

HOLDSPORT LIMITED
("Holdsport" or "the company" or "the group")
Registration number: 2006/022562/06
Share code: HSP
ISIN: ZAE000157046

UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS
for the half-year ended 31 August 2017

Sales increased 8.1% to R872.2 million
Cash generated from operations increased 37.9% to R142.6 million
Core headline earnings per share before foreign exchange effect decreased 2.2% to 207.4 cents

GROUP OVERVIEW

The Holdsport Limited group comprises the retail divisions Sportsmans Warehouse and Outdoor Warehouse and a wholesale division that includes the First Ascent, Capestorm, Second Skins and African Nature brands.

In a challenging retail environment, total sales increased 8.1% to R872.2 million and retail sales increased 5.9% to R821.2 million.

Operating profit increased 19.5% to R118.1 million. Core headline earnings amounted to 214.7 cents per share, an 18.2% increase on the comparable period.

In evaluating this performance shareholders should take into account that the aggregate foreign exchange adjustment during this period was a profit of R4.2 million compared to an aggregate loss of R17.6 million during the prior period. Holdsport's policy is to take out forward exchange contracts to cover all its imported merchandise commitments and this has been applied consistently with previous years. This accounting adjustment does not have an operational or cash flow effect.

Core headline earnings excluding the effect of foreign exchange adjustments was 207.4 cents per share, a decrease of 2.2% from the 212.0 cents per share in the first half of last year.

TRADING DIVISIONS

Sales for the various trading divisions were as follows:

	Number of stores	Sales R'm	Increase in sales %
Sportsmans warehouse	40	621.3	5.5
Outdoor warehouse	25	199.9	7.3
Retail sales	65	821.2	5.9
Wholesale	-	51.0	59.4
Total sales	65	872.2	8.1

Like-for-like retail sales grew by 2.8% while the retail divisions experienced price inflation of approximately 6.6% for the period. The weighted trading area increased by 4.7% relative to the prior corresponding period.

The Sportsmans warehouse division trades out of 40 stores. The division opened a new store in Ballito during the period. Like-for-like sales increased by 3.0%.

The Outdoor warehouse division currently trades from 25 stores. The division opened a new store in Parklands during the period. Outdoor will open a new store in the new Cornubia Centre in the second half of the year. Like-for-like sales increased by 2.4%.

The wholesale division's external sales were 59.4% higher than the previous period whilst sales to the group's retail divisions increased by 16.9%.

CASH FLOW

The aggregate investment in working capital increased by 10.6% due to the increase in trading space. Despite this, cash generated from operations increased by 37.9% compared to the first half of the previous year.

The group incurred R29.9 million in maintaining and expanding its retail operations and anticipates spending a further R40.0 million in the second half of this year. The wholesale division sold a property for R10.6 million.

During the period the group awarded R18.3 million of Holdsport shares in terms of and subject to the rules of the 2011 Holdsport Forfeitable Share Plan (FSP). A portion of the award was funded from the treasury shares held by the group. The forfeitable share plan is expensed over the vesting period and the expense of R8.4 million for the current period is R1.9 million higher than the prior period.

PROSPECTS

Holdsport continues to face low levels of consumer confidence, weak economic growth and a sporting goods industry which is intensely competitive. Sales growth will remain muted over the medium term but we are confident that our strategies will enhance returns for our stakeholders. The group signed a lease agreement to open one new Sportsmans warehouse store in the next financial year.

LONG4LIFE OFFER TO ACQUIRE HOLDSPORT

Shareholders are referred to the joint cautionary announcement released on SENS on 25 July 2017 regarding the Firm Intention Offer by Long4Life Limited (Long4Life) to acquire the entire issued share capital of Holdsport through a Scheme of Arrangement in terms of section 114(1)(c) of the Companies Act 71 of 2008, as amended.

Further to the Firm Intention Announcement, a Scheme Circular with details of the Scheme and a notice convening the Scheme Meeting of Holdsport Shareholders was posted to shareholders on 31 August 2017 and is available on Holdsport's website. The Scheme Meeting will be held on 3 October 2017.

INTERIM DIVIDEND

It is Holdsport's dividend policy to declare an interim and final dividend, with the aggregate gross dividend covered approximately 1.5 to two times by the core headline earnings for the period, excluding the effect of foreign exchange adjustments.

However, the Scheme Consideration offered by Long4Life has been determined on the basis that Holdsport will not make any distributions to shareholders before the proposed Scheme is implemented and, accordingly, the directors do not declare an interim dividend at this stage.

Signed on behalf of the board

SA MULLER KG HODGSON
Chairman CEO

Cape Town
28 September 2017

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
	31 Aug 2017	31 Aug 2016	28 Feb 2017
	Unaudited	Unaudited	Audited
	R'000	R'000	R'000
Assets			
Non-current assets			
Property, plant and equipment	134 067	144 324	131 233
Goodwill and other intangibles	621 453	610 102	608 748
Total non-current assets	755 520	754 426	739 981
Current assets			
Inventories	521 095	495 012	511 845
Assets held for sale	12 333	-	21 082
Trade and other receivables	43 038	25 114	30 879
Cash and cash equivalents	27 162	27 498	87 505
Taxation	14 606	22 617	7 451
Total current assets	618 234	570 241	658 762
Total assets	1 373 754	1 324 667	1 398 743
Equity and liabilities			
Capital and reserves			
Share capital	229 312	229 312	229 312
Treasury shares	(81 213)	(56 716)	(64 832)
Other reserves	(55 348)	(28 266)	(25 724)
Retained earnings	876 459	817 903	885 296
Equity attributable to owners of the company	969 210	962 233	1 024 052
Non-controlling interest	5 966	-	-
Total equity	975 176	962 233	1 024 052
Non-current liabilities			
Loan	160 000	160 000	160 000
Purchase option liability	19 600	-	-
Deferred taxation	37 811	28 102	30 762
Straight-lining lease liability	44 106	39 656	42 497
Total non-current liabilities	261 517	227 758	233 259
Current liabilities			
Trade and other payables	134 426	131 720	138 376
Derivative instruments	2 635	2 956	3 056
Total current liabilities	137 061	134 676	141 432
Total liabilities	398 578	362 434	374 691
Total equity and liabilities	1 373 754	1 324 667	1 398 743

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME			
	6 months ended	6 months ended	Year ended
	31 Aug 2017	31 Aug 2016	28 Feb 2017
	Unaudited	Unaudited	Audited
	R'000	R'000	R'000
Sales	872 295	807 265	1 828 600
Cost of sales	(441 854)	(417 362)	(950 080)
Gross profit	430 441	389 903	878 520
Other income	4 721	3 718	9 568
Trading expenses	(317 025)	(294 791)	(614 400)
Operating profit	118 137	98 830	273 688
Finance income	3 925	3 907	6 439
Finance cost	(6 909)	(6 552)	(14 074)
Profit before taxation	115 153	96 185	266 053
Taxation	(31 791)	(26 863)	(74 858)
Total profit	83 362	69 322	191 195
Non-controlling interest	(259)	-	-
Profit and total comprehensive income for the period attributable to equity holders of the company	83 103	69 322	191 195

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS			
	6 months ended	6 months ended	Year ended
	31 Aug 2017	31 Aug 2016	28 Feb 2017
	Unaudited	Unaudited	Audited
	R'000	R'000	R'000
Cash flows from operating activities			
Cash generated from operations	142 627	103 398	311 378
Finance income	3 925	3 907	6 439
Finance costs	(6 909)	(6 552)	(14 074)
Dividends paid	(91 940)	(84 331)	(138 811)
Taxation paid	(38 904)	(52 847)	(88 729)
Net cash inflows/(outflows) from operating activities	8 799	(36 425)	76 203
Cash flows from investing activities			
Additions to property, plant and equipment	(29 998)	(23 864)	(60 286)
Acquisition of business	(15 024)	(29 972)	(38 494)
Proceeds on sale of property, plant and equipment	10 635	208	3 010
Net cash outflows from investing activities	(34 387)	(53 628)	(95 770)
Cash flows from financing activities			
Increase in loans	-	30 000	30 000
Share-based payment awards	(18 374)	(12 991)	(15 354)
Treasury shares (acquired)/disposed	(16 381)	7 179	(937)
Net cash (outflows)/inflows from financing activities	(34 755)	24 188	13 709
Net decrease in cash and cash equivalents	(60 343)	(65 865)	(5 858)
Cash and cash equivalents at the beginning of the period	87 505	93 363	93 363
Cash and cash equivalents at the end of the period	27 162	27 498	87 505

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY								
	Share capital	Share-based payment reserve	Purchase option reserve	Retained earnings	Treasury shares	Equity holders of Holdsport Limited	Non-controlling interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Equity at 29 February 2016	229 312	(21 726)	-	832 912	(63 895)	976 603	-	976 603
Utilised for share plan	-	-	-	-	7 179	7 179	-	7 179
Share-based payment reserve: initial reward	-	(12 991)	-	-	-	(12 991)	-	(12 991)

Share-based payment expense	-	6 451	-	-	-	6 451	-	6 451
Dividends paid	-	-	-	(84 331)	-	(84 331)	-	(84 331)
Total comprehensive income for the year	-	-	-	69 322	-	69 322	-	69 322
Equity at 31 August 2016	229 312	(28 266)	-	817 903	(56 716)	962 233	-	962 233
Share buy-back	-	-	-	-	(8 116)	(8 116)	-	(8 116)
Share-based payment reserve: initial award	-	(2 363)	-	-	-	(2 363)	-	(2 363)
Share-based payment expense	-	4 905	-	-	-	4 905	-	4 905
Dividends paid	-	-	-	(54 480)	-	(54 480)	-	(54 480)
Total comprehensive income for the year	-	-	-	121 873	-	121 873	-	121 873
Equity at 28 February 2017	229 312	(25 724)	-	885 296	(64 832)	1 024 052	1	1 024 052
Share buy-back	-	-	-	-	(16 381)	(16 381)	-	(16 381)
Share-based payment reserve: initial reward	-	(18 374)	-	-	-	(18 374)	-	(18 374)
Share-based payment expense	-	8 350	-	-	-	8 350	-	8 350
Dividends paid	-	-	-	(91 940)	-	(91 940)	-	(91 940)
Acquisition of subsidiary	-	-	(19 600)	-	-	(19 600)	5 707	(13 893)
Total comprehensive income for the year	-	-	-	83 103	-	83 103	259	83 362
Equity at 31 August 2017	229 312	(35 748)	(19 600)	876 459	(81 213)	969 210	5 966	975 176

GROUP SEGMENTAL ANALYSIS

	Sportsmans warehouse R'000	Outdoor warehouse R'000	wholesale R'000	Corporate R'000	Group R'000
6 months ended 31 August 2017 (unaudited)					
External revenue	621 331	199 908	51 056	-	872 295
Internal revenue	-	-	60 172	3 706	63 878
External interest received	27	-	144	3 754	3 925
External interest paid	(1)	-	(2)	(6 906)	(6 909)
Depreciation and amortisation	(18 395)	(6 497)	(3 492)	(7 577)	(35 962)
Profit/(loss) before taxation	105 009	21 042	15 183	(26 081)	115 153
Capital expenditure	19 489	7 605	2 106	798	29 998
Segment assets	463 995	172 635	166 091	571 033	1 373 754
Segment liabilities	131 359	42 421	29 456	195 341	398 578
6 months ended 31 August 2016 (unaudited)					
External revenue	588 929	186 299	32 037	-	807 265
Internal revenue	-	-	54 635	-	54 635
External interest received	-	-	278	3 629	3 907
External interest paid	-	-	(70)	(6 481)	(6 552)
Depreciation and amortisation	(16 850)	(6 436)	(2 749)	(7 544)	(33 579)
Profit/(loss) before taxation	104 776	17 557	7 481	(33 629)	96 185
Capital expenditure	14 981	6 496	1 093	1 294	23 864
Segment assets	416 018	161 081	156 933	590 635	1 324 667
Segment liabilities	129 561	53 749	6 994	172 130	362 434
Year ended 28 February 2017 (audited)					
External sales	1 335 076	418 116	75 408	-	1 828 600
Internal revenue	-	-	(107 500)	-	(107 500)
External interest received	-	-	503	5 936	6 439
External interest paid	-	-	(175)	(13 899)	(14 074)
Depreciation and amortisation	(34 007)	(13 139)	(6 362)	(14 613)	(68 121)
Profit/(loss) before taxation	268 784	53 345	11 497	(67 573)	266 053
Capital expenditure	39 347	13 143	2 945	4 851	60 286
Segment assets	444 226	166 321	155 232	632 964	1 398 743
Segment liabilities	115 078	32 282	14 798	212 533	374 691

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. The unaudited interim condensed consolidated results for the half-year ended 31 August 2017 have been prepared in accordance with the recognition, measurement, presentation and disclosure requirements of IAS 34: Interim Financial Reporting, using the group's accounting policies that are in line with International Financial Reporting Standards (IFRS), the Companies Act No. 71 of 2008, as amended, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and have been consistently applied to prior periods.

The unaudited interim condensed consolidated results have been prepared under the supervision of the group financial director, JP Loubser (CA (SA)).

2. These financial statements incorporate the financial statements of the company, all its subsidiaries and all entities over which it has operational and financial control.

	6 months ended 31 Aug 2017 Unaudited R'000	6 months ended 31 Aug 2016 Unaudited R'000	Year ended 28 Feb 2017 Audited R'000
3. Trading expenses			
Depreciation on property, plant and equipment	28 581	26 850	54 325
Amortisation of intangibles	7 380	6 729	13 796
Occupancy cost	88 136	81 277	170 009
Straight-lining of leases	1 609	3 160	6 001
Staff costs	120 379	106 585	223 073
Foreign exchange losses	2 883	10 046	17 236
Other operating costs	68 057	60 144	129 960
	317 025	294 791	614 400
4. Cash generated from operations			
Operating profit	118 137	98 830	273 688
Adjustments for:			
Depreciation	28 581	26 850	54 325
Amortisation of intangibles	7 380	6 729	13 796
Profit on sale of property, plant and equipment	(1 886)	(208)	(321)
Fair value (gains)/losses on derivative instruments	(421)	4 682	4 782
Forfeitable share plan expense	8 350	6 451	11 356
Straight-lining of leases	1 608	3 160	6 001
Changes in working capital:			
(Increase)/decrease in trade and other receivables	(11 293)	676	(5 089)
Decrease/(increase) in inventories	766	(26 145)	(35 976)
Decrease in trade and other payables	(8 595)	(17 627)	(11 184)
Cash generated from operations	142 627	103 398	311 378
5. Earnings per share and net asset value per share			
Earnings per ordinary share (cents)			
- Basic and diluted	199.6	165.1	455.6
- Headline	196.4	164.7	455.0

- Core headline	214.7	181.7	489.0
- Core headline before foreign exchange effect	207.4	212.0	522.3
Ordinary shares in issue ('000)	43 150	43 150	43 150
Weighted dilutive average ordinary shares in issue ('000)	41 753	41 975	41 969
Net asset value per ordinary share (cents)	2 343.7	2 289.5	2 444.7
Net tangible asset value per ordinary share (cents)	990.8	959.1	1 123.1

Reconciliation to core headline earnings

The group uses core headline earnings as a consistent measure of performance for management purposes. Core headline earnings exclude exceptional once-off profits and costs, the amortisation of trademarks and the lease straight-lining expense, and are presented below:

	6 months ended 31 Aug 2017 Unaudited R'000	6 months ended 31 Aug 2016 Unaudited R'000	Year ended 28 Feb 2017 Audited R'000
Basic earnings	83 362	69 322	191 195
Adjusted for (net of taxation):			
Profit on sale of assets	(1 358)	(150)	(231)
Headline earnings	82 004	69 172	190 964
Adjusted for (net of taxation):			
Amortisation of intangibles	5 314	4 845	9 933
Straight-lining of leases	1 158	2 275	4 321
Non-recurring professional fees	1 170	-	-
Core headline earnings	89 646	76 292	205 218
Adjusted for (net of taxation):			
Foreign exchange losses	2 075	7 233	12 410
Foreign exchange adjustments in cost of sales	(5 121)	5 466	1 592
Core headline earnings before foreign exchange effect	86 600	88 991	219 220
6. Dividend per share			
Dividend declared per share (cents)			
- Interim	-	130.0	130.0
- Final	-	-	220.0
Total dividend	-	130.0	350.0
Normal dividend cover (by core headline earnings before foreign exchange effect)	-	1.6	1.5

Registered office: The Mill House, 1 Canterbury Street, Cape Town, 8001
 Executive directors: KG Hodgson, B Moritz, JP Loubser
 Non-executive directors: SA Muller (Chairman), B Hopkins, P Matlakala, KR Moloko, KA Hedderwick
 Company secretary: R Thomas
 Transfer secretaries: Computershare Investor Services (Proprietary) Limited
 Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196.
 Sponsor: UBS South Africa (Proprietary) Limited

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