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

MEDIA RELEASE

INTERIM RESULTS ANNOUNCEMENT

"The management teams of the businesses that have been acquired since listing have been aligned to Long4Life's strategic imperative. While the acquisitions have integrated well, and It remains at an early stage in the Group's longer-term objectives and ambitions, there is a healthy confidence in what we are able to achieve. The momentum, contribution and commitment being delivered thus far is significant and will serve the Group, and its shareholders, well into the future."

Brian Joffe, CEO

KEY FEATURES (for the six months ended 31 August 2018)

- **All divisions performing satisfactorily**
- **Good momentum underway to achieve longer-term strategic ambitions**
- **Acquisition of Chill Beverages successfully concluded**
- **EBITDA – R202m**
- **Trading profit – R175m**
- **Profit before taxation – R200m**
- **HEPS – 15.8 cents**
- **Reported results include trading results of acquired businesses for the full reporting period**

Johannesburg, 24 October 2018: Investment company, Long4Life, which has a portfolio of assets in the leisure and lifestyle sector incorporating retail, wholesale, manufacturing, service, merchandising, distribution and ecommerce, delivered satisfactory results for the first half of its financial year.

The performance was in line with expectations, notwithstanding the prevailing challenging economic climate. Revenue of R1.53 billion and trading profit of R174.9 million was generated during the six months. Net finance income totalled R40.3 million with cash and cash equivalents of R1.05 billion on hand at period end. Headline earnings amounted to R143.7 million, translating into 15.8 cents per share based on the 912 205 863 weighted average number of shares in issue.

None of the Company's acquisitions had become effective by 30 September 2017, rendering the half year comparatives largely incomparable.

Long4Life's three main business segments operate in the consumer and retail market, which are traditionally seasonal. Revenue and associated profit generation is typically lower in the first of the year, while the second half gains significantly from the holiday season spending. The first half trading profit margin, before corporate costs, was satisfactory at 13.2% for the first half year period. Working capital is typically absorbed in the first half of the year as the businesses ramp-up for the season's trading, negatively impacting operating cash flows.

Operational review

Sport and recreation

This division, which includes Sportsmans Warehouse, Outdoor Warehouse and Performance Brands, contributed 60% of the Group's revenue and 64% of trading profit before corporate expenses in the six months under review.

The division demonstrated a resilient trading performance notwithstanding continued macro-economic headwinds and low consumer confidence. In the aggregate, sales were 6.3% higher than the corresponding period, albeit that retail price inflation dropped to 0.6% (6.6% a year earlier). On a like-for-like basis, retail revenue was essentially flat, while the wholesale operation Performance Brands, which owns and distributes product under the First Ascent, Cape Storm, Second Skins and African Nature brands, increased external sales by 6.2%.

Gross margins have been temporarily affected by the 1% increase in VAT to 15% on 1 April 2018. Trading expenses increased by 8.5%, driven by CPI and a 3.4% weighted increase in trading area. The store roll-out program and trading density approach is disciplined, and the operating model is benefitting from the ongoing investment in store design and refurbishment. Total stores increased to 68 from 66 and management is refining the merchandising mix between equipment and apparel, where sales tend to be weighted 45%/55%.

Beverages

This division includes Chill Beverages, acquired effective 1 March 2018, and Inhle Beverages. The businesses provide a complementary blend of own brands, contract packaging and house (private) label production. Production facilities in the Western Cape and Gauteng accompanied by storage and distribution in all major centres, provide geographical efficiencies and product diversification, enabling access to all significant markets throughout the country.

On a pro forma basis (given that Long4Life had not yet entered the beverage industry in the corresponding previous period), the growth is encouraging with case volumes up 24% and revenue higher by 21%. Pleasingly, the division's primary own brands, Score Energy and Fitch & Leedes, reflected good growth. The Beverages division represented 36% of the Group's revenue and 29% of trading profit before corporate expenses in the first half.

During the period under review, significant investment in upgrades and enhancements to the facilities infrastructure was made, which has increased capacity and improved capability. The timing of these facility upgrades is advantageous as peak trading and capacity utilisation is traditionally weighted to the second half in the summer months, with around 60% of full year revenue anticipated in this period.

There has been an improved focus on efficiencies, reliability, quality, customer service, product innovation, and incremental growth in targeted categories through the trialling of new brands. Improved operational and logistical efficiencies and sustained growth in market share bodes well for the future.

Personal Care and Wellness

The Personal Care and Wellness division includes the Sorbet group of operations - Sorbet Salons, Nail Bars, Dry Bars, Sorbet Man and Candi & Co. The division's suite of products and services were complemented during the period by the acquisition of Limelight, which distributes spa and salon products and equipment. Limelight contributed 19% of the division's trading profit in the period under review.

The Personal Care and Wellness division represented 4% of the Group's revenue and 7% of trading profit before corporate expenses in the first half.

Sorbet has performed according to expectations and continues to grow as a significant brand in the industry, now boasting in excess of 200 stores countrywide. Enquiries from potential franchisees remain strong, with growth in stores limited by suitable site availability. The growth of Sorbet Man has exceeded expectation with 21 stores operating post half-year.

Post the reporting period, the Group, through a 59% stake in newly established Long4Life Health Proprietary Limited, acquired 61% of the ClaytonCare Group Proprietary Limited (Clayton) resulting in an effective 36% economic interest therein. Clayton is a sub-acute rehabilitation medical group providing comprehensive inpatient treatment and care. The acquisition is a strategic initiative and creates a platform for opportunities for Long4Life to enter into the high growth wellness space.

Prospects

Leveraging the Group's shared knowledge and platforms is expected to accelerate and act as a catalyst for growth. This success will be driven by the strategic ability and experience of the Group's executive team fuelled further by the depth of human capital at the operational level.

Over the last year, the Long4Life team has focused on enhancing its decentralised management strategy, while working with the respective management teams to improve processes, policies and efficiencies within its three divisions. Progress has been made in all areas and it is anticipated that improved performances and profitability will materialise as a result over the medium term.

While the existing portfolio has substantial potential, the Group's cash resources of around R1 billion, strong balance sheet and the gearing optionality derived from cash generating businesses, provide a basis for further acquisitions. These are continually being assessed and anticipated to lead to the addition of exciting new opportunities.

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NOTE TO EDITORS:

ISSUED ON BEHALF OF: LONG4LIFE

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