, allowing us to exit Q3 with momentum and setting us up to enter 2026 with confidence. Before I get into Q3 results, I want to personally thank our more than 13,000 employees around the globe for their obsessive focus on the consumer and continued push toward operational excellence. These results are only possible through their efforts. Now to our results. Salomon footwear continues to add a strong second leg of profitable growth to Arc'teryx' already exceptional trajectory, significantly elevating the financial profile and long-term value creation potential of the Amer Sports portfolio. All 3 operating segments delivered both sales and margin ahead of expectations in the third quarter. And given our strong third quarter results and continued momentum, we are raising our full year revenue, margin and EPS expectations. Amer Sports grew sales 30% in Q3 on a reported basis or 28% ex-currency. The strong group sales performance was led by Outdoor Performance, followed by Technical Apparel. Ball & Racquet sales also accelerated and delivered double-digit growth. By channel, the group continues to be driven by direct-to-consumer, which grew 51% led by Salomon in Greater China and APAC. Wholesale grew 18% at the group level, also led by Salomon. Growth accelerated across all regions. Regional growth was led by Asia Pacific, which increased 54% and China, which grew 47%. EMEA accelerated to 23% and the Americas accelerated to 18% in Q3. Turning to profitability. Adjusted gross margin increased 240 basis points to 57.9% in Q3, primarily

driven by favorable channel, geographic, product and brand mix. Gross margin also benefited by approximately 50 basis points from onetime inventory reserve adjustments. Adjusted SG&A; expenses as a percentage of revenues was flat year-over-year and represented 42.3% of revenues in Q3. The Technical Apparel SG&A; leverage on strong growth was offset by slight deleverage at Outdoor Performance and Ball & Racquet due to ongoing investments in Salomon Softgoods and Wilson Tennis 360. Led by strong gross margin expansion, we generated 130 basis points increase in our adjusted operating margin from 14.4% last year to 15.7% in Q3. Corporate expenses were $38 million, up from $23 million in Q3 of last year. D&A; was $119 million, which includes $43 million of ROU depreciation. Adjusted net finance cost in the quarter was $18 million, which comprised primarily of $26 million of interest expense, partially offset by $7 million of FX gains on the remeasurement of certain monetary assets. In the quarter, our adjusted income tax expense was $68 million, which equates to an adjusted effective tax rate of 26%. Adjusted net income in Q3 was $185 million compared to $71 million in the prior year period. Adjusted diluted earnings per share was $0.33 compared to adjusted diluted earnings per share of $0.14 last year. Now turning to segment results. Technical Apparel revenues increased 31% to $683 million, led by Arc'teryx. Growth was fueled by 46% direct-to-consumer expansion, including a reacceleration in our omni-comp to 27% from 15% in Q2 of 2025. Technical Apparel wholesale revenues grew 11% Regionally, the Technical Apparel growth rate was led by Asia Pacific, followed by the Americas, Greater China and then EMEA. All regions grew strong double digits. Arc'teryx stores are critical to the brand's growth, especially how we engage with local consumers and community. Our stores include a mix of different formats ranging from multilevel large-scale Alpha flagship stores to small format very distinct mountain town shops. In Q3, excluding the recently acquired stores in Korea, which I will discuss shortly, Arc'teryx opened 4 net new stores with 10 openings offset by closures of 6 legacy locations as part of our ongoing strategy to optimize the quality and productivity of our store fleet. New store openings included the Arc'teryx flagship in Vancouver at Robson Street. Arc'teryx also opened brand stores in Manchester, U.K.; Canberra, Australia and Takanawa, Tokyo. We have opened 12 net new stores year-to-date, and we continue to plan to open approximately 25 net new Arc'teryx stores for the full year, with the largest number coming in North America. Our store opening plan incorporates a similar level of gross new stores as in 2024, partially offset by the closure of certain outlets and suboptimal locations. In Greater China, we continue to focus on optimizing Arc'teryx' retail footprint. This year, we will have slight net store closures, including some legacy partner doors. However, we will still grow our owned store count and our overall square footage in China with larger format, higher quality and more productive locations. A good example of this is our upgrade of the original Arc'teryx flagship in Shanghai at the Alpha Center, which will reopen this month after expansion and renovation. Looking ahead to 2026, we are planning for Arc'teryx to have net store openings in China after years of rationalizing the store fleet in the region. In North America, I would highlight our second New York City Alpha store, which recently opened on Fifth Avenue at Rockefeller Center. This store is the most pinnacle expression of the brand in the U.S., and we are encouraged by the strong sales in the first few weeks. With nearly 12,000 square feet, it's one of the largest stores in North America and a bold step forward in Arc'teryx' retail expression, designed to educate, inspire and connect more people to the mountain through immersive storytelling and product innovation. In Q3, we also closed our asset purchase agreement with Nelson Sports, Arc'teryx' distributor in Korea since 2001. This deal effectively converted 46 partner stores into our own fleet, which include a number of small format shop-in-shop locations. The revenue and margin impact in Q3 was negligible. Bringing Korea in-house will benefit our top line and operating profit dollars, as we convert from wholesale partner revenues to DTC revenues. Bringing Korea in-house will have an immaterial impact on both the segment and group operating margin. This acquisition will contribute approximately $25 million of incremental sales in Q4. On an annualized basis, Korea is expected to generate approximately $120 million of total sales at retail in 2025. Beyond 2025, we believe Korea is a large, high potential market for Arc'teryx, given its strong consumer affinity for the Sports & Outdoor category and premium global brands. Technical Apparel adjusted operating margin declined 100 basis points to 19.0% as SG&A; leverage was offset by approximately 125 basis point headwind from a timing shift related to government grants. Moving to our Outdoor Performance segment, which saw revenues increase 36% to $724 million, driven by very strong performance in Salomon footwear, apparel and bags and socks.

By channel, Outdoor Performance DTC grew 67%, led by new doors and higher productivity across markets, especially Greater China and APAC. Outdoor Performance achieved an impressive 33% omni-comp with strength in both stores and e-commerce. E-com is growing across regions, driven by higher traffic. Wholesale grew 26%, driven by strong sell-through and reorders in softgoods. Regionally, the Outdoor Performance growth rate was led by Greater China and APAC, followed by accelerating growth in both EMEA and the Americas. The popularity of Salomon footwear is inflecting globally, and we are well positioned to fully develop this unique opportunity over time. We believe we have very significant growth opportunities in all 3 major consumer regions and have the right talent and team structures in place to take a meaningful share of the global sneaker market. In Asia, direct-to-consumer continues to be the critical growth channel for Salomon, led by our highly productive Salomon compact shop format. We opened 19 net new Salomon shops in Greater China this quarter, including both owned stores and partner stores, bringing our total count to 253 doors. We are on track to reach approximately 290 Salomon shops in Greater China by year-end, including owned and partnered doors. We recently opened our second Salomon flagship in Shanghai, a 7,300 square foot pinnacle expression of the brand located in the French Concession district known for its boutique shopping. The 3-level store offers a more immersive experience for consumers and has performed very well in its first few months. In APAC, we opened 12 new Salomon stores in Q3, 6 in Korea, 4 in Japan and 2 in Australia. Our overall brand awareness and demand for Salomon footwear is rapidly growing across Asia. In Americas, Salomon softgoods grew strong double digits in Q3, and we continue to lay the groundwork to support significant future growth. Our first U.S. store in New York City continues to show incredible traction with consumers, and we are on track to operate 4 stores in Greater New York by the end of Q1 as well as continue to expand our presence in key wholesale accounts. New locations in Q3 include Woodbury Commons in New York, the trendy Bucktown neighborhood of Chicago. And later this week, we're opening our second New York store in Williamsburg, Brooklyn. And I also want to mention our first Los Angeles store on Melrose Avenue in West Hollywood, which opened at the beginning of Q4. The opening has been a huge success with very strong brand buzz in the area, high traffic and long lines outside the store. We were thrilled to welcome many first-time Salomon buyers, especially so many young female consumers. We will continue to focus on epicenters in 2026 and beyond, including New York, Los Angeles, Miami and San Francisco, and we are planning to open 7 to 10 new stores next year in the U.S. Looking at U.S. wholesale, Salomon is seeing growing demand across a variety of high-quality retail partners, including REI, Nordstrom and run specialty shops. In EMEA, we continue to expand our store fleets in key epicenters, including Milan and London. We recently opened our second brand store in Milan and will open a third one in Q4, and we will open a fourth store in London in Q4. In 2026, we will further develop our epicenters into Spain, Germany and other key U.K. cities. For our Winter Sports Equipment brands, Q3 was a strong quarter with double-digit growth across brands and regions. Sales also benefited from approximately $20 million of shipments that were planned in Q4 but went out in Q3. Order books for the season are solid, and our brands continue to take meaningful market share globally. In addition to strong market share in our core ski, boot and binding categories, we see incremental growth opportunities in areas such as snowboarding and protective equipment. Outdoor Performance adjusted operating profit margin expanded 420 basis points from last year to 21.7% in Q3. Margin expansion was led by gross margin, thanks to positive channel, region and product mix as well as favorable product cost driven by our footwear cost optimization initiatives. Gross margin expansion offset the very slight SG&A; deleverage due to continued investments in growth. Moving to Ball & Racquet, where revenue increased 16% to $350 million, driven by softgoods and racquet sports. We continue to see very strong momentum in Tennis 360 globally. By category, the growth was led by softgoods, which more than doubled in the quarter with strong momentum in all regions. Softgoods now represents approximately 15% of segment revenue. Racquet sports also grew strong double digits, driven especially by very strong growth in EMEA and China. Regionally, the Ball & Racquet growth rate was led by China, followed by APAC, EMEA and slight growth in Americas. Globally, in Q3, we had 10 net new Wilson brand store openings, mostly in Greater China. Wilson continues to excel in China, and we are planning to open approximately 35 Wilson Tennis 360 shops in China this year, including both owned and partner doors, bringing the total to around 80. In Q3, Wilson celebrated the opening of its urban concept store,

Brickhouse in Wuhan, which integrates American tennis club aesthetics with local Wuhan culture, a tribute to Olympic Champion Zheng Qinwen's hometown. In North America, our expansion into the warmer southern markets is continuing to drive strong results. Our Dallas North Park Mall location continues to perform very well, and we continue to expand our new Tennis 360 concept store into more southern and coastal locations, including our new shop in Beverly Hills and an upcoming shop in Miami. We also continue to expand our Tennis 360 test in new DICK'S Sporting Goods locations, including House of Sports locations. In APAC, we are excited to expand our retail format into 2 new markets, Japan with our first store in Tokyo's Marunouchi district and Australia with our first 2 stores in the Melbourne area. Ball & Racquet segment adjusted operating profit increased 70 basis points to 7.6%, thanks to strong gains in gross margin, driven by favorable product, region and channel mix and pricing. Ball & Racquet profitability also benefited from the above-mentioned onetime inventory reserve revaluations. These gains offset higher tariff costs and slight SG&A; deleverage on continued softgoods investments. Turning to the group balance sheet. We ended the quarter with $800 million of net debt. Using the midpoint of our 2025 adjusted operating profit guidance, our net debt to adjusted EBITDA ratio was approximately 0.7x at the end of Q3. We exited the quarter with inventories up 28% year-over-year, slightly lower than our 30% sales growth. We are very comfortable with the level and quality of our inventory. This higher inventory growth is primarily related to 4 factors: number one, earlier receipt of seasonal Arc'teryx merchandise to prepare for better in-stock positions; number two, higher Arc'teryx goods-in-transit resulting from the greater use of ocean shipping versus air freight; three, FX translations due to the weaker U.S. dollar and four, the addition of Arc'teryx' Korea inventory following the recent acquisition. We expect inventory growth rates to normalize in the second half of 2026 when we start to cycle our improved in-stock positions and the higher use of ocean freight. Driven by strong profit growth and disciplined working capital management, we generated $104 million of operating cash flow in the first 9 months compared to $18 million last year. And for the full year of 2025, we expect to generate solid operating cash flow growth versus 2024 levels. Now moving to guidance. The updated guidance assumes the latest tariff rates on all countries will stay in place for the remainder of 2025 and beyond. We remain confident that we are well positioned to manage through a variety of tariff scenarios given our low exposure to the U.S., our pricing power and our clean balance sheet. We continue to expect negligible impact to our group P&L; from higher tariffs in 2025 and beyond. Let's begin with our updated full year 2025 outlook. Given the upside in Q3 and our continued momentum, we are raising our full year revenue, operating margin and EPS expectations. We are raising 2025 revenue growth guidance from 20% to 21% to 23% to 24%, including an approximate 100 basis point benefit from favorable FX impact on current exchange rates. By segment, we are raising our Technical Apparel 2025 revenue growth guidance from approximately 22% to 25% to 26% to 27%, including continued strong omni-com growth. We are also increasing our outdoor performance sales growth expectations from 22% to 25% to 28% to 29% and Ball & Racquet from 7% to 9% to 10% to 11% growth. We are also raising our full year adjusted gross margin guidance from approximately 57.5% to approximately 58%, and we're also raising our adjusted operating margin guidance from approximately 11.8% to 12.2% to 12.5% to 12.7%. By segment, we continue to expect an adjusted operating margin of approximately 21% for Technical Apparel. For Outdoor Performance, we are raising adjusted operating margin guidance from 11% to 11.5% to 13% to 13.5%. For Ball & Racquet, we are maintaining our adjusted operating profit margin guidance of 3% to 4%. We are now assuming full year net finance costs of $85 million to $90 million and an effective tax rate of 27% to 28%. The lower effective tax rate is primarily driven by higher profit generation from lower tax jurisdictions. Other operating income will be approximately $20 million for the full year and net income attributable to noncontrolling interest will be approximately $15 million. We now expect adjusted diluted EPS of $0.88 to $0.92 versus our prior guidance of $0.77 to $0.82, which is based on 563 million of fully diluted shares. We are also assuming D&A; of $350 million, including approximately $180 million of ROU depreciation. CapEx is expected to be approximately $300 million, primarily to support new store expansion, ERP optimization and distribution and logistics investments. As we have said before, should strong trends continue and better-than-anticipated demand materialize, we believe we will be well positioned to deliver financial performance ahead of our expectations. As we begin to look beyond 2025, we are also confident in our initial 2026 outlook. At the group level, we expect to deliver revenue

towards the high end of our long-term algorithm of low double-digit to mid-teens annual sales growth. And we expect to deliver adjusted operating margin expansion within our long-term algorithm of 30 to 70-plus basis points. With that, I'll turn it back to the operator for questions.
Operator: [Operator Instructions] Your first question today comes from the line of Brooke Roach from Goldman Sachs.
Brooke Roach: Have you seen a sales impact in China following the fireworks incident? If so, when do you expect sales to recover? Do you think there could be any longer-term brand repercussions?
Stuart Haselden: Brooke, it's Stuart. Thanks for your question. Arc'teryx China sales trends were softer at the beginning of Q4, but have since rebounded as weather has cooled. We are confident in Arc'teryx's brand position and equity with consumers across all of our markets. We are most focused on connecting with our consumers and communities and delivering great products and store experiences.
Operator: Great. And as a follow-up for Andrew, how did this event impact guidance for 4Q?
Andrew Page: It did not have a factor in our Q4 guide.
Operator: Your next question comes from the line of Matthew Boss from JPMorgan.
Matthew Boss: Congrats on a nice quarter. So James, could you speak to your confidence in guiding 2026 revenue growth to mid-teens, which is the high end of your long-term algorithm? And then, Stuart, at Arc'teryx, could you break down the cadence of the third quarter 27% omni-comp? And if you could elaborate on the strong global momentum that you've seen in the fourth quarter or just any change in demand that you've seen as we head into holiday for the brand?
Jie Zheng: I'll just highlight our forecast for coming years. So we -- given the very solid foundation we built up in 2025, I think we have a -- the management team got a very good level of confidence to deliver what we guide in 2026. I think mid-teen growth patterns can be secured in 2026.
Stuart Haselden: Yes, Matt, it's Stuart. So yes, the omni-comp, we're really pleased to see the momentum in the third quarter. The overall D2C revenue increase of 46%, we think is really healthy. The 27% omni-comp also reflects a strong 2-year trajectory, and that's definitely factored into how we thought about guidance into the fourth quarter. As we look at Q3 specifically, the retail performance was -- from a KPI standpoint was driven by traffic. So we saw really healthy traffic increases, more modest increases in conversion and AOV and [EPT]. Also worth mentioning, markdown levels were pretty consistent year-over-year. So it was not a markdown-driven sales increase. As you look at your -- and your question around the global demand, strong momentum around all of our regions, it was great to see an acceleration in our North American business in the third quarter, where they moved up in the ranking after Asia Pacific, which continues to be the leading region for us. But we still saw some very strong growth in China and in Europe. So we're not really seeing weakness in any of our regions. And it makes us optimistic as we look at fourth quarter and beyond. And yes, so I think feeling really good for how we've now stepped into the fourth quarter and the trends we're seeing quarter-to-date.
Operator: Your next question comes from the line of Ike Boruchow from Wells Fargo.
Irwin Boruchow: Let me add my congrats. I guess a higher-level question on next year's outlook, just maybe potential additional info on door growth for both technical, basically both for Salomon and Arc'teryx. And then would love to hear a little bit more about the progress on Salomon in the United States specifically? Andrew, can you give us an update of where you are in penetration there? Just there seems to be a lot of appetite for the brand locally here. Just kind of curious how you're measuring that, balancing the growth with the push-pull model?
Omar Saad: We'll have Andrew actually take the first question, and then we have Guillaume Meyzenq here who's the CEO of Solomon brand, who will take the Solomon question.
Andrew Page: Yes, thanks for the question. With regard to detail on store growth, I will provide more of that update as we get into our Q4 call. So not necessarily ready to provide a detailed update on store growth yet.
Guillaume Meyzenq: And for Salomon, so nice to meet you all. Before jumping into North America, I think that we have to put Salomon into the context and the current momentum we have. So I'm convinced that we hold a truly distinctive position in the market, and we will fully leverage it to shape what's come next. We have an incredible opportunity to define and lead the modern mountain sports movement in the market. And if identify a few strengths of Salomon, the first one is the authentic mountain performance, which is what consumer is looking for is authenticity. We are true to what we

are doing. We have a global recognition of design language led by innovation. What we are doing and developing is really true for performance, for function. And we have a growing cultural relevance reaching the mountain, the city and the modern lifestyle. And this quarter is definitely the good example of the potential of Salomon in the market, and we believe that this is just a start. If I move on the U.S. case because this is a question, of course, this is today the region that we have to build the fundamentals. So we are showing a strength in EMEA. We are very -- growing very fast in Asia Pacific and China. And today, we are focusing on U.S. And the U.S. provision is coming from this leading position in winter sports and outdoor where Salomon has high market share and high recognition in the market. And now we have to move to the city. And this is what is currently happening by a true epicenter strategy so that we started in New York a few quarters ago. Now we have L.A., the new shop opening we have in Melrose is a good example of a long line of consumer looking at this product. We have also good traction in running specialty distribution in performance. And now it's how we -- all this good signal and insight, which is coming with a new consumer, very often a female consumer, how we are transitioning and translating into a bigger scale in U.S. And this is why we look at more epicenter, more shop opening, having a curated media investment in the right spaces and of course, working with our B2B partner to drive the numeric distribution will expose Salomon to more consumers. And we feel very confident that we are on the right path to accelerate in North America.

Operator: Your next question comes from the line of Lorraine Hutchinson from Bank of America.

Lorraine Maikis: Just sticking with Solomon, you're pruning back some of the distribution there, which is causing a pressure. Can you talk about when that pressure will abate? And where you are on U.S. awareness at this point for the Solomon brand?

Unknown Executive: I think you still speak about U.S. And of course, as I explained, we have this leading position in winter sports and outdoor performance and footwear. And this outdoor performance footwear led us a few years ago to go to places and some distribution that we think they are not anymore relevant, and we think -- and also the partner sometimes also is looking for other purity. This is why we have this kind of looking like negative -- some negative building block, which show finally kind of growth, but not growth expected as we would. We think that the end of H1 '26 will be the last time that we will not have any more anniversary sales, and we will have completely fresh and new setup for distribution. So we still wait for the -- for a few quarters, but I would say that the most of the change has been already implemented.

Operator: Your next question comes from the line of Jay Sole from UBS.

Jay Sole: I want to ask about Wilson, specifically the Tennis 360 stores. It sounds like -- I think you said you're up to 80 stores in China. Can you just talk about the big picture long-term opportunity in China? And I think you also mentioned that the store in Dallas, I think you said is off to a good start and you're opening some more Tennis 360 stores in the U.S. Can you just talk about the Tennis 360 opportunity outside of China and how that's developed over the last 90 days in your view?

Andrew Page: Thanks, Jay. So you mentioned the Tennis 360 concept outside of Greater China. So we have 14, 15 stores in North America. I mentioned the Dallas Park store that's doing really well. We will focus really around the Smile States. So you think about where you concentrate tennis in the Southern Smile of the U.S. starting in Georgia down to Florida, around the south and then back up through California. So that's what I would expect to see from our retail format epicenter concentration. We are still -- we're in the early stages of that. We're excited and we're super motivated about where it's going. The consumer is really gravitating towards the product, but we're still in the early stages of really optimizing and formulating our total owned retail format. In addition to our owned retail format, we've also seen success in our DICK'S shop in-shop format, where we are able to present the full pathway of our Tennis 360 concept at the [indiscernible] and the consumer is really resonating with the consumer there. So you'll start to see the expansion even in the DICK'S and the House of Sports format for the DICK'S locations.

Operator: Your next question comes from the line of Paul Lejuez from Citigroup.

Paul Lejuez: On the margin guide for next year, I'm curious how much of the expansion is simply a function of business mix versus improvements that you might be seeing within each segment? And then I just wanted to ask a clarifying point on Solomon. Could you just say what is the number of doors that you're actually exiting in the -- within the Solomon wholesale business? And then what are you

adding over the next 12 months?
Stuart Haselden: Yes. Paul, thanks a lot. The same drivers of our mix shift is as before. It's going to be primarily driven by gross margin expansion. We will continue to make the proper investments in SG&A; to continue to drive growth. So the margin expansion that you see will be driven primarily by gross margin expansion, that gross margin expansion is driven primarily by mix shift, both channel and product and region mix shift. As it relates to the number of doors, we're not necessarily going to comment. It's a bit nuanced as Guillaume talked about exiting some wholesale doors that could tell our full expression of the brand and getting into more strategic partners. But as we talked about, start to think about clearing that through H1 of next year and then you start to see as we get into the third quarter of next year, you start to see the brand really show up in the strategic partners that we...
Operator: Your next question comes from the line of Anna Andreeva from Piper Sandler.
Anna Andreeva: Congrats. We wanted to follow up on the Americas. Nice to see the region accelerate to high teens. Can you provide more color what you saw by channel? And how did U.S. perform within that? I think you mentioned slight growth at Wilson in the U.S. And as you look into '26 and the high end of the algo, should we expect Americas as a double-digit grower next year? And then we just had a quick follow-up. The CA omni-comp acceleration, great to hear about strength in traffic. Did that headwind from outlet that you saw last quarter begin to moderate? And just remind us, when do we anniversary that outlet dynamic in '26?
Jie Zheng: Thanks, Anna. So we'll have Stuart answer the comp and talk about the Arc’teryx. We really think about your first question by brand, not at the group level. So since we have each of the brand CEOs here, we'll let each of them to answer.
Stuart Haselden: Anna, it's Stuart. Yes, the acceleration in North America for Arc’teryx is really a function of success of our brand awareness, investments in community and different forms of brand marketing and with the growth of our store footprint. The stores are providing critical catalyst for driving guest engagement and brand awareness across our key markets. So we're pleased to see the success of that reflected in omni-comp. With regard to the -- I'll just stay on the traffic question that you had. The traffic really reflects what I just mentioned that we saw a meaningful reduction in markdown revenue in the first half of the year. So into Q3, we saw our markdowns basically on par, consistent with prior year. So as we think about next year, obviously, we would begin to lap that -- and then Anna, we have Tennis 360 in the Americas, if there's any commentary around channel and the trends there and, [indiscernible] if you want to comment on, I think you covered it pretty well.
Andrew Page: Yes. I mean to your point around the uptick in North America, it was primarily driven by our Tennis 360 concept, both in footwear and apparel, both very, very strong growth in the quarter. And the other categories in Wilson also was strong, notably racquet sports was pretty strong, bats was strong, although baseball was relatively flat because it was offset by some challenges with gloves. But that's -- we're really excited about what we're seeing and how that's really inflected and returned to strong growth this quarter.
Operator: Your next question comes from the line of Jonathan Komp from Baird.
Jonathan Komp: Can I follow up just the initial 2026 view, would you expect technical apparel to be at least in line with the algorithm from September, mid-teens growth with China at least low double digits? Any color there?
Andrew Page: Yes, this is Andrew. As you pointed out, we have reaffirmed the full algorithm from Investor Day, both at the brand level as well as at the group level.
Jonathan Komp: Great. And then a follow-up just on the Q4 outlook, Andrew, operating profit growth has been very strong in the first 3 quarters, over 60%. It looks like you're embedding a single-digit growth rate in profit for the fourth quarter. So could you just share any more detail, anything unique in the fourth quarter impacting the margin outlook? And is there anything we should expect into the first half of '26 in terms of margin headwinds?
Andrew Page: Yes, definitely. As I'll point out, obviously, really strong third quarter. We're excited about it. You see what happens when we're able to over deliver top line, we're able to drop that through to the bottom line. In the fourth quarter, as you start to think about what we're seeing, we still believe we're excited about our full year, you can see the implied guidance for the fourth quarter. But as Guillaume talked about, we're in the early stages of this inflection point. Fourth quarter will be the first full quarter

of tariffs. We also have investments that we're making in [indiscernible] and invested in obviously continued market around our [indiscernible]. So we believe the guide for the full year and the implied guidance for the fourth quarter is responsible as well as we continue to say should demand materialize, we are -- there's no structural reason why we won't be able to overdeliver against our guidance.

Operator: Your next question comes from the line of John Kernan from TD Cowen.

John Kernan: Congrats on another strong quarter. Andrew, just to kind of follow-up on Jonathan's question. The guidance for the Outdoor Performance segment margin is for a decline in Q4. Obviously, there's been a ton of upside to your guidance this year and the incremental margin you've been generating on the soft goods really seems to be flowing through. I'm just curious why the conservatism here in Outdoor Performance and how you're thinking about the margin performance of Outdoor Performance into next year?

Andrew Page: Yes. I mean a couple of things. As I talked about, there were some early shipments into the third quarter for sports equipment. We have some meaningful investments we want to make in the fourth quarter in marketing, increased awareness in our North American footwear and we just -- and the Olympics. And so we believe that if the business continues and the demand continues to show up as it's been, that there's opportunities in the fourth quarter. But again, we're in the early stages of that inflection point. So we don't know the end of demand at this point.

John Kernan: Got it. And maybe just a quick follow-up on Technical Apparel and the segment margin there was down year-over-year on really impressive top line growth. I think you said there was a timing of government grants that affected the Technical Apparel profitability. Any comments on how you're thinking about fourth quarter and the drivers of operating margin expansion into next year for Technical Apparel?

Andrew Page: Sorry, repeat the last part.

John Kernan: Yes. Any thoughts on the Technical Apparel segment margin in Q4 and then into fiscal '26?

Andrew Page: Yes. Okay. So Technical Apparel margins in Q4, I see those margins are in line. They are relatively strong. We've not -- for the full year, I see those margins being in the low 20s for technical apparel and talk about exceeding margins in the fourth quarter. The timing of the government grants, the point that I was making there is that in the third quarter of last year, we received a higher portion of our government grants than we did this year. And so it created a drag on the third quarter margin this year on a comparable basis.

Operator: Your final question comes from the line of Alex Straton from Morgan Stanley.

Alexandra Straton: I just wanted to focus on the China growth acceleration in the quarter. It definitely stands out versus a more somber narrative from a lot of your peers. So can you just help us square that difference between you and then maybe the broader Sportswear Group and then how you're thinking about industry dynamics in China into the fourth quarter and then next year?

Andrew Page: Okay. Thank you for the question. So I mean, basically, we are quite pleased about the Q3 results in China, and we closed the lineup for the pattern we liked, that we projected in all 3 brands, especially Salomon and Wilson, they're growing extremely well in China market. So I think based on the Q3, we think we got a good level of foundation to finish the whole year in China with a very solid growth. In Q4, I just want to call out for 2 major seasons sitting in Q4, which is Golden Week and the Double 11. So overall, our overall achievement for these 2 major events are quite satisfied, okay? It's reached above our expectations. And I think pretty much we have a very good confidence for China this year and we will have a very good result in 2025. And so [download] for next year, I think it's the foundation is there. I mean we already mentioned, our 3 major brands, they all got a unique proposition in China, which really attract a lot of younger consumers in different segments. And we are in a very unique position to compete in markets, okay? So we are quite optimistic also for 2026 in China market.

Operator: And that concludes our question-and-answer session. I will now turn the call back over to management for closing remarks.

Andrew Page: Thanks, everyone, for joining. We'll see you in 3 months for our fourth quarter results. Have a great day.

Operator: This concludes today's conference call. Thank you for your participation. You may now disconnect.