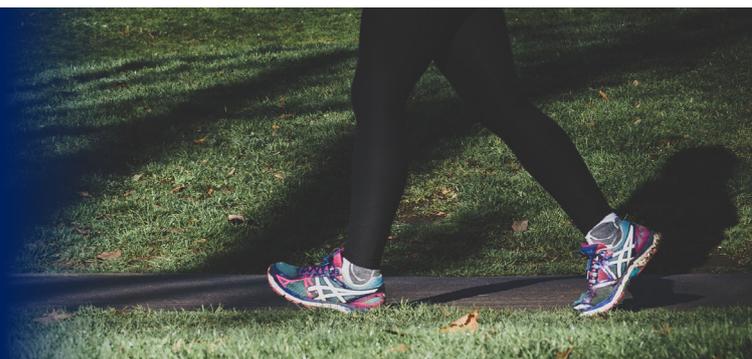


Sporting Goods Retail

Sector and M&A Report

2019



Some sports retailers face challenges despite excellent market growth

The sporting goods retail market is being supported by strong macro tailwinds as people of all ages across the globe lead healthier and more active lives, however not all players are benefitting. Although mature markets remain robust and emerging markets are being bolstered by growing disposable incomes and participation rates, some retailers are struggling to compete with scaled players (Decathlon), large brands (Nike & Adidas) and increasingly e-commerce giants (Amazon). We are seeing the market use M&A to reposition - deals are being used to extend geographic footprints, enhance outdated product portfolios (in dynamic categories such as women's and outdoor), and to deliver important e-commerce solutions.

- **The sporting goods retail market is expanding at a CAGR4Y of c. 4%**, and is forecast to remain at that level until 2022. Growth is being driven by emerging markets, casual fashion trends, women's lifestyle sports and rising participation rates.
- **There were some headline deals in 2018:** most notably, JD Sports' (UK) \$588 billion acquisition of the struggling US sneaker chain The Finish Line - a deal that improves JD's purchasing power with key suppliers (the giant brands) and creates a top 8 player with combined annual sales of more than \$5 billion.
- **However the market is not without challenges**, as undifferentiated and unscaled generalists struggle to compete with the giant brands' growing retail presence (Nike, Adidas), scaled players' private label offerings (Decathlon) and the giant online marketplaces (Amazon) - underlined by a series of high-profile bankruptcies in the US, where the market is more saturated.
- **Leading players continue to pursue vertical integration** to improve margins from both ends of the value chain: the giant brands (Nike, Adidas, Puma) are growing their retail operations, while leading retailers (Decathlon, Go Sport) are increasingly manufacturing their own private labels. Margins are therefore being squeezed for unscaled and undifferentiated generalists.
- **Valuation multiples for the sector are typically double-digit EBITDA**, and higher for category captains and market leaders.



Alexandre Ebin
Partner, Capitalmind

"A positive macro environment is helping the M&A market for sporting goods retail. Deals are being used to tap growth in complementary and high growth market segments, such as outdoor. E-commerce continues to be a popular target, as well as specialists. The days of the traditional brick & mortar SME generalist are numbered."

Key takeaways



Growth

Sporting goods retail is growing at a CAGR4Y of c. 4% - well above global GDP of c. 2%



Bigger is better

The largest players are outperforming the broader market, in terms of both growth and margins



Vertical integration

Manufacturers with retail operations downstream (big brands such as Nike & Adidas) and large retailers who manufacture their own in-house brands upstream are earning superior margins



Specialization

Specialist SMEs are more likely to do well than undifferentiated generalists



Emerging markets

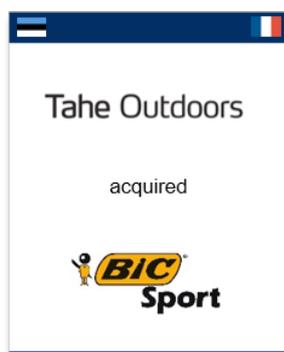
China in particular is a massive growth driver



US challenges

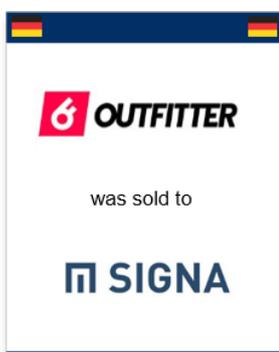
The US market has become challenging for undifferentiated regional generalists, as giant online marketplaces such as Amazon and national champions such as Foot Locker compete fiercely on price and product range

Selected deals advised by our teams in the retail sector



Take Outdoors
acquired
BIC Sport

Watersports equipment



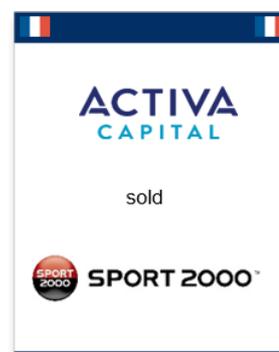
OUTFITTER
was sold to
SIGNA

Online sports retailer



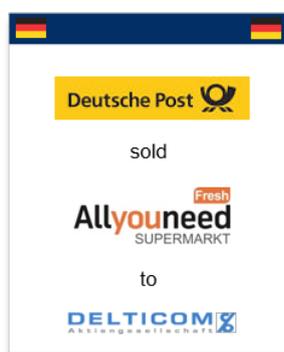
DECATHLON
sold
PECHEUR.com
to
Groupe CentreFrance

Online retailer of fishing goods



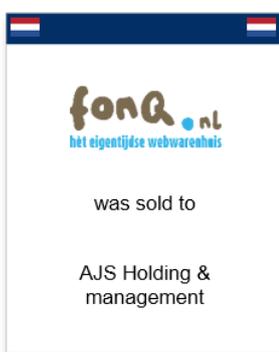
ACTIVA CAPITAL
sold
SPORT 2000

Sports retailer



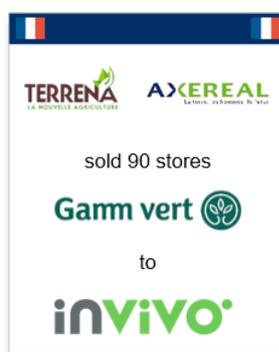
Deutsche Post
sold
Allyouneed
SUPERMARKT
to
DELTCOM

E-Commerce



fonQ.nl
het eigentijdse webwarenhuis
was sold to
AJS Holding & management

E-commerce



TERRENA **AXERREAL**
sold 90 stores
Gamm vert
to
invivo

Garden centers



i-run.fr
RUNNING TRAIL FITNESS
completed a fundraising
underwritten by
ixO PRIVATE EQUITY
bpi france

E-Commerce

If you would like to discuss this report in more detail or opportunities for your business, please get in touch



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Alexandre has extensive experience in M&A, private equity and financial auditing. Before joining Capitalmind he was Head of M&A at Groupe Decathlon - the world's leading sporting goods retailer, where he was among other things, focused on extending the group's geographic footprint in China - and Head of M&A at Genairgy, an investment holding created by Decathlon's owners. He started his career at Arthur Andersen in financial auditing.



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