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

MEDIA RELEASE

RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Living the Experience

"Over the past year, the group's management has focused on containing costs and asset management while improving and expanding online sales platforms and efficiencies. This has ensured that our businesses are strongly positioned to take advantage of more stable markets and economic activity which lies ahead."
Brian Joffe, CEO

SALIENT FEATURES for the financial year ended 28 February 2021:

- **COVID-19 trading disruptions for most of the year**
- **Pleasing recovery in second half of the year**
- **The group has emerged more resilient**
- **Enhanced focus on funds employed**
- **Balance sheet and cash flows remain solid**

Johannesburg, 13 May 2021: The pandemic and resultant national lockdown restrictions in South Africa had a significant impact on the operating and financial performance of the Long4Life group over the past year.

Headline earnings amounted to R234.6 million (2020: R364.1 million), decreasing 26% to 31.9 cents (2020: 43.4 cents) per share based on a weighted average number of shares in issue of 734.6 million (2020: 839.1 million). Earnings per share decreased by 26% to 31.9 cents from 43.0 cents in 2020.

Trade in the three group divisions, Sport and Recreation, Beverages, and Personal Care and Wellness, was severely restricted for the majority of the first half of the financial year, as a result of the lockdowns, hygiene restrictions, alcohol bans, constrained holiday periods and limits on social gatherings, including sports participation and event attendance.

The group recovered well in the second six months of the financial year, with strong performances from the Sport and Recreation and Beverage divisions. Overall, the group has emerged relatively unscathed, and in certain respects more resilient and with more efficient employment of funds in the businesses.

The group's revenue of R3.582 billion decreased by 12% from R4.091 billion against the previous year. Gross profit was R1.386 billion (2020: R1.607 billion) with a gross margin of 38.7% (2020: 39.3%). The decrease in gross margins was directly attributable to the muted trading in the Personal Care and Wellness division.

Group trading profit amounted to R367.1 million (2020: R520.1 million), at a trading margin of 10.2% (2020: 12.7%). The pandemic resulted in a considerable focus on costs throughout the group with operating expenses decreasing by 8% to R788.3 million from the prior year. Whilst cost containment was aided by rental reliefs, Temporary Employer/Employee Relief Scheme (TERS) receipts and temporary salary reductions, these were offset by the incurrence of additional COVID-19 related costs.

The results in the second half of the year were pleasing overall with revenue for the six months ended 28 February 2021 amounting to R2.162 billion against the comparable prior period revenue of R2.254 billion. Despite the further lockdown restrictions and alcohol sales in the period, strong performances from the Sport and Recreation and Beverages divisions in the second half resulted in trading profit of R318.0 million overall, at similar levels to the comparable period (six months to 28 February 2020: R319.4 million).

Working capital levels reduced by 25%, driven largely by sustainable improvements in inventory management in the Sport and Recreation and Beverages divisions. As a result, cash conversion and operating cash flows were excellent during the year with cash flows from operating activities increasing by 14% year-on-year to R673.5 million (2020: R588.2 million).

The group's balance sheet remains robust with a cash balance of R569.6 million at year-end, notwithstanding the investment in the share buy-back programme and repayment of long-term debt.

The group spent R485.7 million on repurchasing 142.0 million Long4Life shares at an average price of R3.42 per share.

Given the strategic developments and in light of the share repurchase programme undertaken by the company, the board has resolved not to declare a dividend for the year (2020: nil).

Operational review

The past year has been devoted to aligning strategic and operational objectives to ensure business activities are scaled responsibly and positioned effectively in order to navigate the impact of COVID-19 and ensure relevance in a post-pandemic new norm.

Management teams' focus included cost reduction, inventory management, appropriate allocation of capital, efficiency enhancements and further investment in digitisation and online initiatives.

Throughout the year, employee, customer and supplier safety and well-being was prioritised.

Sport and Recreation

The Sport and Recreation division, which houses Sportsmans Warehouse, Outdoor Warehouse, Shelflife and Performance Brands, delivered a strong performance when considering the impact of the lockdown restrictions. Whilst total sales reduced by 10% to R2.1 billion from the previous year, the division recovered well with revenues in the second half of the year at similar levels to the corresponding six months to 29 February 2020. Gross margins improved slightly, and together with the cost containment measures, resulted in a trading profit of R317.3 million (2020: R367.5 million).

The drop in revenue in Sportsmans Warehouse from team sport categories was somewhat mitigated by strong sales in home gym equipment running and cycling.

Outdoor Warehouse sales were impacted by the Easter lockdown and restricted holiday periods, however, trading has been encouraging with the easing of restrictions, as the business benefits from the increase in local travel. The manufacturing facility in Cape Town was restructured during the year and is now operating more effectively and optimally.

The enhanced e-commerce offering has proven to be timeous with growth in online sales of 98% year-on-year and is expected to generate strong growth following the significant increase in sales through these channels over the past year.

Beverages

The Beverages division (comprising Chill Beverages and Inhle) which generated revenue of R1.288 billion – a 13% decrease from the previous year's R1.487 billion – was impacted by the alcohol sales ban as well as the severely restricted on-consumption volumes. Inhle bore the brunt of the decrease as demand for co-packing services reduced substantially. Pleasingly, sales of Own Brands increased 11% year-on-year, with Score Energy growing its market share. The division experienced a strong second half as lockdown eased in the summer months, with the change in sales mix – with a greater contribution from Own Brands – impacting trading margins positively. Whilst revenue declined by 5% in the second six months of the year, trading profit was up 9% from the comparable previous six months.

The rationalisation of private label business together with efficiency improvements has resulted in a significant reduction (33%) in the levels of working capital in the division, and the lower levels of investment should start to yield improved returns.

Personal Care and Wellness

The Personal Care and Wellness division was severely impacted by the pandemic, with revenue decreasing 26% to R226.4 million resulting in a trading loss of R4.3 million, compared to a trading profit of R68.7 million in the 2020 financial year.

Sorbet experienced markedly lower revenue (down 51%) following three months of salon closures, restricted trading for the remainder of the year and franchise fee relief granted. The business also incurred a number of large COVID-19 related costs which negatively impacted profitability. Whilst trading in mall-based stores remains subdued, the past few months' trading is reflecting an encouraging recovery albeit at a lower pace than expected.

LimeLight, a supplier of hair and beauty equipment and consumables, performed well under the circumstances with a 5% decrease in revenue from the previous year.

Revenue in ClaytonCare, the sub-acute rehabilitation medical group, was adversely affected as elective surgical procedures were postponed reducing overall bed occupancy levels. Clayton provides the group with attractive opportunities as demand rises for cost effective healthcare.

Strategic review

The company is currently undertaking a review of its corporate structure and strategic focus. Whilst underlying value has been created in the current Long4Life format, various alternatives are being evaluated by the Board in order to maximise shareholder value over the medium term. These alternatives include, *inter alia* retaining the status quo, a possible delisting from the JSE or the unbundling of certain focused assets. Feedback will be provided to shareholders when the Board has had the opportunity to evaluate all the various alternatives.

Outlook

While it is anticipated that the possibility of disrupted operations and reduced consumer demand will persist for some time, there has been a strong rebound in the markets in which the group operates. Consumer trends are aligned to the group's product and service offerings – sport, recreation, health, wellness, beauty and outdoor activity – and are more relevant and popular in a post-pandemic environment. This bodes well for the group going forward.

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NOTE TO EDITORS:

Long4Life is a lifestyle-themed group that is invested in a portfolio of assets which incorporates retail, wholesale, manufacturing, service, merchandising, distribution and e-commerce. The businesses operate within three core divisions, each with their own decentralised management teams: SPORT AND RECREATION; PERSONAL CARE AND WELLNESS; and BEVERAGES.

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