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JD Sports Fashion Plc Interim Results

September 2019

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Corporate Update Peter Cowgill





SUMMARY OF RESULTS.

	Jul 19			Jul 18	
	Proforma IAS 17 £m	Adjustment £m	Reported IFRS 16 £m	Reported IAS 17 £m	Jul 19 v Jul 18 (IAS 17 v IAS 17)
Revenue	2,721.2	-	2,721.2	1,846.3	+47%
EBITDA	235.2	167.7	402.9	171.8	+37%
Depreciation	(65.3)	(137.8)	(203.1)	(47.9)	
Operating Profit Excl Exceptionals	169.9	29.9	199.8	123.9	+37%
Finance Costs (incl Lease Interest)	(3.7)	(37.5)	(41.2)	(2.0)	
Profit Before Tax & Exceptional Items	166.2	(7.6)	158.6	121.9	+36%
Divisional Profit (1) - Sports Fashion	188.1	(5.7)	182.4	127.7	
Divisional Profit (1) - Outdoor	(18.2)	(1.9)	(20.1)	(3.8)	
Group Funding Costs	(3.7)	-	(3.7)	(2.0)	
	166.2	(7.6)	158.6	121.9	

(1) Divisional Profit includes a charge for £33.8m (Sports Fashion) and £3.7m (Outdoor) for lease interest calculated on a lease by lease basis in accordance with IFRS 16. Group Funding Costs are still regarded as cross divisional and so are not allocated to a specific Division. Therefore, Divisional Profit (incl. lease interest charge) is the equivalent of Operating Profit under the previous presentation.



FIVE YEAR HISTORY.

		Jul 2019		Jul 2018	Jul 2017	Jul 2016	Jul 2015
		Proforma IAS 17	Reported IFRS 16	Reported IAS 17	Reported IAS 17	Reported IAS 17	Reported IAS 17
		£m	£m	£m	£m	£m	£m
Revenue (£m)	UK & ROI	1,226.3		1,038.5	975.1	763.2	672.5
	International	1,494.9		807.8	392.1	207.4	137.4
		2,721.2		1,846.3	1,367.2	970.6	809.9
EBITDA (£m)		235.2	402.9	171.8	136.8	107.6	67.5
Profit Before Tax & Exceptional Items (£m)		166.2	158.6	121.9	102.7	77.4	44.7
LFL Total Sports Fashion Sales (%) – (1)		+12%		+4%	+7%	+14%	+17%
LFL Total Group Sales (%)		+10%		+3%	+7%	+13%	+16%

(1) Reported LFL sales to July 2019 exclude Finish Line in the United States where Total LFL sales for the combined Finish Line branded stores and website for the 26 week period were +5%.

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FINANCIALS
Neil Greenhalgh



SPORTS FASHION – TRANSITION TO IFRS 16.

	Jul 19			Jul 18	Jul 19 v Jul 18 (IAS 17 v IAS 17)
	Proforma IAS 17	Adjustment	Reported IFRS 16	Reported IAS 17	
	£m	£m	£m	£m	
Revenue	2,517.1	-	2,517.1	1,638.1	+54%
Gross Margin %	47.4%	-	47.4%	48.9%	
EBITDA	246.7	151.8	398.5	168.9	+46%
Depreciation	(56.2)	(123.7)	(179.9)	(39.1)	
Non-Trading Acquisition Amortisation	(2.4)	-	(2.4)	(2.1)	
Operating Profit (Excl Exceptionals)	188.1	28.1	216.2	127.7	+47%
Finance Costs (Lease Interest Charge)	-	(33.8)	(33.8)	-	
Divisional Profit (Excl Exceptionals)	188.1	(5.7)	182.4	127.7	+47%

SPORTS FASHION SUMMARY.

	JD & Size?				Other International Fascias			Other Businesses (3)	Sports Fashion
	UK & ROI (1)	Europe	Asia Pac	United States	Europe	Asia Pac	United States (2)		
Revenue to Jul 2018 (£m)	706.9	269.5	44.8	-	267.1	46.4	180.0	123.4	1,638.1
Revenue to Jul 2019 (£m)	793.5	360.1	105.1	10.7	276.1	28.3	714.5	228.8	2,517.1
Reconciliation of Divisional Profit									
Proforma Operating Profit / (Loss) under IAS 17 (£m)	122.4	22.5	1.3	(1.2)	3.2	(1.4)	35.9	5.4	188.1
Net Impact of Transition to IFRS 16 (£m)	(5.6)	0.8	0.3	-	(1.3)	-	1.0	(0.9)	(5.7)
Divisional Profit / (Loss) to Jul 2019 (£m) (4)	116.8	23.3	1.6	(1.2)	1.9	(1.4)	36.9	4.5	182.4
Operating Profit / (Loss) to Jul 2018 (£m)	118.8	12.3	2.7	-	(5.9)	(3.5)	4.8	(1.5)	127.7
Stores Start Of Period	419	264	46	5	438	33	878	84	2,167
Stores End Of Period	423	286	53	6	430	27	839	154	2,218
Total LFL Sales (%) (5)	+10%	+21%	+8%	-	+6%	-	-	+9%	+12%

(1) Profit in core UK & ROI business impacted by inefficiencies at Kingsway warehouse from short-term additional manual working and reversal of gains in prior year on fair value of FX contracts

(2) Includes 321 branded concessions within Macy's department stores

(3) Includes Fashion fascias, Footasylum (acquisition completed 26 April 2019), Gyms and non-retail businesses

(4) Includes a charge for lease interest calculated on a lease by lease basis in accordance with IFRS 16.

(5) Reported LFL sales to July 2019 exclude Finish Line in the United States where total LFL sales for the 26 week period from the combined Finish Line branded stores and website were +5%

BRIDGING THE JD PROFIT.

	UK & ROI	Europe	
	£m	£m	
Non-Cash FX Contract Reversals	14	-	Reversal of prior year non-cash fair value gains on forward contracts – NB: actual forward hedged rates at / better rate required to maintain cash margins
Distribution Costs	7	4	Approximately 50% permanent increase from additional fixed cost on expansion
Central Overheads	6	4	Investment in marketing and additional resource necessary for further expansion

CONTRIBUTION FROM FINISH LINE & JD IN THE US.

	Jul 2019			Jul 2018: Reported 7 Weeks	Jul 2018: Proforma 26 Weeks
	Finish Line (3)	JD (4)	Total	Total (1)	Total (2)
	\$m	\$m	\$m	\$m	\$m
Revenue	934.2	14.0	948.2	242.9	913.4
GP%	42.9%	46.3%	43.0%	40.3%	42.4%
EBITDA	71.1	(0.9)	70.2	13.8	61.9
Depreciation & Amortisation	(21.0)	(0.6)	(21.6)	(7.3)	(25.6)
Proforma Operating Profit / (Loss) under IAS 17	50.1	(1.5)	48.6	6.5	36.3
Net Impact of Transition to IFRS 16	1.4	-	1.4	-	-
Reported Divisional Profit / (Loss)	51.5	(1.5)	50.0	6.5	36.3
Reported Divisional Profit / (Loss) (£m)	36.9	(1.2)	35.7	4.8	26.9

(1) Being post acquisition period in prior year from 18 June 2018

(2) To present the results in line with the Group's financial period in the prior year – excludes acquisition adjustments

(3) Includes Macy's concessions

(4) Initial margins in JD stores continue to be reduced by US import duties with local stock purchasing increasing in scale



OUTDOOR – TRANSITION TO IFRS 16.

	Jul 19		Jul 18
	Proforma IAS 17	Adjustment	Reported IFRS 16
	£m	£m	Reported IAS 17 £m
Revenue	204.1	-	204.1
Gross Margin %	40.6%	-	40.6%
EBITDA	(11.5)	15.9	4.4
Depreciation	(4.7)	(14.1)	(18.8)
Non-Trading Acquisition Amortisation	(2.0)	-	(2.0)
Operating Loss (Excl Exceptionals)	(18.2)	1.8	(16.4)
Finance Costs (Lease Interest Charge)	-	(3.7)	(3.7)
Divisional Loss (Excl. Exceptionals)	(18.2)	(1.9)	(20.1)



IMPROVED RESULT IN BLACKS & TISO WITH GO OUTDOORS IN TRANSITION TO NEW SUPPLY CHAIN MODEL.

	Jul 2019			Jul 2018	Jul 2017
	Proforma IAS 17	Adjustment	Reported IFRS 16	Reported IAS 17	Reported IAS 17
	£m	£m	£m	£m	£m
EBITDA (1)	(11.5)	15.9	4.4	2.9	6.5
Trading Depreciation	(4.7)	(14.1)	(18.8)	(4.5)	(4.0)
Non-Trading Acquisition Amortisation	(2.0)	-	(2.0)	(2.2)	(2.4)
Operating (Loss) / Profit Excl Exceptionals	(18.2)	1.8	(16.4)	(3.8)	0.1
Finance Costs (Lease Interest Charge)	-	(3.7)	(3.7)	-	-
Reported Divisional (Loss) / Profit	(18.2)	(1.9)	(20.1)	(3.8)	0.1
(1) EBITDA analysed as:					
Blacks / Millets	(1.5)	5.2	3.7	(1.5)	-
Tiso	(0.4)	0.8	0.4	(0.4)	-
Go Outdoors (incl. Go Outdoors Fishing)	(9.6)	9.9	0.3	4.8	6.5



OUTDOOR – LIKE FOR LIKE PROFILE.

	Q1 (1)	Q2	
<u>Store Like For Like</u>			
Blacks / Millets	-4.9%	+3.1%	
Tiso	-4.1%	+6.1%	
Go Outdoors	-8.6%	-5.6%	Includes July +2.7%
<u>Total Like For Like</u>			
Blacks / Millets	-4.2%	+8.1%	
Tiso	-0.6%	+6.1%	
Go Outdoors	-7.5%	-7.7%	Includes July +1.7%

(1) Challenging comparatives with total like for like across Outdoor at end of Q1 in 2018 of +7%

BALANCE SHEET.

	Post IFRS 16		Pre IFRS 16	
	Jul 2019	Jan 2019	Jan 2019	Jul 2018
	£m	£m	£m	£m
Right-of-Use Asset	2,107.7	1,878.5	-	-
Goodwill & Fascia Names	417.9	356.1	356.1	363.2
Brand Licences & Owned Brands	14.7	12.1	12.1	13.2
Other Intangibles	31.2	26.1	26.1	34.4
Property, Plant & Equipment	585.5	539.8	539.8	497.8
Other Fixed Assets & Investments	12.5	0.1	21.4	21.4
Key Money & Store Deposits	62.7	57.8	57.8	53.5
Stocks	913.2	763.8	763.8	824.1
Debtors / Prepayments	255.5	177.2	177.2	217.3
Net Cash / (Debt)	118.1	125.2	125.2	(85.1)
Liabilities / Provisions	(1,054.3)	(868.7)	(871.2)	(903.6)
Deferred Income On Lease Incentives	-	-	(131.5)	(117.3)
Lease Debt	(2,237.4)	(1,991.2)	-	-
	<u>1,227.3</u>	<u>1,076.8</u>	<u>1,076.8</u>	<u>918.9</u>



CASH FLOW.

	H1 to Jul 2019 £m	H1 to Jul 2018 £m
Operating Profit (Pre - Exceptional Items)	199.8	123.9
Depreciation & Amortisation	203.3	47.9
Repayment Of Lease Liabilities	(160.6)	-
Increase In Stocks	(59.1)	(78.1)
Other Working Capital Movements	47.3	12.9
Net Cash Inflow From Operating Activities	230.7	106.6
Net Taxation	(39.4)	(27.3)
Net Interest	(41.2)	(2.0)
Capital Expenditure (Incl Bespoke Software Development)	(69.8)	(91.4)
Net Proceeds From Disposals	1.9	0.2
Free Cash Flow	82.2	(13.9)
Net Acquisition & Investments (Incl Debt Acquired) (1)	(89.3)	(380.8)
Dividends To Non-Controlling Interests In Subsidiaries	-	(0.1)
Net Cash Utilisation	(7.1)	(394.8)

(1) The principal acquisition in the year to July 2019 was The Finish Line Inc.



ACQUISITIONS.

	Footasylum £m	Other (1) £m	Subsidiaries £m	Other Investments £m	Total £m
Consideration Paid	86.0	8.0	94.0	3.2	97.2
Net (Cash) / Debt Acquired	(5.7)	(2.0)	(7.7)	(0.2)	(7.9)
	80.3	6.0	86.3	3.0	89.3
<u>Net Assets Acquired</u>					
Goodwill & Fascia Names	64.6	7.6	72.2		
Other Intangibles	-	1.7	1.7		
Right of use asset	100.4	0.0	100.4		
Property, Plant & Equipment	25.6	0.1	25.7		
Stocks	39.6	2.4	42.0		
Debtors / Prepayments	19.4	1.0	20.4		
Liabilities / Provisions	(155.8)	(2.6)	(158.4)		
Interest bearing loans & borrowings	(13.5)	(2.7)	(16.2)		
	80.3	7.5	87.8		
Minority Interest On Acquisition	-	(1.4)	(1.4)		
	80.3	6.1	86.4		

(1) Being Rascal Clothing, Giulio & Pretty Green



STOCKS BY SEGMENT.

		Jan 2019	Acquisition (1)	Cashflow	FX Translation (2)	Jul 2019
		£m	£m	£m	£m	£m
JD & Size?	UK & ROI (1)	176.1	-	16.7	0.4	193.2
	Europe	51.8	-	6.4	3.2	61.4
	Asia Pac	38.2	-	(0.3)	3.0	40.9
Other International	Europe	110.4	-	4.5	6.3	121.2
	Asia Pac	11.3	-	(2.8)	-	8.5
	United States	210.7	-	21.6	35.4	267.7
Other Sports Fashion		62.8	42.0	8.8	-	113.6
Sports Fashion		661.3	42.0	54.9	48.3	806.5
Outdoor		102.5	-	4.2	-	106.7
TOTAL STOCKS		763.8	42.0	59.1	48.3	913.2

(1) Principally Footasylum £39.6m

(2) Reflecting difference in exchange rates between period ends

CAPEX.

		Guidance to Jan 2020 £m	H1 Jul 2019 £m	H1 Jul 2018 £m	H1 Jul 2017 £m
Retail Property	Sports Fashion – UK & Ireland	25 - 30	6.4	12.1	14.9
	Sports Fashion – International	90 - 100	29.7	24.9	20.5
	Outdoor	10 - 15	5.4	7.0	4.9
		125 - 145	41.5	44.0	40.3
Gyms		5	3.4	5.8	3.2
Lease Premia, Key Money & Deposits		5	4.5	1.7	3.5
Warehouse Projects	Kingsway	5	2.8	28.5	10.2
	Alicante	5	2.5	2.5	15.6
	Middlewich	4	2.5	-	-
	Other	1	0.1	-	-
Technology & Other Systems		5	2.8	4.4	1.6
Other		20 - 25	9.7	4.5	1.9
Total		175 - 200	69.8	91.4	76.3



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