

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 2016

- Sales up 6.5% to R807.2 million
- Core headline earnings per share before foreign exchange effect up 0.2% to 212.0 cents
- Interim gross dividend up 8.3% to 130.0 cents per share

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 and Second Skins brands.

In a challenging retail environment total sales increased 6.5% to R807.2 million and retail sales increased 5.7% to R775.2 million.

Core headline earnings excluding the effect of foreign exchange adjustments were 212.0 cents per share, an increase of 0.2% from the 211.5 cents per share in the first half of last year.

In evaluating this performance shareholders should take into account that the aggregate foreign exchange adjustment during this period was a loss of R17.6 million compared to an aggregate profit of R5.7 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.

Operating profit decreased 20.1% to R98.8 million. Core headline earnings amounted to 181.7 cents per share, a 17.8% decrease on the comparable period.

TRADING DIVISIONS

Sales for the various trading divisions were as follows:

	Number of stores	Sales R'm	Increase in sales %
Sportsmans Warehouse	38	588.9	7.3
Outdoor Warehouse	23	186.3	1.0
Retail sales	61	775.2	5.7
Wholesale	-	32.0	31.0
Total sales	61	807.2	6.5

Like-for-like retail sales grew by 3.3% while the retail divisions experienced price inflation of approximately 8.6% for the period. The weighted trading area increased by 2.3% relative to the prior corresponding period.

The Sportsmans Warehouse division trades out of 38 stores. The division opened a new store in Mall of Africa and expanded the store in the Pavillion Centre during the period. Sportsmans will open another store in Menlyn Park Shopping Centre in the second half of the year. Like-for-like sales increased by 5.4%.

The Outdoor Warehouse division currently trades from 23 stores. The division relocated its store in Nelspruit and expanded its store in Somerset West during the period. Outdoor will open a new store in George in the second half of the year. Like-for-like sales decreased by 2.9%.

The Wholesale division's external sales were 31.0% higher than the previous period year whilst sales to the group's retail divisions increased by 3.8%.

BUSINESS ACQUISITIONS

Holdsport acquired a 100% interest in Second Skins (Proprietary) Limited during the period and will also acquire the business of African Nature (Proprietary) Limited from 1 October 2016. These acquisitions enhance the group's specialist manufacturing capacity and its access to niche markets.

CASH FLOW

Holdsport refinanced its term debt of R130 million during the period with a new loan of R160 million, repayable to Standard Bank on 31 August 2018. The increase in the loan funded the acquisition of Second Skins and, accordingly, net debt of R132.5 million at the end of this period was higher than the R92.6 million at the end of the prior comparable period.

The aggregate investment in working capital increased by 18.6% due to the increase in trading space and the effect of the weaker exchange rate on the cost of imported stock. Despite this, cash generated from operations increased by 3.7% compared to the first half of the previous year.

The group incurred R23.9 million in maintaining and expanding its retail operations and anticipates spending a further R47.0 million in the second half of this year.

During the period the group awarded R12.9 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 R6.4 million for the current period is R0.4 million higher than the prior period.

STORE EXPANSION

The group signed lease agreements for a further three new stores to be opened in the next financial year.

PROSPECTS

Holdsport's low sales growth during this period follows strong growth in the comparable period. We continue 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.

INTERIM DIVIDEND ANNOUNCEMENT

The directors declared an interim gross dividend of 130.0 cents per share payable on Monday, 12 December 2016 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 9 December 2016. The gross dividend is covered 1.6 times by the core headline earnings for the period, excluding the effect of foreign exchange adjustments.

The last day to trade ("cum" the dividend) in order to participate in the dividend will be Tuesday, 6 December 2016. The Holdsport Limited ordinary shares will commence trading "ex" the dividend from the commencement of business on Wednesday, 7 December 2016 and the record date, as indicated, will be Friday, 9 December 2016.

Ordinary shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Wednesday, 7 December 2016 to Friday, 9 December 2016, both dates inclusive.

In terms of the withholding tax on dividends, the following additional information is disclosed:

- the dividend has been declared out of total reserves;
- the South African tax dividend rate is 15%;
- the net local dividend amount is 110.5 cents per ordinary share for shareholders liable to pay the dividend tax and 130.0 cents per ordinary share for shareholders exempt from the dividend tax;
- the issued share capital of Holdsport at the date of declaration is 43 150 220 ordinary shares; and
- Holdsport's tax reference number is 9618595152.

Certificated ordinary shareholders are reminded that all entitlements to dividends with a value less than R5.00 per certificated shareholder will be aggregated and the proceeds donated to a registered charity of the directors' choice, in terms of the memorandum of incorporation of the company.

Signed on behalf of the board

SA MULLER
Chairman

KG HODGSON
CEO

Cape Town
11 October 2016

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 Aug 2016 Unaudited R'000	31 Aug 2015 Unaudited R'000	29 Feb 2016 Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment	144 324	132 146	145 429
Goodwill and other intangibles	610 102	600 894	594 410
Total non-current assets	754 426	733 040	739 839
Current assets			
Inventories	495 012	426 554	459 191
Trade and other receivables	25 114	23 672	23 994
Cash and cash equivalents	27 498	37 405	93 363
Taxation	22 617	10 900	-
Derivative instruments	-	4 957	1 726
Total current assets	570 241	503 488	578 274
Total assets	1 324 667	1 236 528	1 318 113
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	229 312	229 312	229 312
Treasury shares	(56 716)	(39 341)	(63 895)
Share-based payment reserve	(28 266)	(27 243)	(21 726)
Retained earnings	817 903	752 365	832 912
Equity attributable to owners of the company	962 233	915 093	976 603
Non-current liabilities			
Loan	160 000	130 000	-

Deferred taxation	28 102	35 901	28 070
Straight-lining lease liability	39 656	32 759	36 496
Total non-current liabilities	227 758	198 660	64 566
Current liabilities			
Trade and other payables	131 720	122 775	143 808
Taxation	-	-	3 136
Loan	-	-	130 000
Derivative instruments	2 956	-	-
Total current liabilities	134 676	122 775	276 944
Total liabilities	362 434	321 435	341 510
Total equity and liabilities	1 324 667	1 236 528	1 318 113

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	6 months ended 31 Aug 2016 Unaudited R'000	6 months ended 31 Aug 2015 Unaudited R'000	Year ended 29 Feb 2016 Audited R'000
Sales	807 265	757 977	1 727 436
Cost of sales	(417 362)	(391 015)	(899 421)
Gross profit	389 903	366 962	828 015
Other income	3 718	2 169	6 294
Trading expenses	(294 791)	(245 441)	(525 384)
Operating profit	98 830	123 690	308 925
Finance income	3 907	4 150	6 591
Finance cost	(6 552)	(5 806)	(11 388)
Profit before taxation	96 185	122 034	304 128
Taxation	(26 863)	(34 523)	(85 352)
Profit and total comprehensive income for the period attributable to equity holders of the company	69 322	87 511	218 776

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	6 months ended 31 Aug 2016 Unaudited R'000	6 months ended 31 Aug 2015 Unaudited R'000	Year ended 29 Feb 2016 Audited R'000
Cash flows from operating activities			
Cash generated from operations	103 398	99 745	316 971
Finance income	3 907	4 150	6 591
Finance costs	(6 552)	(5 806)	(11 388)
Dividends paid	(84 331)	(70 901)	(121 619)
Taxation paid	(52 847)	(44 578)	(89 202)
Net cash (outflows)/inflows from operating activities	(36 425)	(17 390)	101 353
Cash flows from investing activities			
Additions to property, plant and equipment	(23 864)	(33 646)	(73 500)
Business acquisition	(29 972)	-	-
Proceeds on sale of property, plant and equipment	208	832	2 544
Net cash outflows from investing activities	(53 628)	(32 814)	(70 956)
Cash flows from financing activities			
Increase in loan	30 000	-	-
Share-based payment awards	(12 991)	(14 980)	(15 069)
Treasury shares disposed/(acquired)	7 179	(27 257)	(51 811)
Net cash inflows/(outflows) from financing activities	24 188	(42 237)	(66 880)
Net decrease in cash and cash equivalents	(65 865)	(92 441)	(36 483)
Cash and cash equivalents at the beginning of the period	93 363	129 846	129 846
Cash and cash equivalents at the end of the period	27 498	37 405	93 363

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital R'000	Treasury shares R'000	Share- based payment reserve R'000	Retained earnings R'000	Total equity R'000
Equity at 28 February 2015 (audited)	229 312	(12 084)	(18 278)	735 755	934 705
Share buy-back	-	(27 257)	-	-	(27 257)
Share-based payment reserve: initial reward	-	-	(14 980)	-	(14 980)
Share-based payment expense	-	-	6 015	-	6 015
Dividends paid	-	-	-	(70 901)	(70 901)
Total comprehensive income for the year	-	-	-	87 511	87 511
Equity at 31 August 2015 (unaudited)	229 312	(39 341)	(27 243)	752 365	915 093
Share buy-back	-	(24 554)	-	-	(24 554)

Share-based payment reserve:					
initial reward	-	-	(89)	-	(89)
Share-based payment expense	-	-	5 606	-	5 606
Dividends paid	-	-	-	(50 718)	(50 718)
Total comprehensive income for the year	-	-	-	131 265	131 265
Equity at 29 February 2016 (audited)	229 312	(63 895)	(21 726)	832 912	976 603
Utilised for share plan	-	7 179	-	-	7 179
Share-based payment reserve:					
initial reward	-	-	(12 991)	-	(12 991)
Share-based payment expense	-	-	6 451	-	6 451
Dividends paid	-	-	-	(84 331)	(84 331)
Total comprehensive income for the year	-	-	-	69 322	69 322
Equity at 31 August 2016 (unaudited)	229 312	(56 716)	(28 266)	817 903	962 233

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

	Sportsmans Warehouse R'000	Outdoor Warehouse R'000	Wholesale R'000	Corporate R'000	Group R'000
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)	(6 482)	(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
6 months ended 31 August 2015 (unaudited)					
External revenue	549 023	184 489	24 465	-	757 977
Internal revenue	-	-	52 615	-	52 615
External interest received	-	-	130	4 020	4 150
External interest paid	-	-	(5)	(5 801)	(5 806)
Depreciation and amortisation	(15 263)	(4 591)	(1 902)	(7 246)	(29 002)
Profit/(loss) before taxation	110 878	25 910	17 361	(32 115)	122 034
Capital expenditure	22 186	9 321	884	1 255	33 646
Segment assets	375 191	134 143	112 030	615 164	1 236 528
Segment liabilities	107 395	55 302	4 773	153 965	321 435
Year ended 29 February 2016 (audited)					
External revenue	1 278 569	400 210	48 657	-	1 727 436
Internal revenue	-	-	(96 743)	-	(96 743)
External interest received	-	-	306	6 285	6 591
External interest paid	-	-	(6)	(11 382)	(11 388)
Depreciation and amortisation	(31 411)	(10 273)	(4 061)	(14 625)	(60 370)
Profit/(loss) before taxation	281 406	58 227	28 481	(63 986)	304 128
Capital expenditure	42 219	21 600	7 315	2 366	73 500
Segment assets	393 761	143 820	134 420	646 112	1 318 113
Segment liabilities	111 705	26 955	10 386	192 464	341 510

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. The unaudited interim condensed consolidated results for the half-year ended 31 August 2016 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 2016 Unaudited R'000	6 months ended 31 Aug 2015 Unaudited R'000	Year ended 29 Feb 2016 Audited R'000
3. Trading expenses			
Depreciation on property, plant and equipment	26 850	22 522	47 407
Amortisation of intangibles	6 729	6 480	12 963
Occupancy cost	81 277	73 010	151 624
Straight-lining of leases	3 160	3 841	7 578

Staff costs	106 585	92 939	201 103
Foreign exchange losses/(gains)	10 046	(6 699)	(11 315)
Other operating costs	60 144	53 349	116 024
	294 791	245 441	525 384
4. Cash generated from operations			
Operating profit	98 830	123 690	308 925
Adjustments for:			
Depreciation	26 850	22 522	47 407
Amortisation of intangibles	6 729	6 480	12 963
Profit on sale of property, plant and equipment	(208)	(567)	(593)
Fair value losses/(gains) on derivative instruments	4 682	(4 570)	(1 339)
Forfeitable share plan expense	6 451	6 015	11 621
Straight-lining of leases	3 160	3 841	7 578
Changes in working capital:			
Decrease in trade and other receivables	676	1 947	1 625
Increase in inventories	(26 145)	(61 158)	(93 795)
(Decrease)/increase in trade and other payables	(17 627)	1 545	22 579
Cash generated from operations	103 398	99 745	316 971
5. Earnings per share and net asset value per share			
Earnings per ordinary share (cents)			
- Basic	165.1	204.7	514.9
- Headline	164.7	203.8	513.9
- Core headline	181.7	221.1	548.7
- Core headline before foreign exchange effect	212.0	211.5	534.5
Ordinary shares in issue ('000)	43 150	43 150	43 150
Weighted average ordinary shares in issue ('000)	41 975	42 739	42 488
Net asset value per ordinary share (cents)	2 289.5	2 160.7	2 332.4
Net tangible asset value per ordinary share (cents)	959.1	870.8	1 038.8

Reconciliation to core headline earnings

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

	6 months ended 31 Aug 2016 Unaudited R'000	6 months ended 31 Aug 2015 Unaudited R'000	Year ended 29 Feb 2016 Audited R'000
Basic earnings	69 322	87 511	218 776
Adjusted for (net of taxation):			
Profit on sale of assets	(150)	(408)	(427)
Headline earnings	69 172	87 103	218 349
Adjusted for (net of taxation):			
Amortisation of intangibles	4 845	4 667	9 333
Straight-lining of leases	2 275	2 766	5 456
Core headline earnings	76 292	94 536	233 138
Adjusted for (net of taxation):			
Foreign exchange losses/(gains)	7 233	(4 823)	(8 147)
Foreign exchange adjustments in cost of sales	5 466	691	2 124
Core headline earnings before foreign exchange effect	88 991	90 404	227 115
6. Dividend per share			
Dividend declared per share (cents)			
- Interim	130.0	120.0	120.0
- Final	-	-	200.0
Total dividend	130.0	120.0	320.0
Normal dividend cover (by core headline earnings before foreign exchange effect)	1.6	1.7	1.6

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

Ground Floor, 70 Marshall Street, Johannesburg, 2001

Sponsor: UBS South Africa (Proprietary) Limited

To view the results online visit www.holdsport.co.za