HOLDSPORT

Analyst Presentation

for the 6 months ended 31 August 2011

Agenda

I. **General commentary on the period – Kevin Hodgson**

II. **Financial review – Cobus Loubser**

III. **Questions**

first Ascent

General Commentary

Review of the period

- Comparability
  - 2010 FIFA World Cup™
  - Holiday pattern
- Inconsistent trading patterns
- Listing on the JSE

Review of the period

- Group sales up 7.2% to R546.9 million
- Operating profit up by 8.7% to R89.8 million
- Operating margin increased to 16.4% (LY: 16.2%)
- Profit before tax of R85.3 million up 19.6% on pro-forma comparative R71.5 million
- Core headline earnings per share up 22.3% to 159.2 cents per share
- Interim dividend of 47.0 cents per share

Growth in stores & trading density

	2009	2010	2011	August 2011	August 2010	Change %
Number of stores						
Sportsmans Warehouse	32	32	32	**33**	32	*3.3*
Outdoor Warehouse	17	18	17	**18**	17	*5.7*
Total	**49**	**50**	**49**	**51**	49	*3.8*
Trading density (R000s per m²)						
Sportsmans Warehouse	13.6	14.3	15.8	**16.1**	15.3	*5.2*
Outdoor Warehouse	15.5	15.8	18.1	**18.8**	17.1	*9.9*
Total	**14.0**	**14.7**	**16.4**	**16.7**	15.7	*6.4*

- Two new stores and one relocation completed
- Strong performance from apparel

Growth supported by strong like-for-like figures

Year-on-year growth (%)	2009	2010	2011	August 2011
Growth in retail sales				
Sportsmans Warehouse	6.0	9.7	10.5	6.1
Outdoor Warehouse	11.1	8.1	14.8	7.6
Total	**7.2**	**9.3**	**11.6**	**6.5**
Like-for-like store growth				
Sportsmans Warehouse	0.5	6.5	10.8	5.1
Outdoor Warehouse	2.3	4.1	16.1	4.8
Total	**0.9**	**5.9**	**12.1**	**5.0**

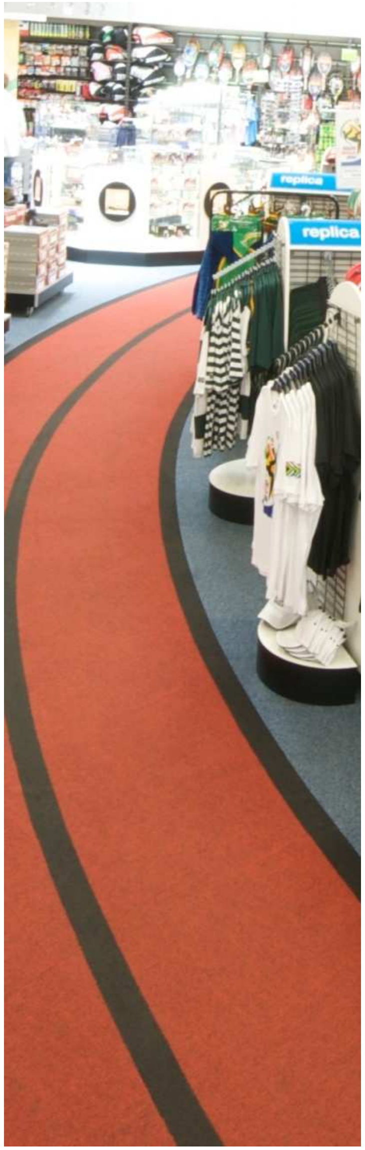
- Price deflation of 1.4%
- Exchange rate

Expansion

- Store roll-out:
  - This period: Two new stores and one relocation completed
  - Rest of FY12: Two more relocations
  - FY13: Two new stores and one relocation signed and further two new store opportunities

Financial review

Financial highlights



- **Group sales up 7.2% to R546.9 million**
  - Two new stores, one relocation
  - Price deflation 1.4%

- **Core headline earnings per share up 22.3% to 159.2 cents**
  - Core headline earnings is the most appropriate measure of performance, and excludes:
    - fair value adjustments to loans;
    - amortization of trademarks;
    - lease straight lining expense; and
    - exceptional once-off costs.
  - Shareholder loans capitalized during the current period before the group was listed. Pro forma results represent the new capital structure as if it was in place in the comparable period.
  - Finance costs were lower due to the unwinding of the interest rate swaps, which matures on 1 December 2011.

- **Strong cashflow from operating activities**

- **Interim dividend of 47.0 cents per share**

Income Statement review

	6 months ended 31 August 2011 Unaudited R'000	6 months ended 31 August 2010 Pro Forma R'000	*Change %*
Sales	**546,988**	509,993	*7.2%*
Cost of sales	**(276,258)**	(262,315)	*5.3%*
Gross profit	**270,730**	247,678	*9.3%*
Other income	**1,439**	1,666	*-13.6%*
Trading expenses	**(182,381)**	(166,720)	*9.4%*
Operating profit	**89,788**	82,624	*8.7%*
Finance income	**1,959**	2,864	*-31.6%*
Finance cost	**(6,392)**	(13,953)	*-54.2%*
Profit before taxation	**85,355**	71,535	*19.3%*
Taxation	**(24,122)**	(20,321)	*18.7%*
Profit for the period	**61,233**	**51,214**	***19.6%***

- Gross profit margin of 49.4% higher than comparative 48.5% due to sales mix and higher contribution from wholesale business
- Expenses well controlled to achieve 8.7% growth in operating profit
- Net finance cost lower
- Profit after tax up by 19.6% on the pro forma results for last year

Sales

	August 2011 R'm	August 2010 R'm	*Change %*	*Same Store Growth %*	*Sales by segment Aug '11 %*	*Sales by segment Aug '10 %*
Sportsmans Warehouse	**392.1**	369.5	*6.1%*	*5.1%*	***71.7%***	*72.5%*
Outdoor Warehouse	**131.6**	122.3	*7.6%*	*4.8%*	***24.1%***	*24.0%*
Retail sales	**523.7**	491.8	*6.5%*	*5.0%*	***95.8%***	*96.5%*
First Ascent	**23.2**	18.1	*28.1%*	*28.1%*	***4.2%***	*3.5%*
Total sales	**546.9**	509.9	*7.2%*	*5.8%*	***100.0%***	*100.0%*

- Challenging base for comparison
- Total sales increase of 7.2%
  - Total retail sales up 6.5%
  - Like for like retail sales up 5.0%
  - First Ascent **external** sales up 28.1% and greater portion of total sales
- Estimated price deflation of 1.4%
- Sales by product category similar over time, with a shift within categories to more specialist and technical products, and strong apparel performance.
- First Ascent expanding range and gaining ground

Trading expenses

	31 August 2011 Unaudited R'000	Ratio to turnover %	31 August 2010 Pro Forma R'000	Ratio to turnover %	Change %	Same Store Growth %
Staff costs	**64,401**	11.8	59,735	11.7	7.8	6.2
Occupancy cost	**50,529**	9.2	44,664	8.8	13.1	11.7
Straightlining of leases	**1,437**	0.3	729	0.1	97.1	97.1
Depreciation	**11,338**	2.1	11,751	2.3	(3.5)	(6.2)
Amortisation of intangibles	**6,277**	1.1	6,277	1.2	-	-
Advertising costs	**7,183**	1.3	5,899	1.2	21.8	21.5
Foreign exchange losses	**994**	0.2	4,725	0.9	(79.0)	(79.0)
Exceptional expenses	**3,216**	0.6	-	-	nm	nm
Other operating costs	**37,006**	6.8	32,940	6.5	12.3	10.9
	182,381	**33.3**	166,720	32.7	**9.4**	**8.2**

- Expenses well controlled
- Total expenses increased by 9.4% on LY, whilst same store expenses increased by 8.2% from LY, driven by increases in occupancy and advertising expenses.
- Occupancy costs include increases in rates & electricity of over 25% compared to rental increases of less than 7%.
- Depreciation calculated over 4 years.
- Imports benefited from the stronger more stable exchange rate, resulting in R3.7m lower forex loss than LY, which offset the exceptional expenses of R3.2m in current period.
- Other operating costs increased by more than inflation due to volume related IT, insurance and other costs.

Staff costs

	31 August 2011 Unaudited R'000	Ratio to turnover %	31 August 2010 Pro Forma R'000	Ratio to turnover %	Change %	Same Store Growth %
Staff costs						
Salaries & Wages	**59,732**	*10.9*	56,029	*11.0*	*6.6*	*5.1*
Incentives	**4,254**	*0.8*	3,706	*0.7*	*14.8*	*13.0*
Forfeitable share plan expense	**415**	*0.1*	-	-	*nm*	*nm*
	64,401	*11.8*	59,735	*11.7*	***7.8***	***6.2***

- The ratio of staff costs to sales is 11.8%, similar to the comparable period
- The same store growth % exclude the two new stores
- Incentives YTD higher due to performance
- Forfeitable share plan expense in terms of IAS 2 – Share based payments

Finance cost

	31 August 2011 Unaudited R'000	Ratio to total debt %	31 August 2010 Pro Forma R'000	Ratio to total debt %	Change %
Finance Cost					
Interest paid on loans	**10,148**	*6.1*	13,953	*5.3*	*(27.3)*
Decrease in interest rate swap	**(3,756)**	*(2.3)*	-	-	*nm*
	6,392	*3.9*	13,953	*5.3*	*(54.2)*
Total debt					
Total loans	**162,992**		256,033		*(36.3)*
- Long term	**137,817**		163,078		
- Short term	**25,175**		92,955		
Interest rate swap	**2,193**		5,864		*(62.6)*
	165,185		261,897		*(36.9)*

- The group has repaid debt of R93m since 31 August 2010, and finance cost reduced accordingly.
- The Interest Rate Swaps fix the interest rate charged on bank debt. These instruments were marked-to-market at each measurement date. The swap values over the period are listed below:
  - 31 August 2010: R5.8m
  - 28 February 2011: R5.9m
  - 31 August 2011: R2.2m
- The swaps mature on 1 December 2011, and payments this period have been against the balance sheet liability rather than through the income statement finance cost.

Balance Sheet

	31 August 2011 Unaudited R'000	31 August 2010 Pro Forma R'000	*Change %*
Assets			
Non-current assets			
Plant and equipment	**44,554**	42,817	*4.1%*
Goodwill and other intangibles	**644,360**	656,914	*-1.9%*
Total non-current assets	**688,914**	**699,731**	***-1.5%***
Current assets			
Inventories	**247,828**	214,880	*15.3%*
Trade and other receivables	**15,295**	16,959	*-9.8%*
Taxation	**8,106**	5,535	*46.4%*
Cash and cash equivalents	**32,568**	39,077	*-16.7%*
Total current assets	**303,797**	**276,451**	***9.9%***
Total assets	**992,711**	**976,182**	***1.7%***
Equity and liabilities			
Capital and reserves			
Share capital	**229,312**	229,312	*0.0%*
Other reserves	**(15,085)**	-	*nm*
Retained earnings	**443,421**	315,796	*40.4%*
Total equity	**657,648**	**545,108**	***20.6%***
Non-current liabilities			
Loans	**137,817**	163,078	*-15.5%*
Deferred taxation	**58,944**	61,495	*-4.1%*
Operating lease accrual	**20,597**	17,944	*14.8%*
Total non-current liabilities	**217,358**	**242,517**	***-10.4%***
Current liabilities			
Trade and other payables	**90,148**	86,948	*3.7%*
Derivative instruments	**2,382**	8,654	*-72.5%*
Short term portion of loans	**25,175**	92,955	*-72.9%*
Total current liabilities	**117,705**	**188,557**	***-37.6%***
Total liabilities	**335,063**	**431,074**	***-22.3%***
Total equity and liabilities	**992,711**	**976,182**	***1.7%***

- Plant & Equipment include 3 new stores.
- We cannot match our provisional tax payments to our earnings cycle, which is weighted to the second six months of the year, hence the large tax prepayment.
- The pro forma balance sheet as at 31 August 2010 reflect the adjusted capital structure after listing on 18 July 2011.
- All shareholder loan repayments made after 31 August 2010 disclosed in the short term portion of loans on 31 August 2010.
- Other reserves consist of the shares purchased for the Forfeitable Share Plan, net of R415k expensed in this period.
- The derivatives consist of FEC's and Interest Rate Swaps marked to market.

Working Capital

	31 August 2011 Unaudited R'000	28 February 2011 Audited R'000	Change %	31 August 2010 Pro Forma R'000	Change %
Working capital					
Inventories	**247,828**	232,762	*6.5%*	214,880	*15.3%*
Trade and other receivables	**15,295**	15,558	*-1.7%*	16,959	*-9.8%*
Trade and other payables	**(90,148)**	(100,132)	*-10.0%*	(86,948)	*3.7%*
	172,975	148,188	*16.7%*	144,891	*19.4%*

- Higher investment in working capital:
  - R27.7m increase in working capital from August 2010 to August 2011
  - R24.3m increase in last 6 months from February 2011 to August 2011
- Net investment in working capital increased due to:
  - 3.8% increased trading space due to two new stores and one relocation
  - First Ascent higher stock in line with growth in sales
  - Replica higher than August 2010 due to RWC

Cash Flow

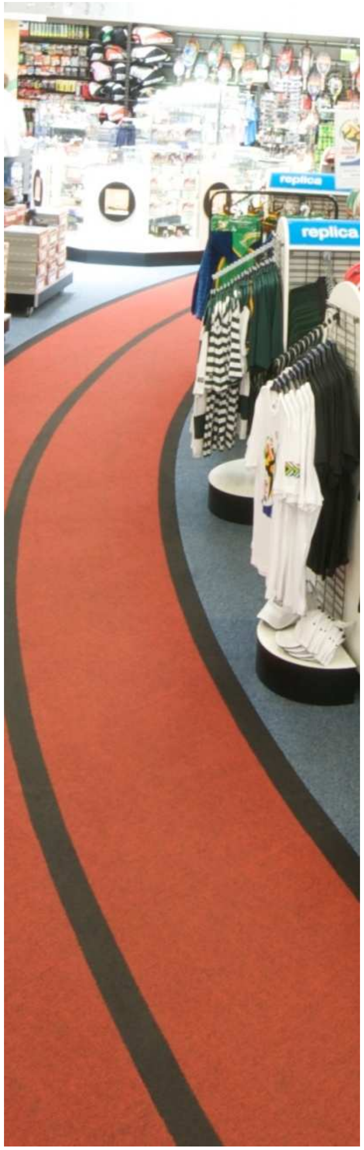
	6 months ended 31 August 2011 Unaudited R'000	6 months ended 31 August 2010 Pro forma R'000	*Change %*
Cash flows from operating activities			
Cash generated from operations	**84,093**	84,437	*-0.4%*
Finance income	**1,959**	2,864	*-31.6%*
Finance costs	**(10,148)**	(11,837)	*-14.3%*
Taxation paid	**(37,664)**	(27,692)	*36.0%*
Net cash inflows from operating activities	**38,240**	47,772	***-20.0%***
Cash flows from investing activities			
Additions to plant and equipment	**(13,276)**	(9,172)	*44.7%*
Proceeds on sale of assets	**91**	433	*-78.9%*
Net cash outflows from investing activities	**(13,185)**	(8,739)	***50.9%***
Cash flows from financing activities			
Repayment of loans	**(41,825)**	(89,333)	*-53.2%*
Acquisition of non-controlling interest	**(3,082)**	(13,101)	*-76.5%*
Forfeitable share plan purchases	**(15,500)**	-	*nm*
Net cash outflows from financing activities	**(60,407)**	(102,434)	***-41.0%***
Net (decrease)/increase in cash during the period	**(35,351)**	(63,401)	*-44.2%*
Cash at the beginning of the period	**67,919**	102,478	*-33.7%*
Cash at the end of the period	**32,568**	39,077	***-16.7%***

- Cash conversion up on LY
  - Cash from operations comparable to LY despite R27.7m increase in working capital from August 2010 to August 2011
  - Net finance costs paid is R1.2m lower than LY
- Higher tax paid includes the third provisional payment for FY11
- Capex includes 2 new stores and 1 relocation YTD
- Financing activities
  - Loan repayments down R47.5m from LY
  - R3m to purchase minority interest in First Ascent
  - R15.5m to purchase shares for forfeitable share plan

Dividend

- Maiden dividend of 47.0 cents per share to be paid on 14 November 2011
- Committed to ongoing distribution of cash to shareholders, while retaining sufficient cash to pursue our growth strategy
- The target cover ratio is to have core headline earnings per share of 1.8 –2.0 times the dividend

In closing...



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Questions?

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Thank you!