Long4Life Limited
(previously Long4Life Proprietary Limited) (Incorporated in South Africa) (Registration Number: 2016/216015/06) (“Long4Life” or “the group” or “the Company”)

MEDIA RELEASE

INTERIM RESULTS ANNOUNCEMENT

“Long4Life is targeting profit growth for the full year, which is underpinned by strong brands and services that remain appealing to many consumers. Given the seasonality of the businesses, buoyant sales are anticipated in the summer season ahead.”

Brian Joffe, CEO

KEY FEATURES (for the six months ended 31 August 2019)

- **Sales: R1 838 billion ↑ 20%**
- **Gross profit: R718.9 million ↑ 15%**
- **Trading profit: R176.2 million ↓ 1%**
- **Cash generated from operations: R116.9 million ↑ 86%**
- **HEPS: 15.4 cents ↓ 4%**

**The new lease standard IFRS 16, which requires the lessee to recognise all lease contracts on the balance sheet, has been adopted for the Group for its year ending 29 February 2020. To provide a more meaningful assessment of the current period´s performance, and unless otherwise stated, the commentary below has been provided excluding the impact of IFRS 16 in both the current and prior periods.*

Johannesburg, 14 October 2019: The Long4Life Group has delivered a reasonable performance for the six months ended 31 August 2019, considering the difficult trading environment.

Revenue increased by 20% to R1.84 billion (Aug 2018: R1.53 billion) and the gross profit was higher at R718.9 million (Aug 2018: R627.5 million), at a gross margin of 39.1% (Aug 2018: 40.9%). The trading profit was relatively flat at R176.2 million (Aug 2018: R177.6 million) at a reduced margin of 9.6% (Aug 2018: 11.6%).

Headline earnings per share amounted to 15.4 cents (Aug 2018: 16.0 cents) based on 875.2 million (Aug 2018: 912.2 million) weighted average number of shares at the end of the six-month period.

The Group has continued to invest in infrastructure, store development and marketing in order to enhance the competitiveness and sustainability of the businesses. This additional expenditure has impacted both margins and returns in the short term, resulting in a return on funds employed (ROFE) of 38%.

Net finance income totalled R35.9 million (Aug 2018: R40.3 million) with cash and cash equivalents of R871.5 million (Aug 2018: R1.05 billion) on hand at period end.

Cash generated from operations improved against the same period last year to R116.9 million (Aug 2018: R62.9 million). Working capital is typically absorbed in the first half of the year as the businesses ramp up for the holiday and summer season trading, which impacts operating cash flows at the half year.

Operational reviews

Sport and Recreation division

Revenue for the division was up 12.7% (8.3% on a like for like basis) to R1.0 billion, achieved against retail price inflation of 1.1% (Aug 2018: 0.6%). The weighted trading area increased by 3.5% relative to the prior corresponding period. Gross profit margin declined from 49.1% in the previous period to 46.7%, primarily due to accelerated sales of promotional and marked down goods in line with the execution of the strategy of maximising asset management. We anticipate gross margin improvement in the second half of the year.

Sales for **Sports Retail**, principally Sportsmans Warehouse, have been pleasing whilst trading profit was slightly higher than the previous year. In the period under review, Sportsmans Warehouse opened one new store at Eastgate Mall, Johannesburg and two OTG stores. **Outdoor Warehouse** sales have been most pleasing as a result of favourable timing of the holiday periods as well as an improved product offering. Outdoor Warehouse did not open any new stores during the period but is currently reviewing several possible sites to expand its footprint. **Performance Brands** did not perform according to expectations, with sales and margins under pressure. Attention has been given to its operating structure, which should yield improved results in the short to medium term.

Beverages division

This division comprises the businesses of Chill Beverages and Inhle Beverages which provide a complementary product mix of own brands, contract packaging and house (private) label production. Divisional revenue increase by 20% to R657.1 million (Aug 2018: R549.4 million) during the period under review.

Chill Beverages' investment in production capacity and plant upgrades together with increased expenditure in marketing and advertising has not yet been matched by increased sales. Therefore, whilst revenue and volumes increased against the prior period, underutilised capacity together with the increased expenditure resulted in a decline in the trading profit of the division during this period. It is pleasing that with the changing season, trading conditions in Chill Beverages have improved significantly and strong sales are expected in the summer ahead.

Inhle Beverages continues to perform well and is currently operating at near full capacity, delivering a solid contribution to the division's overall profit.

Personal Care and Wellness division
This division incorporates the beauty businesses, Sorbet and Lime Light Hair & Beauty, as well as the sub-acute health provider, ClaytonCare, which was acquired with effect from 1 October 2018.

Divisional revenue amounted to R135.6 million (Aug 2018: R56.2 million). Excluding the acquisitions and new store openings, like-for-like revenue grew by 13.6%.

Sorbet has traded in line with expectations achieving continued top line growth. Whilst interest from potential franchisees remains strong, assessing and securing suitable sites for franchisees remain a challenge. Lime Light's performance was boosted by the acquisition of Hands Down Distribution, a wholesaler of hair and beauty products to the salon industry in the Western Cape and Smart Buy, the exclusive Southern Africa distributor of Depiléve, the world's leading depilatory wax brand. Both acquisitions became effective 1 June 2019.

ClaytonCare traded ahead of expectations mainly as a result of a more concerted marketing effort which lead to improved occupancy levels and renewed focus by funders to transfer high cost members from an acute to a sub-acute setting.

Strategic developments
During the period, the Group acquired a 4.6% beneficial stake in JSE-listed Spur Corporation Limited ("Spur"), which has strong brands in the multi-branded restaurant franchisor sector. Subsequent to the balance sheet date, the Group has spent R304.4 million acquiring an additional 12.7 million shares in Spur. The total number of shares held in Spur at the reporting date amounts to 13.7 million, representing a beneficial interest of 14.4%.

Capital management
The Group spent R109.1 million acquiring 26.8 million of its own shares at an average price of R4.07 per share. The Group intends continuing to buy back its shares on the open market at suitably priced levels to maximise shareholder return.

Dividend
Given the strategic developments, in particular the share repurchase programme undertaken by the Company, no dividend has been declared for the period under review.

Prospects
Notwithstanding that the trading environment is expected to remain difficult with constrained consumer spending, management remain confident of the Group's ability to execute in terms of its strategic imperatives.

Long4Life is targeting profit growth for the full year, which is underpinned by strong brands and services that remain appealing to many consumers. Given the seasonality of the businesses, the divisions traditionally have higher operating leverage in the second half of the year.

Key to achieving sustainable growth in the medium term is an improvement in the economy, continued demand for the Group's brands and services, while executing efficiently.

The Group’s balance sheet strength continues to provide opportunities to assess internal and external possibilities. Management will continue to consider, in a diligent and cautious manner, acquisitions and trading opportunities on which to capitalise and grow market share.

Brian Joffe concluded, “Our objective of creating the lifestyle group of choice in South Africa remains firm and intact.”

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NOTE TO EDITORS:

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