

26th July 2019

Mr Mike Ashley, CEO
Sports Direct International plc
Unit A, Brook Park East
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An open-letter to Mike Ashley, CEO

Sports Direct International plc

Dear Mike,

I represent perhaps an unusual view on Sports Direct, in that I am both a shareholder of yours and someone who writes about your company in a mostly positive light supporting your maverick style of innovation. I have also attended almost all of the public/analyst meetings in the last 5 years. As such I have had a ring side seat as you have sometimes been cornered by trade union leaders or journalists whose sole intention is to further the story they wish to broadcast. I also have significant experience with other owner-manager businesses in the UK and have watched each of them navigate the public markets in different ways.

You are not just a self made businessman; you are also an investor often buying significant stakes in companies you wish to influence. As such, you understand very well the experience of being an investor in a company when you think the simple things are just not being done adequately and the frustration that can result.

In recent years, as you have sought to change the direction of Sports Direct (SPD) and invest for its future, many of the fair weather shareholders of 2011-15 have left you. They have been replaced by those that see value in your business and the skills you bring to it. To be a SPD shareholder in 2019 is to be someone who is backing Mike Ashley and taking the longer term view. As such most of your investors today are aligned with you. Please treat us accordingly.

My messages to you are this.

1. Resource the corporate parts of your company properly. Areas like finance and communications should run smoothly without causing any friction for you or other stakeholders. This can be particularly helpful for company managers who like to innovate and try new things. Senior people in areas like finance may come at a level of expense you dislike, but they are more than bean counters. They are there to help your complex business run smoothly and importantly to avoid unnecessary crises. (Scrimping on such costs is like saying you only want a trainee pilot to fly you in your plane because it's easy when the weather is good!) As a student of many low cost businesses I observe that there are areas to cut costs in, but areas that must be properly resourced for a large organisation to run smoothly for the benefit of all its stakeholders
2. Realise that your shareholders and the press are two different masters. One is aligned with you and might actually be able to help you. The other wants the headlines that sell tomorrow's newspapers, thus more likely to want you to fail.

In recent years, the only opportunity to hear from you as a shareholder, is at a rushed annual results meeting held jointly for press and investors. This is not helping you or your shareholders. Other owner-manager businesses tend not to communicate in this way for good reasons.

3. Learn from others. In the UK there are plenty of other quoted owner managed companies that have found a way to interact with investors that does not unduly distract them from their day to day roles. Tim Martin at JD Wetherspoon is hugely involved in the running of his company, but he has established a good corporate team (CEO/FD/IR) who both help him run the company better and who also deal with the vast majority of investor interactions in a constructive and helpful manner. Simon Wolfson at Next, a company I know you admire, holds twice yearly meetings with analysts and groups of investors, but is very careful about the amount of time he and his team commit to this process. Indeed, his proactive communication (via Annual letters) is heralded as amongst the very best.

I am sure you feel that if some of the companies you own shares in had spent just a little more time in front of you they might have made fewer mistakes. If I may speak for other SPD shareholders in 2019, we all feel exactly the same way. We do not want you wasting your time road-showing the company week in week out, we want you focused on running the business. However, a short amount of time with your supporting shareholders IS a good idea. We might even be able to help you.

You are trying to do something difficult, that if you succeed at you will receive great admiration for. My request/advice is to make life easy for yourself by making the corporate face of your company world class. To not do so, suggests to some that maybe you have something to hide or an alternative agenda. Having spent time in front of you I do not believe either of these ideas to be correct.

I have observed many great innovative businesses around the world and most were led at the outset by a driven, insightful leader. Almost all however, evolved. You are doing so in the way you will present Sports Direct to the customer in the future. All your fellow shareholders request is for a similar, sensible evolution in the corporate running of what is now a large and complex business.

Whether your recovery strategy at Sports Direct is ultimately successful only time will tell, but if the changes I suggest were made urgently at least the odds of an avoidable corporate mishap derailing them are reduced. Additionally the experience for both you and other shareholders in this transition period might be more pleasant.

Yours sincerely



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