

SPORTS DIRECT

International plc

Unit A, Brook Park East, Shirebrook, NG20 8RY

Tel: 0845 129 9200

Fax: 0845 129 9201

Mr Clive Betts
Chair, Housing, Communities and Local Government Committee

By email: officeofclivebettsmp@parliament.uk

4 January 2019

Dear Mr Betts,

Housing, Communities and Local Government Committee meeting of Monday 17 December 2018: High streets and town centres in 2030

We are writing to you as the Chair of the Housing, Communities and Local Government Committee. The Committee's witnesses on Monday 17 December 2018 included Ms Katharine Wynne, Director of Investor Relations at Debenhams plc (**Debenhams**). Leaving aside whether a Director of Investor Relations is best placed to input into "High streets and town centres in 2030", during her evidence Ms Wynne made a number of comments in relation to Sports Direct International plc (**Sports Direct**). We are writing to you to place on record our response to certain of those comments.

In relation to Ms Wynne's suggestion that Sports Direct competes against Debenhams because Sports Direct has acquired House of Fraser, we would point out that, whilst both Debenhams and House of Fraser are department stores, they are not competing in the same areas. This is even more so following Sports Direct's acquisition of House of Fraser on 10 August 2018. House of Fraser's stated aim under Sports Direct's ownership is to be the "Harrods of the High Street" and its business model is that of a multi-brand premium retail destination selling predominantly third party brands. By way of contrast, the overwhelming majority of Debenhams sales are made up of own label brands and (save for beauty) Debenhams strategy is not to sell premium or luxury brands.

As we have said previously, we therefore consider any cross-over between Sports Direct/House of Fraser and Debenhams businesses to be minimal (and in the case of beauty also in common with many other retailers in the UK).

Ms Wynne also made reference to a media statement released by Debenhams in relation to Debenhams' decision to turn down Sports Direct's offer of a cash injection. This was stated to be on the basis that the offer came with conditions attached that could affect the interests of other stakeholders (other shareholders, lenders, pension holders, staff and customers).

As Debenhams largest shareholder (we have already written off in excess of £100 million) and a vocal supporter of the high street, it is not in Sports Direct's interest to see Debenhams fail. This latest offer of assistance was made by Sports Direct in good faith. We still do not see how a proposal to provide a £40 million interest-free loan and inject some additional equity

could be seen or portrayed as a negative in any shape or form for any stakeholder, particularly as it was never intended to replace any refinancing that Debenhams needs to undertake and would have required the support of the independent shareholders. How, in adopting this position, the Debenhams board could be acting in the best interests of the shareholders of Debenhams as a whole is a matter that the Debenhams board will have to be accountable for. As a shareholder ourselves, we would though hope that they are receiving better advice than that which apparently led to their decision to continue paying dividends.

In our opinion, references to competition and conditions are a smokescreen and a way for the Debenhams board (despite what it might say) to find a way not to engage with Sports Direct in relation to any offer of help or assistance at what we believe is a critical time for Debenhams. In light of that and for the record, we would like to make it clear that, if Debenhams does fail, the responsibility for that will rest solely with the Debenhams board. They may then want to reconsider the response given by Ms Wynne as to whether turning down our latest offer of assistance was a dereliction of duty.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C. Wootton', with a stylized flourish at the end.

Chris Wootton

Sports Direct International plc