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JD Sports Fashion PLC

FY25 trading update

CORPORATE SPEAKERS:

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Regis Schultz

Good morning, everyone. Thank you all for joining the JD Sports Fashion Plc 2025 peak trading update call. I'm Regis Schultz, Group CEO. And with me on the call is Dominic Platt, our Group CFO.

Hopefully you've had the chance to see our statement earlier this morning. On this call we will give you a brief overview and then we will hand over to you for any questions you may have.

This trading update covers our busiest period of the year and I'm pleased to report that we saw robust trading across December. This performance is entirely consistent with our track record around key events. To give you some colour on what this means in practice, I'd like to share a few examples that illustrate just how successful these events have been for us in the period and how busy they have been.

We reached a new record daily global sales level hitting £100m for the first time ever on two occasions with less than a quarter of those sales coming from the UK.

Our omnichannel was strong with 20m click and collect orders in the US. And our flagship UK store in Stratford delivered sales of over £0.5m on Boxing Day alone. That said, November was disappointing and Black Friday was below our expectations.

So, our robust performance in December didn't offset the soft November.

This largely reflects two things.

Firstly, November and Black Friday saw more promotional activity than last year which was mostly driven by DTC across the holiday period with one of our US competitors being on minus 20% and -30% all across the holiday period.

Secondly, footfall was below last year, reflecting a cautious consumer and a return to last minute bargain buying from the consumer.

We retained our operational and financial discipline in the period and our long-term view of the market and decided not to participate in the elevated promotional activity in our key markets.

You can see the benefit of that in our margin.

I think it's worth pausing here to remind people that our full price proposition is very appealing to our brand partners. In return, we get great access to innovation and new product and the ability for our buying and merchandising team to select what we want through knowing what will work for our customers versus what a brand might want us to take.

So to me, this is a solid foundation for a successful long-term strategy.

In terms of brands, historically we have seen a number of product launches in the build up to the peak season that have had a positive impact on footfall. This year, while there were some successful launches including some Retro Jordan ones in the US, there were less of those big events and they weren’t big enough to make a material impact.

Finally, there is more economic uncertainty in our key market today than 12 months ago - we are starting to see unemployment tick up in Europe and in the UK.

Looking forward, we expect this challenging promotional environment to persist in the first half and we want to be very, very cautious as the environment is still very volatile in the US, and we see the potential for higher unemployment in Europe and the UK. This is likely to suppress market growth throughout 2025.

We are hopeful there will be a step-up in new product launches in the second half but it's not going to impact materially until 2027.

Before I hand over, I'd like to conclude by recognising all the hard work across the business, which ensured we were well positioned ahead of the peak period. This means when the consumer came, they shopped, and when they shop, they left with a larger basket size, which translated into 3.4% organic growth for the period and a positive like-for-like in December. This reflects the expertise of our buying, merchandising, pricing, marketing, retail and operational teams to whom I would like to say thank you.

So, I would like now to hand over to Dominic.

Dominic Platt

Thank you, Regis. I'll now take you through our trading in a bit more detail.

We delivered organic revenue growth over the period of 3.4%. We delivered growth in all our segments and across all our geographic regions other than in the UK, which doesn’t benefit from our global store rollout programme like the other regions do. Full year organic revenue growth is likely to be around 5%.

Turning to like-for-like. Like-for-like revenue was down 1.5% for the period. We saw lower footfall than last year, offset partly by a higher average transaction value as referenced by Regis just a minute ago, which was driven by a combination of our promotional discipline and footwear outperforming apparel. Year-to-date, like-for-likes are flat and we expect to remain so for the full year.

By region, we saw like-for-like growth in Europe and Asia Pacific, offset by negative like-for-likes in North America and the UK. Consequently, North America and the UK were the markets where we saw the best gross margin progression over the period.

Outside of like-for-likes are our recent acquisitions, Hibbett and Courir. Hibbett performed slightly ahead of the overall North America region, while Courir, which completed towards the end of November, had a good peak season.

Now turning to gross margins. Reflecting our planning for, and discipline during, the peak trading period, we achieved a gross margin for the period of over 48%, ahead of last year. And following the post peak sales season, we expect the full year gross margin to be in line with last year.

Now turning to the balance sheet. Our level of preparation and deep understanding of what our customers wanted to buy this year meant we have come out of peak comfortable with where we have landed stock wise. We bought well so we sold well. While revenue is slightly below our expectations, we've managed our stock position well. We expect to end the financial year with a small net debt position, after investing around £1.4bn in the year on the Hibbett and Courir acquisitions. This is testament to the strength of our cash generation and cash management.

Finally, turning our thoughts to the outlook for the rest of this financial year. The trading environment has been volatile and challenging through the year. What we've seen is the consumer responding well to most of the key trading events and we've delivered a strong performance in those periods. Outside these periods, we have taken, and will continue to take, a considered and measured approach to protect our long-term business model and ultimately, our profitability.

So, in terms of the FY25 guidance, I've given a few indications already, but to draw it all together, we expect like-for-like revenue to be broadly flat for the year and organic revenue growth to be around 5%. We expect gross margins at a similar level to last year, reflecting our continued financial and operating discipline. And finally, we expect full year PBT to be between £915m and £935m. This is a slight change to previous guidance and reflects the 1% lower like-for-like than anticipated, which is worth around £30m.

There is also an additional acquisition accounting impact with Hibbett, totalling around £6m, a small incremental FX translation impact of £2m and offsetting those two pieces, a contribution from Courir following acquisition of around £7m.

I'll now hand back to Regis for any final thoughts.

Regis Schultz

Thank you, Dominic.

I also want to touch briefly on a couple of highlights regarding our continued strategic delivery.

Firstly, we passed through the 200 new JD store by the end of November including around 50 conversion from other fascias, helping us to grow share across the US and Europe, mostly Eastern Europe and Spain and Portugal. We continue to monitor the programme against a three-year payback and the actual payback continues to be quicker than that.

And secondly, and at a long last, we completed the Courir acquisition. In fact, Dominic and I are sitting in the Courir office in Paris as we speak. The acquisition extend our reach of our complementary concepts proposition by adding a more female fashion conscious and older customer base to the group. And we are much looking forward to working with the team here and to their success as they have done through the peak period.

So, reflecting on 2024, we guided at the beginning of the year for like-for-likes between 1% and 4%, and we always said that we were looking at the bottom of that range. At that time, the market, both our competitors and our key suppliers, were much more bullish on the second part of the year. We've always been very cautious about it. I think we were right but unfortunately, we were not cautious enough. We should have been a little bit more cautious. We planned for the same level of promotional activity but it happened to be a higher level of promotional activity, especially across Black Friday, which is a key period. S

So, at the end of Q3, we were around 1%. I think we will finish flat. And that 1% difference is equal to the £30m profit that is missing compared to our forecast. So that's something we need to reflect on.

We will be very cautious for next year and we will look to deliver our forecast for next year.

Q&A

Jonathan Pritchard, Peel Hunt

Two for me. Firstly, I know you touched on that you saw industry conditions staying difficult for the first half this year. But do you think we will return to normality from the end of the first half? Or are you concerned it could drag on a lot longer than that? Essentially, when do you think the industry conditions will stabilise?

And secondly, just on that stock point, obviously a good stock performance. Is there anything to see from a geographic perspective?

Regis Schultz

So, this year just gone, everyone was saying the second half will be better. So, I want to see what happens this year before saying it. I think the reduced promotion on the back of D2C returning to being a full price channel is what is needed for the industry and for the long-term growth of this industry. So, I think it's all good news. And a focus on key wholesalers and we have already seen some differences since Elliott Hill has been in charge. It just takes time to put that in motion and to clear some of the stock that was committed before Elliott was on board. So, that's why we are cautious. We know that to replace some big key franchise will take time. So that's why we believe we should be very cautious about the whole of 2025.

Concerning the stock position, it's across all the geographies. We have maintained our discipline. If you remember last year in the US we had to participate in the promotional activity and our margin was impacted by that. This year, we have been much disciplined in the US similar to our discipline in Europe and the US.

We didn't have to participate, so we are in a very good stock position in all our businesses plus we cleaned a lot of stock in Hibbett, which we put the same discipline into that they didn't have previously. Hibbett is down 20% to 25% compared to last year in terms of stock.

Thierry Cota, Bank of America

I have two. First, in your minus 1.5% like-for-like for two months, can you tell us what has been the performance of Nike versus the rest of the brands? Secondly, on margin, you insist on close to 50% gross margin, which is effectively well above your US peers. Do you consider it to be sustainable? Or more precisely, could you be concerned that it could come at the expense of sales and in fact, at the expense of operating leverage at the OpEx level?

Regis Schultz

For the first question, we don't give this information because it will give information on a listed company. On the second one, we don't believe it's at the expense of much sales. For sure, on the promotional side, we will certainly lose some sales. But, having a full-price business is the sign of a successful business. You can see that with Zara, with all the key successful fashion business. If you are not on a full price, the customer is waiting for the discount and you end up by destroying your business. So, our model is about full price.

Dominic Platt

And Thierry, just on a point of clarification, you need to be careful when comparing our gross margin with US players because US players tend to include more in their cost of sales. It's not directly comparable.

Thierry Cota

Okay. So, your objective is to remain around 50% gross margin going forward. That's the central scenario?

Regis Schultz

Yes. And I think we have proved that for the last three years. We had higher during COVID because at that time there were no products and at one point of time during COVID, we had almost no promotion. So, our margin was up. I think our margin is down 1.5%pts compared to the peak during COVID. We have adjusted that but we believe that the level of margin that we have today is the right level of margin.

William Woods, Bernstein

Two for me. Is there anything to highlight in terms of product or brand differences across the geographies in terms of Europe, North America and the UK? And then secondly, what do you think drove the main difference in the strength in Europe versus the weakness in the UK and North America?

Regis Schultz

You need to remember our store estate is younger in Europe, so we benefit from the new opening more than in the UK especially, but even in the US. The other part is the online business in the US which has been impacted by the DTC channel increasing promotional activity, which happened less in Europe. The minus 30% from the Nike app in the US didn't happen in Europe.

Gabrielle Rubin, Morgan Stanley

Two questions from me. Firstly, on the brand, what are you seeing in terms of brand product innovation? And when would you start to expect to see this improve? And then a second question on the UK consumer. Can you comment on what you are seeing in terms of the health of the consumer as it stands today and how you're thinking about the macro outlook as heading into FY26?

Regis Schultz

In most markets we have a return to a pre-COVID way of trading. So, that means that they wait for the last minute and the last drop and the last promotion. During COVID, and just after because product was scarce, we saw a different pattern. Now we're back to the same pattern where they wait the last minute, which is always the very stressful for retailers.

On your second question, all retailers have reported the same - traffic has been down in the UK. We've seen a very cautious customer everywhere in terms of increased savings rates too. Unemployment is the biggest worry for us. Following increased wages and NI charges, there is a temptation, which is a normal reaction from business to review their staff costs and reduce the number of hours, which will be bad news for the economy. And for us, one of the critical things is the unemployment because our key customer is a young customer and they are the ones most impacted or they are the first impact by raising inflation or reduction of number of hours because most of them will have temporary jobs.

In terms of brands, footwear has done better than apparel. We have seen plenty of innovation, plenty of new product and that has been positive for the market. We see a lot of good things coming from Nike. The key point is that they are having to replace big franchises. It won't be easy. Overall though we have seen a lot of good and exciting things.

Apparel has been more impactful. We see a lot of things happening out of our direct reach. Shein, Temu, fashion, a more D2C model. It's a much broader industry and a much broader set of competitors.

Monique Pollard, Citi

Could you give us any color, ex-Nike on which brands have been performing relatively well for you? Secondly, what accounts for that slightly better trading of Hibbett?

Regis Schultz

Regarding Hibbett, we have brought much more diversity to the US in particular from a brand range point of view and we are starting to see the benefit from this. In terms of brands, we have seen a great performance from adidas, from On running, from New Balance and also HOKA.

Last year, we saw plenty of Jordan releases – almost weekly or biweekly. This year, they have been reducing that, but the ones they have done has been very successful. That was the point that we made less but better. And I think that we can start to see it coming back because the consumer is starting to wait for them, whereas in the past, they were coming too frequently.

The last one, in January, which was very successful was Retro Jordan 3.

Monique Pollard

That's very helpful. Just one follow-up on Hibbett. So, you've already been able to sort of improve the portfolio of brands that they're selling into Hibbett that quickly?

Regis Schultz

Slightly. It's not massive, but we have seen some green shoots, yes. Development of New Balance, especially.

Warwick Okines, BNP Paribas

Two questions, please. Firstly, could you give us a sense of your full price mix. You talked about preserving it over the peak and I guess the extra promotional activity was one of the things that surprised you in the market. Secondly, in the past release you've talked about looking forward to some newness coming in, in spring/summer. Is that a product that you had expected some months ago? Is that product actually arriving? Or have plans changed from the brand partners?

Regis Schultz

Yes. We have the lowest difference between intake and net price for all the brands. We don’t communicate the actual number but it’s really high. This is around the discipline on our stock management and you can see that in our numbers every time we report.

New product is coming mainly from running, which Nike is delivering, and we can see some great things. Same for adidas. So we see some great things on running, which will not replace the key franchise, which are linked to basketball, but it will be a start.

Warwick Okines

How optimistic are you about the apparel category into this year?

Regis Schultz

Apparel is a category where we face larger competition. We are playing more narrowly because we play in the branded sports part and we don't access the full market. Apparel will take more time. You have a larger competitor base, you are competing with value and with fashion. We need to keep adjusting. We are bringing in new brands in order to respond to evolving customer trends.

Kate Calvert, Investec

Two questions from me. The first is on Hibbett. What is the expected profit contribution from Hibbett in FY25? Because you have previously guided to a £25m contribution. And looking forward into next year, what do you expect the incremental profit benefit to be from the acquisitions of both Hibbett and Courir?

And my second question is on the Genesis option. Have you had any conversations yet with the Mershos regarding the exercise of that auction? Can I just check that the 30-day window for potentially exercising the first tranche is this March?

Dominic Platt

On your first question about Hibbett this year, you're right, we talked about £25m this year. Just to remind you, that's about £50m of contribution from the business and £25m of incremental interest. If I just take the £50m this morning, it takes a while to finish all the acquisition accounting and this is another £6m non cash back from that. And while it traded ahead of the overall North

America business through peak, North America, as we said in the release, was slightly negative through the overall period so we will see a bit of an impact from that.

So for FY25, we'll probably be more in the low teens when you take into account the incremental acquisition accounting and the trading impact through the period.

Looking to next year, if I take the amount we have in the numbers for this year for Hibbett, and the £7m we talked about this morning for Courir, I would expect about another £30m coming through from Hibbett next year. And for Courir, net of interest because remember that we bought that business, £500m, you're probably looking at something in sort of low single digits.

Regis Schultz

It's the first put and call this year for Genesis. I think that the Board hasn't decided what we want to do. The Mershos have been clear that they would like not to exercise their put and for the Board, we need to decide what we want to do.

Richard Chamberlain, RBC

Following on from Kate's question on Courir. You talked about PBT contribution of £7m in the period since acquisition. Can you give the comparable number from last year and also what you expect from the store closures that you're making, how that will impact the financials?

Dominic Platt

We'll come back to you.

Richard Chamberlain

Sure. The other one is, I just wondered if you still have flexibility to return inventory to big brands like Nike and did that help the inventory control over the period?

Regis Schultz

On inventory return, we don't do it. We do it a very limited fashion. It is very costly for the brand. We don't believe it's the right thing to do. We prefer to get better trade terms than to access that because at the end, you pay for it.

Dominic Platt

Courir is very slightly ahead of last year. So Courir has been trading well through the peak period. The last reported number for Courir was a profit of around E50m. They have grown since then. But effectively, with the disposal of those stores, I think you can bring it back to that same sort of number as a starting point. We've learned through this year with Hibbett that there'll be some acquisition accounting adjustments. I don't know what yet. But that will obviously take the number down a little bit. And of course, as I mentioned in answer to Kate's question, we'll have the interest on the E500m acquisition costs. The net amount that sort of hits us next year will be incremental to the seven we had this year will be sort of small double-digit number.

Alison Lygo, Deutsche Numis

On Courir, the £7m contribution is PBT, can you give any kind of color in terms of revenue or EBIT? I suppose just thinking about what interest you're attributing to that number as we think about going forward into next year? Then just on the like-for-like. You called out up 1.5% in December, which was a step on from what you saw in November. Just the kind of the late falling of Black Friday and the Cyber Monday falling into December? Or actually, should we think about it being kind of more even across those two months if we adjust that?

And then finally, I think I'm just going to ask the same question as at Q3. I’m interested as to where and how you think about that tipping point on maintaining the promo discipline in the sort of promotion market we're seeing at the moment, which is kind of the brand limited to trade through the stock. Are we talking about maintaining primary discipline on other products and consumers are migrating into that discounted product, I suppose in the context of knowing you're not kind of giving a lot of product back to Nike.

Regis Schultz

On the promotional activity, the thing you need to understand is that we buy what we believe we can sell and we don't buy what the manufacturer wants us to take. That gives us the ability to buy what we believe will be full price and we don't buy what we believe will be discounted on the market. We tend to adjust that at the moment of buy not after, which means that we don't return, we don't discount so much and all that stuff. But for sure, if you take a Dunk which has really been the key franchise, which has been discounted, we have been discounting the product too, in order to follow what was happening in the market. So, that's the way we manage the stock and we manage our product.

In terms of what you have seen on D2C, I think Nike has been increasing that during Black Friday but it has been reducing the last two weeks. Nike has committed to making online more and more full price and we have seen that already. They are starting to move out of the policy to discount the product in order to drive sales, not only to manage stock, but to drive sales. The future will be a full price channel. We are very positive about what Nike is doing and is the same what adidas has done with Original. If you remember, three years ago Original was discounted. Bjorn came in and stopped the discounting on that. And that it has proved to be the right thing to do for adidas, for Original and for us. And we can see the same will happen at Nike.

Dominic Platt

£7m is net of about £3m of interest. So, EBIT of £10m on revenue of around £140m.

And on your like-for-like question, Black Friday moved a week, but because of our 53rd week November moved a week as well. So actually November and December are comparable periods, if that makes sense.

Clive Black, Shore Capital

Two short ones. First of all, Regis, you mentioned unemployment several times in both your opening remarks and answers to questions. I just wondered if this had any implications, first of all, on your thinking on the US versus UK and Europe? And secondly, your approach to store conversions and new stores? Then is your poor performance online reflective of the strength of the online proposition or something else? Finally, in terms of your focus on full price sales, does that imply that you're losing market share in the UK and US as well?

Regis Schultz

In the US, we have not seen any sign of unemployment moving up, but we are nervous about the UK because when you increase the cost of working, the natural business response is to reduce the number of hours. The first to be impacted will be the young, which are our customers.

Europe is more around the general sentiment, which is negative, especially with political issues in France and Germany. In the US for the time being, we have seen nothing on unemployment. It's more volatile because it's a new President with tariffs potentially. It's very volatile.

We don't believe we have lost market share, but we have not yet had the number. We believe we have been in line with the market where we operate.

Clive Black

Just to come back on your employment point. Are your worries around unemployment changing your view on capital allocation, around conversions and new stores?

Regis Schultz

No, because we are not investing much in new stores in the UK. We will continue to upgrade our space though. We don't want to have space which is not in the right space for our consumers, and we don't want to have an old store estate by not investing. The UK is a mature market for us. The fact unemployment is moving up in the UK doesn't change our policy because it was already there in terms of considering it as mature. Conversions are mainly in the US where we have not seen unemployment.

In the US, as Finish Line is our biggest online play and we are reducing the number of Finish Line store and moving to JD, the time to turn on the online there is taking a little bit of time. We will accelerate the conversion of stores from Finish Line to JD and we can see the performance of JD been very, very strong compared to a more challenging performance of Finish Line.

Anubhav Malhotra, Panmure Liberum

Firstly, could you quantify the impact you see from the UK budget on your costs for the next year and if you have started to think of any plans to offset that? Secondly, maybe just touch upon your performance in Sporting Goods and Outdoor segment, which noted saw good like-for-like performance this period. So what was going well in that part of the business?

Dominic Platt

The UK National Minimum Wage and the National Insurance increase have combined for about £30m, about half and half. As you'd expect, we planned for some of the national minimum wage increase. They've been running above inflation for a little while. But clearly, the national insurance settlement was like for many others, a surprise. It's for us to manage our business. The UK is a smaller part of our overall group. And our job is just to manage those cost increases as we possibly can. We're working through some of the plans about how we deal with that at the moment and we'll share in due course when we provide guidance and updates later in the year.

Regis Schultz

I think it's a reflection of the quality of our offer for Sporting Goods. We bought 100% of ISRG last year. We have a new team and the team is performing very well. We got rid of the problem child that we had in Netherlands. We are performing and gaining share in Spain and Portugal. We did have cyber incidents in Greece and Spain last year, which is also helping this year. We have done a good job and especially December has been a great month for the Outdoor business, the weather has turned a very cold and we had a lot of rain. Lots of bad weather is a good thing for our Outdoor business.

Kate Calvert

Just a couple more questions. On the UK, could you say how much apparel did underperform over the fourth quarter in terms of the gap in like-for-like performance between the 2? And then just on Europe, can you give a bit more granular detail in terms of performance by market? Which market outperformed which in the fourth quarter?

Dominic Platt

We're not going to go into specifics. Suffice to say that footwear did outperform apparel in the period. In terms of Europe, I think what we've seen is a strong performance in the south versus the north. Perhaps the North has been more like the UK. But whether it's a Sporting Goods business or JD, we've seen good performance across Spain, Italy and Greece, more neutral in the middle and slightly softer in the north.

Regis Schultz

Reflecting the economy, we have seen Spain doing well. Greece doing fantastically well.

Dominic Platt

Thank you all for your questions and to everyone on the call for joining us for this peak trading statement update. We will be speaking to you again in March when we're providing post-close statement on the full quarter with full details and guidance on the year to come. We look forward to speaking to you then. Thank you very much.