

15 December 2020

JD Sports Fashion Plc

Acquisition of Shoe Palace in United States

JD Sports Fashion Plc ('JD' or the 'Group'), one of the world's leading retailers of sports, fashion and outdoor brands, announces that on 14 December 2020, its existing wholly-owned intermediate holding company in the United States, Genesis Holdings Inc ('Genesis'), acquired 100% of both the issued shares in the Shoe Palace Corporation and the members' interests in Nice Kicks LLC (together 'Shoe Palace').

Based in San Jose, California, Shoe Palace was established in 1993 by the Mersho family and currently has 167 stores, the vast majority of which trade under the Shoe Palace banner. More than half of the stores are located in California, although there is also an established retail presence in Texas, Nevada, Arizona, Florida, Colorado, New Mexico and Hawaii, with the store network supported by a developing ecommerce platform. In the year to 31 December 2019, Shoe Palace generated revenues of \$435 million. Shoe Palace is operated by four brothers from the Mersho family (together the 'Mersho Brothers') who head up the various operating functions across the business.

Total cash consideration for the acquisition of Shoe Palace, subject to customary cash / debt and working capital adjustments, is \$325 million, of which \$100 million has been deferred and will be paid on various dates over the next 12 months. This cash consideration is being funded from the Group's cash resources and existing bank facilities. In addition, the Mersho Brothers have also been issued with equity in Genesis such that they will own 20% of the enlarged group in the United States. The initial fair value of this equity consideration is approximately \$356 million. Additionally, a number of put and call options, to enable future exit opportunities for the Mersho Brothers have also been agreed, which commence after the end of the financial year to 1 February 2025.^[1]

The acquisition of Shoe Palace complements the Group's ongoing positive developments from the existing Finish Line and JD fascias in the United States, which includes the recent opening of JD's flagship store in Times Square, New York. In particular, this acquisition will significantly increase the Group's presence on the West Coast of the United States and strengthen its connection with the Hispanic and Latino consumers, who represent a significant proportion of Shoe Palace's customer base.

The Mersho Brothers will continue to manage the Shoe Palace business although the intention is that, from next year, the JD Finish Line and Shoe Palace teams will begin to share ideas and best practices as we look to create an unrivalled proposition which connects with all relevant consumers.

In the year ended 31 December 2019, Shoe Palace delivered a profit before tax of \$52 million. The gross assets in the Shoe Palace audited balance sheet at 31 December 2019 were \$197 million.

Peter Cowgill, Executive Chairman of JD Sports Fashion Plc, said:

"We are delighted to have completed the acquisition of Shoe Palace. The Shoe Palace team are ambitious, have great energy and pride themselves on their consumer connection and we welcome them to the Group. We are confident that our combined fascias will provide us with the flexibility and expertise to fulfil our mutual ambition of becoming a prime customer destination for sneakers and lifestyle apparel in the United States."

George Mersho, CEO of Shoe Palace added "We could not imagine a better way to continue to build on the legacy of our family business. Through this combination with JD and Finish Line in the US, we have gained a strong global partner. We look forward to being part of the JD family and continuing to serve our customers and communities for many years to come."

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^[1] To the extent that the exercise of any of these put and call options are not at the sole discretion of JD, the maximum consideration payable has been capped below 24.99% of JD's market value, less any consideration already paid.

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