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JD Sports Fashion Plc Preliminary Results

April 2019



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STRATEGIC OVERVIEW

Peter Cowgill



KEY HIGHLIGHTS

SUMMARY OF RESULTS

	Jan 19 £m	Jan 18 £m	
Revenue	4,717.8	3,161.4	+49%
<u>EBITDA Split:</u>			
Sports Fashion	478.4	362.2	
Outdoor	10.0	23.0	
	<u>488.4</u>	<u>385.2</u>	+27%
<u>Operating Profit Split:</u>			
Sports Fashion	365.8	300.0	
Outdoor	(4.3)	8.8	
	<u>361.5</u>	<u>308.8</u>	+17%
Profit Before Tax & Exceptional Items	355.2	307.4	+16%
Profit Before Tax	339.9	294.5	+15%

FIVE YEAR HISTORY

		Year to Jan 2019	Year to Jan 2018	Year to Jan 2017	Year to Jan 2016	Year to Jan 2015
Revenue (£m)	UK & ROI	2,334.7	2,229.6	1,791.4	1,516.1	1,288.4
	International	2,383.1	931.8	587.3	305.6	233.9
		4,717.8	3,161.4	2,378.7	1,821.7	1,522.3
EBITDA (£m)		488.4	385.2	308.6	209.1	148.4
Profit Before Tax & Exceptional Items (£m)		355.2	307.4	244.8	157.1	100.0
Profit Before Tax (£m)		339.9	294.5	238.4	131.6	90.5
Free Cash Flow (£m)		188.9	157.7	199.7	139.2	43.4
LFL Total Sports Fashion Sales (%)		+6%	+8%	+15%	+17%	+15%
LFL Total Group Sales (%)		+5%	+7%	+14%	+16%	+16%



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FINANCIALS

Neil Greenhalgh



SPORTS FASHION SUMMARY

	JD & Size?				Other International Fascias			Other Businesses (3)	Sports Fashion
	UK & ROI	Europe (1)	Asia Pac	United States	Europe	Asia Pac	United States (2)		
Revenue to Jan 2018 (£m)	1,558.0	421.3	44.0	-	378.4	88.1	-	255.2	2,745.0
Revenue to Jan 2019 (£m)	1,599.8	621.9	127.3	4.3	583.2	94.0	952.3	313.6	4,296.4
Reconciliation of Operating Profit									
Operating Profit / (Loss) pre Full Cost Recharge (£m)	257.3	59.4	8.2	(1.3)	5.9	(5.9)	27.9	12.9	364.4
Impact of Fully Allocated Overhead Recharge (£m) (4)	16.1	(13.9)	(0.6)	-	-	(0.2)	-	-	1.4
Operating Profit / (Loss) to Jan 2019 (£m)	273.4	45.5	7.6	(1.3)	5.9	(6.1)	27.9	12.9	365.8
Operating Profit / (Loss) to Jan 2018 (£m)	255.6	30.9	4.3	-	8.5	(5.5)	-	6.2	300.0
Stores Start Of Period	414	222	12	-	445	67	-	77	1,237
Stores End Of Period	419	264	46	5	438	33	878	84	2,167
Total LFL Sales (%)	+1%	+22%	+33%	-	+5%	-	-	+4%	+6%

(1) Includes 11 Size? stores at the period end after one opening in the period at Antwerp together with the first European store for Foot Patrol (Paris)

(2) Includes 349 branded concessions within Macy's department stores

(3) Includes Fashion fascias, Gyms and non-retail businesses

(4) JD Europe businesses now charged for central operational infrastructure on a full allocation basis

CONTRIBUTION FROM FINISH LINE & JD IN THE US

	Part Year Post Acquisition (1)			52 Weeks Ended 2 Feb 2019 (2)	53 Weeks Ended 3 Mar 2018
	Finish Line (3)	JD (4)	Total	Total	Total
	\$m	\$m	\$m	\$m	\$m
Revenue	1,240.9	5.9	1,246.8	1,917.3	1,839.0
GP%	40.7%	44.5%	40.7%	42.2%	41.5%
EBITDA	77.2	(1.6)	75.6	125.4	98.8
Depreciation & Amortisation (5)	(39.4)	(0.3)	(39.7)	(49.6)	(52.9)
Operating Profit / (Loss)	37.8	(1.9)	35.9	75.8	45.9
Operating Profit / (Loss) (£m)	27.9	(1.3)	26.6		

(1) Post acquisition figures are from 18 June 2018 – 2 February 2019

(2) To present the results in line with the Group's financial period

(3) Includes Macy's concessions

(4) Initial margins in JD stores reduced by US import duties with product for launch supplied from the UK

(5) Includes \$5.5m (£4.1m) re amortisation of Finish Line fascia name

SIGNIFICANT POSITIVE EBITDA MAINTAINED IN OUTDOOR AFTER A PARTICULARLY CHALLENGING PERIOD

	2019	2018	2017	2016	2015
	£m	£m	£m	£m	£m
EBITDA (1)	10.0	23.0	7.0	0.1	(3.2)
Trading Depreciation	(9.8)	(9.7)	(5.8)	(4.1)	(3.9)
Non-Trading Acquisition Amortisation	(4.5)	(4.5)	-	-	-
Operating (Loss) / Profit Pre Exceptionals	(4.3)	8.8	1.2	(4.0)	(7.1)
<u>(1) EBITDA analysed as:</u>					
Blacks / Millets	1.7	7.6	4.9	0.5	(3.4)
Tiso	0.1	1.0	0.7	(0.4)	0.2
Go Outdoors (incl. Go Outdoors Fishing)	8.2	14.4	1.4	-	-

BALANCE SHEET

	2019	2018
	£m	£m
Goodwill & Fascia Names	356.1	193.2
Brand Licences & Owned Brands	12.1	14.0
Other Intangibles	26.1	3.8
Property, Plant & Equipment	539.8	376.9
Other Fixed Assets & Investments	21.4	15.9
Key Money & Store Deposits	57.8	50.6
Stocks	763.8	478.0
Debtors / Prepayments	177.2	146.3
Net Cash	125.2	309.7
Liabilities / Provisions	(871.2)	(692.2)
Deferred Income On Lease Incentives	(131.5)	(61.9)
	<u>1,076.8</u>	<u>834.3</u>

CASHFLOW

	Year to Jan 2019 £m	Year to Jan 2018 £m
Operating Profit (Pre Exceptional Items)	361.5	308.8
Depreciation & Amortisation	126.9	76.4
Increase In Stocks	(26.2)	(79.0)
Other Working Capital Movements	3.3	90.6
Net Cash Inflow From Operating Activities	465.5	396.8
Net Taxation	(80.3)	(57.8)
Net Interest	(6.3)	(1.4)
Capital Expenditure	(191.0)	(186.6)
Net Proceeds From Disposals	1.0	6.7
Free Cash Flow	188.9	157.7
Net Acquisition & Investments (Incl Debt Acquired) (1)	(363.2)	(37.6)
Subsidiary Shares Issued to Non-Controlling Interests	6.4	-
Group Dividends	(15.9)	(15.2)
Dividends To Non-Controlling Interests In Subsidiaries	(0.7)	(8.8)
Net Cash (Utilisation) / Generation	(184.5)	96.1

(1) The principal acquisition in the year to January 2019 was The Finish Line Inc. (2018: JD Sports Fashion South Korea and Sport Zone)

ACQUISITIONS

	Finish Line £m	Choice £m	Other (1) £m	Subsidiaries £m	Other Investments (2) £m	Total £m
Consideration Paid	400.5	4.0	1.6	406.1	7.8	413.9
Fair Value of Shares as Consideration	-	1.3	-	1.3		1.3
Net Cash Acquired	(50.9)	(0.9)	1.1	(50.7)		(50.7)
	349.6	4.4	2.7	356.7	7.8	364.5
Net Assets Acquired						
Goodwill & Fascia Names	169.1	4.5	1.0	174.6		
Other Intangibles	16.9	-	0.4	17.3		
Property, Plant & Equipment	81.4	1.1	1.2	83.7		
Stocks	255.8	3.9	2.2	261.9		
Debtors / Prepayments	38.6	1.2	1.0	40.8		
Liabilities / Provisions	(155.8)	(6.3)	(3.3)	(165.4)		
Deferred Income On Lease Incentives	(56.4)	-	-	(56.4)		
	349.6	4.4	2.5	356.5		
Minority Interest On Acquisition	-	-	0.2	0.2		
	349.6	4.4	2.7	356.7		

(1) Base, Fishing Republic, Helio Gyms and Weavers Door

(2) Principally £7.7m to increase shareholding in JD Sports Fashion Korea from 15% to 50%

STOCKS BY SEGMENT

		Jan 2018	Acquisition	Other Fair Value (2)	Cashflow	Jan 2019
		£m	£m	£m	£m	£m
JD & Size?	UK & ROI (1)	150.5	-	-	25.6	176.1
	Europe	42.6	-	-	9.2	51.8
	Asia Pac	9.0	-	-	29.2	38.2
Other International	Europe	112.3	-	(2.3)	0.4	110.4
	Asia Pac	24.7	-	-	(13.4)	11.3
	United States	-	255.8	-	(45.1)	210.7
Other Sports Fashion		49.4	5.3	-	8.1	62.8
Sports Fashion		388.5	261.1	(2.3)	14.0	661.3
Outdoor		89.5	0.8	-	12.2	102.5
TOTAL STOCKS		478.0	261.9	(2.3)	26.2	763.8

(1) Includes warehouse stocks for European businesses

(2) Fair value measurement adjustment to inventories in Sport Zone (acquired in previous financial year)

ADDITIONAL INVESTMENT IN INTERNATIONAL RETAIL

		Guidance to Jan 2020 £m	Year to Jan 2019 £m	Year to Jan 2018 £m	Year to Jan 2017 £m	Year to Jan 2016 £m
Retail Property	Sports Fashion – UK & Ireland (1)	40 - 50	45.6	42.5	29.5	25.4
	Sports Fashion – International	100 - 110	59.3	38.6	35.7	26.0
	Outdoor (2)	10 - 15	11.4	10.8	4.2	3.2
		150 - 175	116.3	91.9	69.4	54.6
Lease Premia, Key Money & Deposits		0 - 2.5	5.6	10.9	6.0	3.4
Warehouse Projects	Kingsway	2.5 – 5.0	36.1	24.5	3.7	14.4
	Alicante	2.5 – 5.0	2.4	16.6	-	-
	Other	5.0 – 7.5	1.1	3.0	0.4	1.6
Land & Buildings	Bury Head Office Campus	0 – 2.5	0.5	12.6	-	-
	Alicante Office	0 – 2.5	1.9	15.0	-	-
Other (3)		20 - 25	27.1	12.1	8.5	9.5
Total		180 - 225	191.0	186.6	88.0	83.5

(1) Year to Jan 2019 includes £9.4m for Gyms (Jan 2018: £12.2m, Jan 2017: £5.4m & Jan 2016: £2.9m)

(2) Year to Jan 2019 includes £7.5m for Go Outdoors (Jan 2018: £7.7m & Jan 2017: £0.7m)

(3) Year to Jan 2019 includes Multichannel and IT spend of £18.2m (Jan 2018: £5.8m, Jan 2017: £3.8m & Jan 2016: £3.5m)

IFRS 16

- **Adopting modified retrospective transition approach from 3 Feb 2019**
- **No adverse impact on cash flows or underlying economics**
- **Indicative impact on income statement:**
 - **£51.9m increase in Operating Profit**
 - **£8.8m decrease in Profit Before Tax**
- **Indicative impact on balance sheet:**
 - **Right of Use Asset recognised of c£1.8bn**
 - **Lease Liability recognised of c£1.9bn**

IFRS 16: INCOME STATEMENT

	Pre - IFRS 16 £m	Add back Rent (1) £m	Lease Asset Depreciation £m	Lease Interest £m	Post - IFRS 16 £m
EBITDA	488.4	287.0	-	-	775.4
Depreciation	(126.9)	-	(235.1)	-	(362.0)
Operating Profit / (Loss) Excl Exceptionals (2)	361.5	287.0	(235.1)	-	413.4
Finance Costs	(6.3)	-	-	(60.7)	(67.0)
Headline Profit / (Loss) (2)	355.2	287.0	(235.1)	(60.7)	346.4
Sports Fashion	365.8	256.5	(207.5)	(53.9)	360.9
Outdoor	(4.3)	30.5	(27.6)	(6.8)	(8.2)
Group Funding Costs	(6.3)	-	-	-	(6.3)
	355.2	287.0	(235.1)	(60.7)	346.4

(1) Rent expense replaced by depreciation on right of use asset and interest on lease liability

(2) Indicative impact on Income Statement to 2 February 2019 of an increase in operating profit of £51.9m and a decrease in PBT of £8.8m

IFRS 16: BALANCE SHEET

	Pre - IFRS 16 £m	Adjustment £m	Post - IFRS 16 £m
Right-of-Use Asset	-	1,780.2	1,780.2
Goodwill & Fascia Names	356.1	-	356.1
Brand Licences & Owned Brands	12.1	-	12.1
Other Intangibles	26.1	-	26.1
Property, Plant & Equipment	539.8	-	539.8
Other Fixed Assets & Investments	21.4	(21.3)	0.1
Key Money & Store Deposits	57.8	-	57.8
Stocks	763.8	-	763.8
Debtors / Prepayments	177.2	-	177.2
Net Cash	125.2	-	125.2
Liabilities / Provisions	(871.2)	2.5	(868.7)
Deferred Income On Lease Incentives	(131.5)	131.5	-
Lease Debt	-	(1,892.9)	(1,892.9)
	<u>1,076.8</u>	<u>-</u>	<u>1,076.8</u>

IFRS 16: FORECASTING IMPACT YEAR TO JANUARY 2020

- **Variable payments that depend on an index or rate such as CPI(1)**
- **Rent reviews and negotiations**
- **Changes in likelihood of break options and extensions**
- **New store openings**
- **Acquisitions**

(1) As per IFRS 16 these types of payments are captured on an annual basis



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