

Adidas says dropping Kanye West could cost it more than \$1 billion in sales

By Jordan Valinsky, CNN, February 10, 2023

New York (CNN) Adidas' breakup with Ye, formerly known as Kanye West, is a pricey one.

5 The company warned Thursday that it's expected to lose \$1.3 billion (1.2 billion euro) in revenue this year because it's unable to sell the designer's Yeezy clothing and shoes. Adidas ended its nine-year partnership with the rapper last October because of his antisemitic¹ remarks.

10 In a statement, Adidas said its financial guidance for 2023 "accounts for the significant adverse impact from not selling the existing stock." If the company can't "repurpose" any of the remaining Ye clothing, Adidas said that could cost the company \$534 million (500 million euro) in operating profit this year.

The company said shortly after the partnership was dissolved that it would try to sell the clothing, stripped of the Yeezy name and branding. Adidas said selling the sneakers under its own branding would save the company about \$300 million in royalty payments and marketing fees.

15 Despite that attempt, Adidas is going to have problems repurposing his clothing, an analyst previously told CNN².

"There really are no good options for this distressed brand that sat somewhere between prestige and luxury," said Burt Flickinger, retail expert and managing director at retail consultancy Strategic Resource Group.

20 Other options include destroying it or donating unsold Yeezy clothing.



Adidas will continue to sell Kanye West's shoe designs without the Yeezy name

¹ Antisemitic: hostile to or prejudiced against Jewish people.

² CNN is a multinational news channel and website.

Adidas said it also expects "one-off costs" of \$213 million (200 million euro) because of a "strategic review" the company is currently undergoing.

25 "The numbers speak for themselves. We are currently not performing the way we should," said Adidas CEO Bjørn Gulden in a statement. He was named the company's top leader in January and joined from rival Puma.

Adidas said last year that it ended its partnership with Ye because it "does not tolerate antisemitism and any other sort of hate speech" and said his comments were "unacceptable, hateful and dangerous." Adidas said they violated the company's "values of diversity and inclusion, mutual respect and fairness."

30 Last fall, Adidas put the "partnership under review" after Ye wore a "White Lives Matter" T-shirt in public. The Anti-Defamation League³ categorizes the phrase as a "hate slogan" used by White supremacist groups, including the Ku Klux Klan. He also said, "I can say antisemitic s*** and Adidas cannot drop me," during a tirade against Jews on a podcast.

35 Adidas did not mention potential issues with its Beyoncé-led Ivy Park brand. The Wall Street Journal reported this week that sales of the once-trendy streetwear brand fell 50% last year to about \$40 million — way below its internal projections of \$250 million. The partnership is "strong and successful," Adidas told the Journal in response.

40 Shares of Adidas (ADDDF) tanked about 11% in Frankfurt trading. Adidas stock has dropped 45% over the past year.

³ The Anti-Defamation League (ADL): An international Jewish non-governmental organization based in the United States specializing in civil rights law.