

HOLDSPORT LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS FOR THE HALF-YEAR ENDED 31 AUGUST 2015



Sales ↑ 11.9% to R758.0 million

Operating profit ↑ 25.2% to R123.7 million

Core headline earnings per share ↑ 27.1% to 221.1 cents

Interim gross dividend ↑ 41.2% to 120.0 cents per share

GROUP OVERVIEW

The HoldSport Limited group comprises the retail divisions Sportsmans Warehouse and Outdoor Warehouse and Performance Brands, a wholesale business that includes the First Ascent and Capestorm brands.

In a challenging retail environment total sales increased 11.9% to R758.0 million and retail sales increased 13.1% to R733.5 million.

Operating profit increased 25.2% to R123.7 million. Core headline earnings amounted to 221.1 cents per share, a 27.1% 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 R5.7 million compared to an aggregate loss of R0.8 million during the prior period. Core headline earnings excluding the effect of foreign exchange adjustments was 211.5 cents per share, an increase of 20.6% from the 175.4 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	36	549.0	10.0
Outdoor Warehouse	22	184.5	23.4
Retail sales	58	733.5	13.1
Performance Brands	-	24.5	(14.6)
Total sales	58	758.0	11.9

Like-for-like retail sales grew by 10.5% while the retail divisions experienced price inflation of approximately 8.9% for the period. The weighted trading area increased by 7.2% relative to the prior corresponding period.

The **Sportsmans Warehouse division** trades out of 36 stores. The division opened two new stores in Hillcrest and George respectively and closed one store in Durban during the period. Sportsmans will open another store in Secunda in the second half of the year. Like-for-like sales increased by 8.7%.

The **Outdoor Warehouse division** currently trades from 22 stores. The division opened a new store in Woodlands and relocated one store in the West Rand during the period. Outdoor will open a new store in Pietermaritzburg and relocate the store in Alberton in the second half of the year. Like-for-like sales increased by 16.5%.

Performance Brands' external sales were 14.6% lower than the previous period but sales to the group's retail divisions increased by 50.6%.

CASH FLOW

The group's net debt of R92.6 million at the end of this period was 3.1% higher than the R89.8 million at the end of the prior comparable period.

The aggregate investment in working capital increased by 16.3% due to the increase in trading space and the effect of the weaker exchange rate on the cost of imported stock, coupled with slightly earlier imports than the previous year. As a result cash generated from operations decreased by 16.5% compared to the first half of the previous year.

The group incurred R33.7 million in maintaining and expanding its retail operations and anticipates spending a further R37.0 million in the second half of this year.

During the period the group purchased and awarded R14.9 million of HoldSport shares in terms of and subject to the rules of the 2011 HoldSport Forfeitable Share Plan (FSP). The forfeitable share plan is expensed over the vesting period and the expense of R6.0 million for the current period is R0.8 million higher than the prior period.

SHARE BUY-BACK

The group purchased 507 764 HoldSport shares for R27.3 million in accordance with the general authority granted by special resolution of the company's shareholders passed at the company's annual general meetings held on 13 August 2014 and 12 August 2015 and in compliance with the relevant provisions of the JSE Listings Requirements and the Companies Act (71 of 2008), as amended.

EXPANSION

The group signed lease agreements for a further two new stores to be opened in the next financial year and will relocate one store.

INTERIM DIVIDEND ANNOUNCEMENT

The directors declared an interim gross dividend of 120.0 cents per share payable on Monday, 14 December 2015 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 11 December 2015. The gross dividend is in line with the dividend policy of the group to have dividends covered approximately twice by the core headline earnings for the period, which is 221.1 cents per share.

The last day to trade ("cum" the dividend) in order to participate in the dividend will be Friday, 4 December 2015. The HoldSport Limited ordinary shares will commence trading "ex" the dividend from the commencement of

business on Monday, 7 December 2015 and the record date, as indicated, will be Friday, 11 December 2015.

Ordinary shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Monday, 7 December 2015 to Friday, 11 December 2015, both dates inclusive.

In terms of the withholding tax on dividends which became effective on 1 April 2012, 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 102.0 cents per ordinary share for shareholders liable to pay the dividend tax, and 120.0 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
9 October 2015

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. The unaudited interim condensed consolidated results for the half-year ended 31 August 2015 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 2015 Unaudited R'000	6 months ended 31 Aug 2014 Unaudited R'000	Year ended 28 Feb 2015 Audited R'000
3. Trading expenses			
Depreciation on property, plant and equipment	22 522	18 306	38 856
Amortisation of intangibles	6 480	6 482	12 963
Occupancy cost	73 010	63 689	132 638
Straight-lining of leases	3 841	2 394	4 328
Staff costs	92 939	85 270	183 795
Foreign exchange (gains)/losses	(6 699)	1 762	(559)
Other operating costs	53 348	52 584	111 915
	245 441	230 487	483 936

	6 months ended 31 Aug 2015 Unaudited R'000	6 months ended 31 Aug 2014 Unaudited R'000	Year ended 28 Feb 2015 Audited R'000
4. Cash generated from operations			
Operating profit	123 690	98 826	266 744
Adjustments for:			
Depreciation	22 522	18 306	38 856
Amortisation of intangibles	6 480	6 482	12 963
Profit on sale of assets	(567)	(123)	(7 054)
Fair value (gains)/losses on derivative instruments	(4 570)	405	(471)
Forfeitable share plan expense	6 015	5 206	9 667
Straight-lining of leases	3 841	2 394	4 328
Changes in working capital:			
Decrease/(increase) in trade and other receivables	1 947	(3 672)	(837)
Increase in inventories	(61 158)	(14 170)	(10 960)
Increase in trade and other payables	1 545	5 779	12 358
Cash generated from operations	99 745	119 433	325 594
5. Earnings per share and net asset value per share			
Earnings per ordinary share (cents)			
- Basic	204.7	159.4	436.5
- Headline	203.8	159.2	423.4
- Core headline	221.1	174.0	452.3
- Core headline before foreign exchange effect	211.5	175.4	450.0
Ordinary shares in issue ('000)	43 150	43 150	43 150
Weighted average ordinary shares in issue ('000)	42 739	43 150	43 044
Net asset value per ordinary share (cents)	2 160.7	2 083.7	2 180.9
Net tangible asset value per ordinary share (cents)	870.8	796.0	895.4

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 costs and the amortisation of trademarks and the lease straight-lining expense, and are presented below:

	6 months ended 31 Aug 2015 Unaudited R'000	6 months ended 31 Aug 2014 Unaudited R'000	Year ended 28 Feb 2015 Audited R'000
Basic earnings	87 511	68 792	187 895
<i>Adjusted for (net of taxation):</i>			
Profit on sale of assets	(408)	(88)	(5 636)
Headline earnings	87 103	68 704	182 259
<i>Adjusted for (net of taxation):</i>			
Amortisation of intangibles	4 667	4 667	9 333
Straight-lining of leases	2 766	1 724	3 116
Core headline earnings	94 536	75 095	194 709
<i>Adjusted for (net of taxation):</i>			
Foreign exchange (gains)/losses	(4 823)	1 269	(402)
Foreign exchange adjustments in cost of sales	691	(676)	(599)
Core headline earnings before foreign exchange effect	90 404	75 688	193 708
6. Dividend per share			
Dividend declared per share (cents)			
- Interim	120.0	85.0	85.0
- Final	-	-	165.0
Normal dividend	120.0	85.0	250.0
- Special	-	-	99.0
Total dividend	120.0	85.0	349.0
Normal dividend cover (by core headline earnings)	1.8	2.0	1.8





UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS

FOR THE HALF-YEAR ENDED 31 AUGUST 2015

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 Aug 2015 Unaudited R'000	31 Aug 2014 Unaudited R'000	28 Feb 2015 Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment	132 146	152 410	121 287
Goodwill and other intangibles	600 894	613 854	607 373
Total non-current assets	733 040	766 264	728 660
Current assets			
Inventories	426 554	368 606	365 396
Trade and other receivables	23 672	28 454	25 619
Cash and cash equivalents	37 405	40 170	129 846
Taxation	10 900	9 630	618
Derivative instruments	4 957	–	387
Total current assets	503 488	446 860	521 866
Total assets	1 236 528	1 213 124	1 250 526
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	229 312	229 312	229 312
Treasury shares	(39 341)	–	(12 084)
Share-based payment reserve	(27 243)	(25 964)	(18 278)
Retained earnings	752 365	695 769	735 755
Equity attributable to owners of the company	915 093	899 117	934 705
Non-current liabilities			
Loans	130 000	130 000	130 000
Deferred taxation	35 901	40 912	35 674
Straight-lining lease liability	32 759	26 984	28 918
Total non-current liabilities	198 660	197 896	194 592
Current liabilities			
Trade and other payables	122 775	115 622	121 229
Derivative instruments	–	489	–
Total current liabilities	122 775	116 111	121 229
Total liabilities	321 435	314 007	315 821
Total equity and liabilities	1 236 528	1 213 124	1 250 526

GROUP SEGMENTAL ANALYSIS

	Sportsmans Warehouse R'000	Outdoor Warehouse R'000	Performance Brands R'000	Corporate R'000	Group R'000
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
6 months ended 31 August 2014 (unaudited)					
External revenue	498 951	149 491	28 632	–	677 074
Internal revenue	–	–	34 930	–	34 930
External interest received	–	–	64	2 583	2 646
External interest paid	–	–	(2)	(5 190)	(5 192)
Depreciation and amortisation	(11 872)	(3 646)	(1 925)	(7 345)	(24 788)
Profit/(loss) before taxation	90 883	17 246	13 799	(25 647)	96 281
Capital expenditure	16 385	3 211	432	516	20 544
Segment assets	322 829	116 120	104 637	669 539	1 213 124
Segment liabilities	77 469	29 380	10 587	196 569	314 006
Year ended 28 February 2015 (audited)					
External revenue	1 133 594	360 590	50 660	–	1 544 844
Internal revenue	–	–	65 877	–	65 877
External interest received	–	–	187	5 193	5 380
External interest paid	–	–	(23)	(10 262)	(10 285)
Depreciation and amortisation	(25 702)	(7 669)	(3 850)	(14 598)	(51 819)
Profit/(loss) before taxation	234 089	55 454	21 762	(49 466)	261 839
Capital expenditure	34 411	9 596	739	2 356	47 102
Segment assets	328 096	114 743	109 220	698 467	1 250 526
Segment liabilities	85 600	24 180	5 602	200 439	315 821

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	6 months ended 31 Aug 2015 Unaudited R'000	6 months ended 31 Aug 2014 Unaudited R'000	Year ended 28 Feb 2015 Audited R'000
Sales	757 977	677 074	1 544 844
Cost of sales	(391 015)	(350 635)	(809 883)
Gross profit	366 962	326 439	734 961
Other income	2 169	2 874	15 719
Trading expenses	(245 441)	(230 487)	(483 936)
Operating profit	123 690	98 826	266 744
Finance income	4 150	2 646	5 380
Finance cost	(5 806)	(5 192)	(10 285)
Profit before taxation	122 034	96 280	261 839
Taxation	(34 523)	(27 488)	(73 944)
Profit and total comprehensive income for the period attributable to equity holders of the company	87 511	68 792	187 895

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 31 Aug 2015 Unaudited R'000	6 months ended 31 Aug 2014 Unaudited R'000	Year ended 28 Feb 2015 Audited R'000
Cash flows from operating activities			
Cash generated from operations	99 745	119 433	325 594
Finance income	4 150	2 646	5 380
Finance costs	(5 806)	(5 192)	(10 285)
Dividends paid	(70 901)	(62 567)	(141 684)
Taxation paid	(44 578)	(38 155)	(80 837)
Net cash (outflows)/inflows from operating activities	(17 390)	16 165	98 168
Cash flows from investing activities			
Additions to property, plant and equipment	(33 646)	(20 544)	(47 102)
Proceeds on sale of assets	832	216	43 306
Net cash outflows from investing activities	(32 814)	(20 328)	(3 796)
Cash flows from financing activities			
Share-based payment award	(14 980)	(13 244)	(10 019)
Treasury shares acquired	(27 257)	–	(12 084)
Net cash outflows from financing activities	(42 237)	(13 244)	(22 103)
Net (decrease)/increase in cash and cash equivalents	(92 441)	(17 407)	72 269
Cash and cash equivalents at the beginning of the period	129 846	57 577	57 577
Cash and cash equivalents at the end of the period	37 405	40 170	129 846

CONDENSED CONSOLIDATED STATEMENT 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 2014	229 312	–	(17 926)	689 544	900 930
Share-based payment reserve: initial reward	–	–	(13 244)	–	(13 244)
Share-based payment expense	–	–	5 206	–	5 206
Dividends paid	–	–	–	(62 567)	(62 567)
Total comprehensive income for the year	–	–	–	68 792	68 792
Equity at 31 August 2014	229 312	–	(25 964)	695 769	899 117
Share buy-back	–	(12 084)	–	–	(12 084)
Share-based payment reserve: initial reward	–	–	3 225	–	3 225
Share-based payment expense	–	–	4 461	–	4 461
Dividends paid	–	–	–	(79 117)	(79 117)
Total comprehensive income for the year	–	–	–	119 103	119 103
Equity at 28 February 2015	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	229 312	(39 341)	(27 243)	752 365	915 093

HOLDSPORT LIMITED

("HoldSport" or "the company" or "the group")

Executive directors: KG Hodgson, B Moritz, JP Loubser

Non-executive directors: SA Muller (Chairman), B Hopkins, P Matlakala, K Moloko, KA Hedderwick

Company secretary: R Thomas

Registered office: The Mill House, 1 Canterbury Street, Cape Town, 8001

Registration number: 2006/022562/06

Share code: HSP | **ISIN:** ZAE000157046

Transfer secretaries: Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001

Sponsor: UBS South Africa (Proprietary) Limited