Puma says China boycott, cost pressures weigh in 2022

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Puma said on Wednesday it expected sales to grow at least 10% in 2022 but the German sportswear maker cautioned that a consumer boycott in China and cost pressures would limit profit growth.

Puma expects 2022 operating earnings of 600 million to 700 million euros ($679-$792 million), up from 557 million in 2021 but short of the 692 million expected by analysts, according to Refinitiv Eikon data.

Its shares were down 0.9% at 1009 GMT as analysts expressed disappointment about the outlook.

Puma in January had reported stronger-than-expected preliminary sales and core profit, including fourth-quarter sales up a currency-adjusted 14%. But it said on Wednesday that higher freight costs and raw material prices, as well as COVID-19 constraints, would weigh on profits in 2022.

Factories in Vietnam, a major supplier to the footwear industry, closed for months last year due to COVID-19.

Puma is gradually raising prices to cover higher costs, with the bulk of that to come in the second half of the year, CEO Bjorn Gulden told journalists.

Gulden said he expected sales to fall again in China in the first quarter and that he could not say if they would return to growth again in 2022, noting that Chinese celebrities were still avoiding marketing with Western brands, although athletes were returning.

Puma, along with rivals like Nike and Adidas, has come under fire in China since last March for saying it would not source cotton from Xinjiang over reports of human rights abuses against Uyghur Muslims. Beijing denies any
abuses.

Puma’s fourth-quarter sales fell 27% in China, while rising in the rest of Asia/Pacific.

Nike said in December it was more confident of easing supply chain issues in the new fiscal year as it beat quarterly revenue and profit estimates despite sales in Greater China falling 20%.