

Company Overview:

Ticker	JD.L	Company Name	JD Sports Fashion PLC
Incorp Place	Lancashire, UK	Chairman	Andrew Thomas Higginson
IPO Date	1996	Incorp Date	1985
Security Type	Common Stock	Exchange	LSEG
Industry	Apparel Retail	Website	https://www.jdplc.com

Financial Summary

CAP TABLE			FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
Latest Close	£0.68	Revenue	£6,111	£6,167	£8,563	£10,125	£10,542	£11,832	£12,723	£13,391	£13,999	£14,530
Diluted Shares	5,183	% yoy	29.5%	0.9%	38.8%	18.2%	4.1%	12.2%	7.5%	5.3%	4.5%	3.8%
Market Cap	£3,519	EBITDA	£877	£884	£1,301	£1,439	£1,835	£1,617	£1,743	£1,841	£1,936	£2,025
Total Debt	£5,984	% margin	14.3%	14.3%	15.2%	14.2%	17.4%	13.7%	13.7%	13.8%	13.8%	13.9%
Cash	£946	% yoy	90.1%	-0.1%	6.0%	-6.5%	22.5%	-21.5%	0.2%	0.4%	0.6%	0.8%
Net Debt	£5,037	Implied EBITDA						5.3x	4.9x	4.6x	4.4x	4.2x
		Street EBITDA						1795.8	1944.8	2093.3		
Enterprise Value	£8,557	Street EV/EBITDA						4.2x	3.8x	3.4x		
Buy Price	£0.50	FCF					£601	£745	£607	£666	£693	£713
No-brainer price	£0.40	% yoy					5.7%	23.9%	-18.5%	9.7%	4.0%	3.0%
		FCFPS					£0.12	£0.14	£0.12	£0.13	£0.13	£0.14
Normalised FCF	£1,255	EPS	£0.25	£0.05	£0.07	£0.04	£0.10	£0.09	£0.10	£0.11	£0.11	£0.12
FCF/share	£0.24	% yoy	-6.0%	-81.8%	55.5%	-49.1%	184.8%	-17.5%	17.3%	6.2%	5.4%	4.5%
% yield	35.66%	Street EPS						£0.08	£0.12	£0.14		
		% yoy						-23.0%	39.9%	39.1%		
		Expected Delta						7.2%	-16.1%	-23.6%		

Business Description:

- ◆ JD Sports is the UK's leading sports-fashion retailer, operating under its flagship JD brand alongside a portfolio of acquired and integrated banners such as Shoe Palace, DTLR, and Hibbett. The Group has built an omnichannel, multi-brand, and multi-regional growth model anchored by local physical stores and supported by digital integration. As of FY24, JD operates over 3,600 stores across the UK, Europe, North America, and Asia-Pacific, holding a strong position in the global athletic apparel and sneaker segments.
- ◆ The Group continues to invest in core infrastructure, including automated logistics hubs (e.g., the Heerlen center), digital capabilities (in-house app and e-commerce platform upgrades), exclusive brand partnerships (with Nike, Adidas, New Balance), and its loyalty programme (STATUS), all of which enhance customer engagement and in-store productivity while laying the foundation for long-term platform scalability.

Investment Thesis:

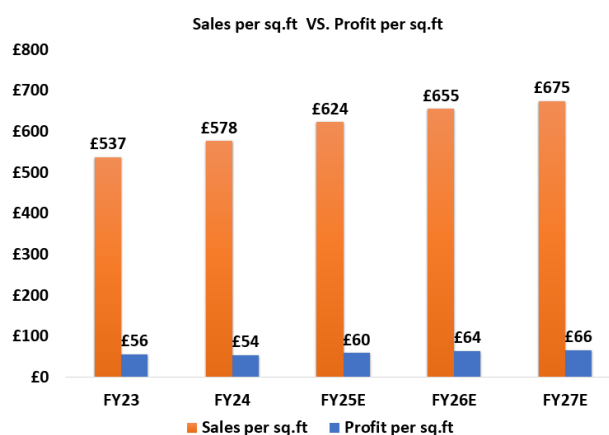
Recommendation: Long JD Sports – based on the following rationale:

- Earnings bottom likely behind, entering profit recovery cycle**
 JD's FY24 operating margin was 8.8%, pressured by logistics and store investments. H2 margin rebounded to 7.7% from 5.8% in H1, signaling recovery. Management guides FY25 margin to 10%, gross margin to 48.2%. **Even assuming a miss and FY25E EPS falls to £0.09 (–17.5% YoY), the implied P/E of 9.6x still offers 27% upside vs. the current share price of £0.68.**
- Valuation deeply discounted versus history and peers**
 At 8.5x FY25E P/E, JD trades close to its historical average (8.8x), but remains well below the upper bound of its fair range (9.7x) and the peer group average (13.4x). A blended base case (75% base, 25% bull) supports a 12M target price of £0.88 (+29.4%); **DCF-implied value is £1.66, pointing to 145.1% re-rating potential.**
- Clear structural EPS growth algorithm with multiple drivers**
 EPS CAGR of 20–30% is driven by industry growth (+3.8%), market share gains (+5.8%), store expansion (+5.3%), and M&A synergies (+6.6%). **At 8.5x P/E and 20% EPS growth, PEG is just 0.4x, well below the market average of 1.9x, indicating long-term earnings are significantly undervalued.**
- Strategic M&A fueling accretive growth**
 In 2024, JD acquired Hibbett (US) and Courir (France) for ~£1.4bn, adding 1,179 and 300+ stores. Hibbett contributed £61m revenue and £13m profit within 10 days; Courir added £7m pre-tax profit in its first month. No goodwill impairments were recorded, confirming strong integration, with accretion expected in year one.

Key Investment Factors:

1. Growth Drivers

JD's store model offers high capital returns and strong scalability. While FY24 saw a net reduction of 72 stores, the core Premium Sports Fashion banner added 121. Strategic closures of underperformers lifted profit per sq.ft to £54.1 despite flat footprint. With continued focus on full-price selling and margin discipline, per-store profitability is expected to rise +10% in FY25 to £59.5/sq.ft. **Assuming stable net additions and a +4.6% increase in store size, incremental operating profit could reach ~£148m, implying a store-level ROIC of 14.8% — well above the FY24 group average of 11.9%, and a key driver of ROIC expansion.**



2. Profitability Drivers

- **Efficiency Leverage – Heerlen Automation**

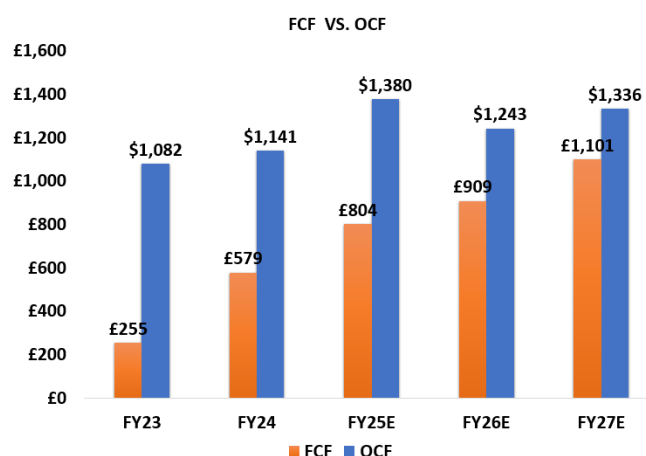
JD's Heerlen warehouse, its European logistics hub, is expected to significantly improve DTC fulfillment efficiency. **A 100bps cost ratio improvement could lift FY25 EPS by up to +19%.** While currently in semi-manual operation, automation-driven margin leverage is already emerging. Nike's DTC push poses near-term pressure, as seen during FY24 Black Friday in the UK and US. However, JD maintains a full-price strategy and avoids discounting, with limited impact in Europe. The company is deepening partnerships with New Balance and adidas to secure exclusive/limited releases, supporting long-term margin resilience and mitigating structural risk.

- **Strong Cash Return Profile**

FY25 FCF is projected at £804m (+6.8% YoY), implying a 22.1% yield, far exceeding UK peer levels (5–6%). This reflects JD's robust cash conversion despite continued investment, supporting future reinvestment and distributions.

- **Resilient Operating Cash Flow**

H1 OCF rose to £319m (+6.3% YoY) despite seasonal pressure, with full-year OCF forecast at £1,380m (+11.7%). Even assuming EBITDA margin compression, the rebound highlights JD's operational strength, backed by top-line growth, M&A integration, and automation rollout.



3. Industry Positioning

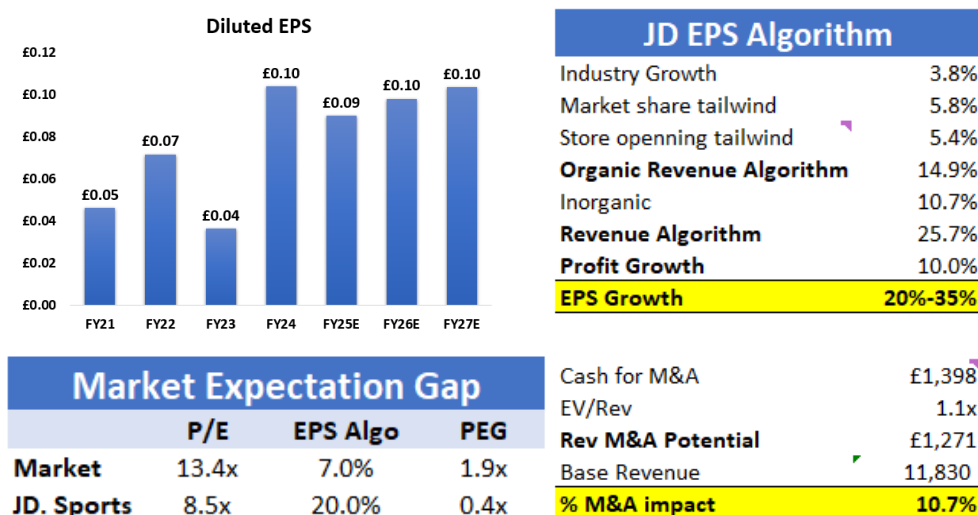
- JD has consistently outperformed the market in gaining share across multiple cycles. In FY20, revenue grew +29.5% vs. industry +4.7%; in FY21, despite a –13.1% industry decline, JD held flat at +0.9%. During the FY22–23 rebound, JD posted +38.8% and +18.2%, far above industry growth of +21.4% and +2.0%, confirming its structural edge. FY24 was the only year JD slightly lagged (+4.1% vs. +5.9%), driven by internal optimization and U.S. promo pressure — but also marked a turning point for margin recovery and SKU reset. **For FY25, my model forecasts JD to outperform the market by +8.4ppt,** signaling a renewed share expansion cycle.



4. Valuation

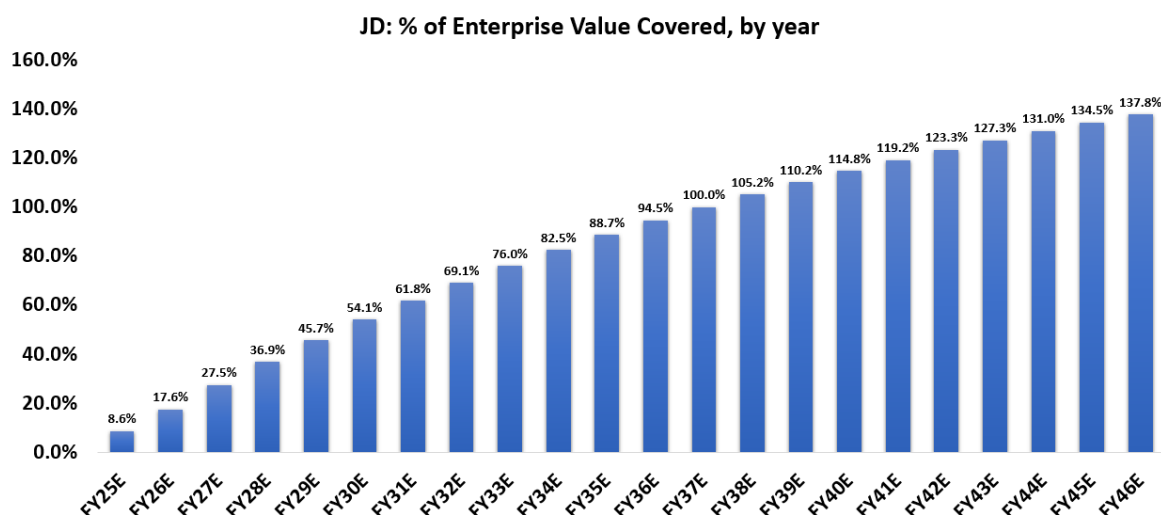
- At the current share price of £0.68, JD's implied enterprise value is £8.56bn. my reverse DCF suggests this reflects an overly conservative outlook — assuming just 2.0% revenue CAGR and a 5.0% operating margin, resulting in normalized FCF of £1.26bn. **Notably, only 15% of the valuation stems from terminal value, indicating the market is pricing in just 5–7 years of performance,** with minimal credit for long-term growth.

- In contrast, **JD is structurally capable of 20–35% EPS CAGR, well above the market's implied 7%, and trades at 5.2x P/E, with a PEG of just 0.3x vs. 1.9x for peers** — highlighting the deep valuation gap. With £1.4bn in M&A firepower, JD can further add +10.7% to topline through accretive deals. Even under short-term margin pressure in FY25, its structural growth profile and re-rating potential remain firmly intact.



5. Cash Flow Backed Valuation

- From a cash flow perspective, **over 75% of JD's enterprise value is covered by discounted FCFs within 7 years, rising to 97.3% by year 15, and fully covered by year 17** — indicating the valuation is backed by real cash flow, not reliant on speculative terminal assumptions.
- My base case estimates **a fair value of £1.66/share, implying +145.1% upside from current levels and a 2025E P/E of 19.4x (vs. 7.9x today)**. Even a re-rating to the sector average of 13.4x would offer substantial long-term upside.



- My scenario model suggests that even under the **Base Case (EPS £0.12, P/E 13x)**, JD shares could more than double to £1.56, implying a 3-year IRR >30%. In the Bull Case, the target price rises to £2.73, with CAGR approaching 60%, driven by strong re-rating potential.

- The Bear Case assumes sustained margin pressure and valuation compression — contrary to management guidance — **yet still implies limited downside of -7.4%**, creating a highly asymmetric setup.
- The spread between Bull and Bear isn't just EPS-driven; it reflects operating leverage from +8% sales density, +100bps gross margin, and operating margin recovery. Even partial delivery of the Base Case justifies meaningful upside. At current levels, the market is pricing in a prolonged downturn — not a plausible recovery — presenting a classic valuation dislocation and re-rating opportunity.

Scenario Analysis				BASE EPS			
	BEAR	BASE	BULL	P/E	Target	% Return	3yr IRR
Retail store revenue per Store	£2.89	£3.03	£3.11	13.0x	£1.56	129.4%	31.9%
Store	4,038	4,072	4,110	12.0x	£1.44	111.8%	28.4%
Gross Margin	46.0%	47.0%	48.0%	11.0x	£1.32	94.1%	24.7%
Gross profit per store	£1.50	£1.68	£1.78	10.0x	£1.20	76.5%	20.8%
Operating Margin	4.47%	6.9%	9.4%	9.0x	£1.08	58.8%	16.7%
Operating profit per store	£0.15	£0.25	£0.35	8.0x	£0.96	41.2%	12.2%
EPS	£0.06	£0.12	£0.17	BULL EPS			
ROIC	7.3%	12.5%	17.8%				£0.17
Valuation Summary				P/E	Target	% Return	3yr IRR
FY29 Earnings	£0.06	£0.12	£0.17	16.0x	£2.72	300.0%	58.7%
Target P/E	9.3x	13.3x	16.0x	15.0x	£2.55	275.0%	55.4%
Target Price	£0.57	£1.54	£2.73	14.0x	£2.38	250.0%	51.8%
% Return	-16.1%	126.1%	301.7%	13.0x	£2.21	225.0%	48.1%
%IRR	-5.7%	31.3%	59.0%	12.0x	£2.04	200.0%	44.2%
Target Price				BEAR EPS			
Price	£0.57	£1.54	£2.73				£0.06
Probability	30.0%	50.0%	20.0%	P/E	Target	% Return	3yr IRR
Probability Adjusted			£1.49	9.0x	£0.54	-20.6%	-7.4%
% Return			218.6%	8.0x	£0.48	-29.4%	-11.0%
				7.0x	£0.42	-38.2%	-14.8%
				6.0x	£0.36	-47.1%	-19.1%
				5.0x	£0.30	-55.9%	-23.9%
				4.0x	£0.24	-64.7%	-29.3%

Pre-Mortem:

- Missed margin targets:** If FY25 operating margin falls short of the 10% target (EPS at £0.07–0.08), and P/E remains at 5.2x, the share price could drop to £0.36–0.42, implying **-38% to -47% downside**.
- Hibbett underperformance:** If synergies only reach 50%, with a £0.05/store profit drop and higher integration costs, EBIT could fall £30–50m, dragging EPS by ~£0.01 and triggering **-39% downside**.
- Macro headwinds:** Weaker consumption or employment could cut JD's expected +40bps share gain to just 10bps or worse, trimming EPS by **£0.005–0.007**.
- Inventory risk:** Despite earlier inventory build-up, management confirmed a 25% YoY reduction by FY24 year-end, with current levels deemed healthy. JD avoided broad discounting in the US this year, unlike last year's margin-dilutive clearance. The company only buys high-turnover products with strict selection, keeping impairment risk low.
- Trump tariff impact:** If reciprocal tariffs are imposed, key sourcing markets (65–70% of JD's base) could face 34–46% duties, raising import costs 5–7%. This could cut gross margin by 70–100bps, lower EPS by £0.012–0.015, and **push share price down 18–22%**. Additional brand-side

pressure may further squeeze channel margins.

Future Roadmap & Catalysts

- **Heerlen warehouse ramp-up in H2** to lower logistics and fulfillment costs, driving incremental margin gains.
- **Hibbett integration completing in H2**, with synergies across channels, loyalty, and supply chain to show in FY25 2H results.
- **Stronger growth in North America & Europe** reduces UK dependence and boosts cycle resilience.
- **STATUS loyalty rollout via Courir** in France, Poland, and other key EU markets to replicate UK's high penetration and repurchase behavior.

Tactical Considerations & Maintenance Plans

- **Valuation near trough:** At 8.5x P/E, JD trades close to its 3-year median (8.8x), with part of the re-rating already reflected. The **£0.55–£0.60** range offers a reasonable entry point, with a risk-reward ratio of **3.5x at £0.50**.
- **Phased accumulation strategy:** Begin building exposure gradually, with potential to **add at £0.70–£0.80** if FY25 results meet expectations, Hibbett integration progresses, and Courir performs. A re-rating may come from sentiment shift alone — not necessarily earnings surprise — making a longer holding horizon justifiable.
- **Monitor key catalysts:** Track Heerlen automation ramp-up, loyalty engagement, and North America post-M&A momentum. At current levels, JD doesn't need blue-sky optimism — just operational delivery is enough to drive share price recovery.

3 Year Target		1 year return scenarios					Tactical R/R				
FY28 EPS	£0.11	Scenarios	FY25 EPS	P/E	12m Target	% return	Price	Reward	Risk	R/R	% move
Target P/E	13.3x	Bull	£0.13	9.7x	£1.26	85.7%	£0.81	8.8%	-51.9%	0.2x	19.3%
3 Year Target	£1.50	Base	£0.09	8.8x	£0.75	11.1%	£0.80	10.1%	-51.3%	0.2x	17.8%
% return	120.7%	Bear	£0.05	7.8x	£0.39	-42.6%	£0.78	13.0%	-50.0%	0.3x	14.9%
x money multiple	2.2x	Reward (25% bull, 75% base)		£0.88		29.8%	£0.77	14.4%	-49.4%	0.3x	13.4%
% IRR	30.2%	Risk		£0.39		-42.6%	£0.76	15.9%	-48.7%	0.3x	11.9%
P/E Ratio Analysis											
		Absolute P/E	Min	Max	Median						
		1 year	5.2x	11.3x	8.7x						
		3 year	5.2x	14.3x	9.5x						
		5 year	5.2x	36.7x	11.2x						
		LSEG RELATIVE	Min	Max	Median						
		1 year	-9.6x	-5.3x	-7.0x						
		3 year	-9.6x	-3.4x	-6.0x						
		5 year	-9.6x	7.2x	-5.0x						
		Latest LSEG P/E				14.7x					
		Implied	Min	Max	Median						
		1 year	5.2x	9.4x	7.8x						
		3 year	5.2x	11.3x	8.8x						
		5 year	5.2x	22.0x	9.7x						
12 Months Base Target											
FY26 EPS	£0.10										
Target P/E	8.8x										
EOY Target Price	£0.89										
% Return	30.4%										
12 Months Risk Case											
FY25 Risk EPS	£0.05										
Target P/E	7.8x										
Next 12 Months Risk	£0.39										
% return	-42.6%										
Dummy Valuations Summary											
		Current P/E	Central	Range High	Range Low						
		8.5x	8.8x	9.7x	7.8x						
		% move	3.2%	11.0%	-20.1%						