

HOLDSPORT LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/022562/06)
Share code: HSP
ISIN: ZAE000157046
("Holdsport")

LONG4LIFE LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2016/216015/06)
Share code: L4L
ISIN: ZAE000243119
("Long4Life")

JOINT ANNOUNCEMENT OF THE FIRM INTENTION OFFER BY LONG4LIFE TO ACQUIRE THE ENTIRE ISSUED SHARE CAPITAL OF HOLDSPORT

1. Introduction

Shareholders of Holdsport ("HSP Shareholders") and Long4Life ("L4L Shareholders") are referred to the joint cautionary announcement released on the Stock Exchange News Service ("SENS") of the JSE Limited ("JSE") on Monday, 3 July 2017 ("Cautionary Date").

The respective boards of Holdsport ("HSP Board") and Long4Life ("L4L Board") are pleased to announce that Long4Life has submitted a firm intention offer ("Offer") letter ("Firm Intention Offer Letter" or "Offer Letter") to Holdsport to acquire 100% of the issued ordinary share capital of Holdsport, being 40 847 948 shares (being 43 150 220 shares in issue net of 1 533 148 treasury shares and 769 124 shares beneficially owned by Long4Life) ("Scheme Shares") (the "Proposed Transaction"). The Offer Letter was accepted and signed by the HSP Board on 24 July 2017 ("Signature Date").

The Offer will be implemented by way of a scheme of arrangement ("Scheme") in terms of section 114(1)(c) of the Companies Act 71 of 2008, as amended ("Companies Act"), to be proposed by the HSP Board between Holdsport and HSP Shareholders.

The Scheme will be subject to the fulfilment or waiver, as the case may be, of the conditions precedent set out in paragraph 6 below ("Conditions Precedent").

In the event that the Scheme becomes operative, the listing of all of Holdsport's ordinary shares ("Holdsport Shares") on the Main Board of the JSE will be terminated, and HSP Shareholders will be deemed to have disposed of all of the Scheme Shares for the Scheme Consideration (defined in paragraph 2.1 below), thereby constituting Holdsport as a wholly-owned subsidiary of Long4Life.

The purpose of this joint firm intention announcement ("Firm Intention Announcement") is to advise L4L Shareholders and HSP Shareholders of the terms and conditions of the Proposed Transaction.

2. Salient terms of the Offer

2.1 Scheme consideration

In terms of the Scheme, it is intended that, in consideration for the Scheme Shares, HSP Shareholders will have the following election:

- A. to receive 12.10 ordinary shares in Long4Life ("Long4Life Shares") for every one Holdsport share held by them ("Option A Scheme Consideration"); or
- B. to receive 11.20 Long4Life Shares and R5.00 in cash for every one Holdsport share held by them ("Option B Scheme Consideration"), subject to a maximum cash consideration of R204 million ("Maximum Cash Scheme Consideration"),

(collectively, the "Scheme Consideration").

To the extent that certain Holdsport Shareholders elect the Option A Scheme Consideration and not the Option B Scheme Consideration, those Holdsport Shareholders who elect the Option B Scheme Consideration will be afforded the opportunity to apply for excess cash. Allocations of excess cash will be done *pro rata* between the Holdsport Shareholders who elected to apply for excess cash, and the allocation will result in the ratio of the Long4Life Share component decreasing proportionately, assuming each ratio point is equivalent to R5.00. The total cash to be paid will not exceed the Maximum Cash Scheme Consideration. If HSP Shareholders do not make an election to receive the Option A Scheme Consideration or the Option B Scheme Consideration, the default position will be that HSP Shareholders will receive the Option B Scheme Consideration.

Long4Life has sufficient authorised but unissued ordinary shares in its share capital to settle the Long4Life share component of the Option A Scheme Consideration or the Option B Scheme Consideration, which ever may become applicable.

The Scheme Consideration has been determined on the basis that Holdsport will not issue any further Holdsport Shares, any rights to such Holdsport Shares or options for such Holdsport Shares or make any distributions, repurchases or effect any capital reduction, between the Signature Date and the Effective Date (as defined in paragraph 6 below), without the prior written consent of Long4Life. Should Holdsport implement any such issues or declare any distributions, the Scheme Consideration will be adjusted *pro rata* per Holdsport Share.

	Closing price (cents)¹	30 day VWAP (cents)²
Long4Life	610	625
Holdsport	5763	5820
Ratio	9.45	9.31

Notes:

1. The closing price of the shares traded on the JSE as at 30 June 2017, being the day immediately prior to the Cautionary Date.
2. The 30-day volume weighted average price (“**VWAP**”) of the shares traded on the JSE up to 30 June 2017, being the day immediately prior to the Cautionary Date.

2.2 Source of funds

The Maximum Cash Scheme Consideration, as well as its other expenses related to the Offer, will be funded by Long4Life through use of the existing resources of Long4Life.

2.3 Exclusivity and break fee

The Firm Intention Offer Letter contains provisions relating to the implementation of the Proposed Transaction and certain undertakings.

In this regard, Holdsport has undertaken that, during the period between the Signature Date and the Effective Date, it will not (and will procure that no other member of its group or any of their directors, officers, agents and/or professional advisors), directly or indirectly, save as may be required by applicable law (including the fiduciary duties of Holdsport’s directors):

- 2.3.1 solicit, invite, initiate or encourage any expression of interest, enquiry, proposal or offer regarding inter alia any merger, amalgamation, share exchange, business combination, takeover bid, scheme of arrangement, sale or other disposal of all of the assets or undertaking, recapitalisation, reorganisation, liquidation or similar transaction, or series of transaction which, if completed, would mean that a person (other than Long4Life) would directly or indirectly: (i) acquire or agree to acquire all or substantially all of the assets or business or undertaking of Holdsport and/or its group; or (ii) acquire or agree to acquire the ‘prescribed percentage’ or more of the voting rights attaching to the Holdsport Shares (or any member of its group) as contemplated in section 123(1) of the Companies Act (“**Competing Offer**”);
- 2.3.2 participate in any discussions or negotiations regarding a Competing Offer, unless such offer has not come about as a result of a breach of paragraph 2.3.1 and the HSP Board, acting in good faith and in the exercise of its fiduciary or statutory duties, believes that if consummated in accordance with its terms (i) is capable of being valued and implemented, taking into account all aspects of the Competing Offer, including its suspensive conditions; (ii) would, if completed substantially in accordance with its terms, be more favourable to the HSP Shareholders than the Proposed Transaction, taking into account all the terms and conditions thereof, including, but not limited to, the financial terms of the Competing Offer as well as other relevant factors such as the likelihood of the Competing Offer being completed within a reasonable time and the financing risks related thereto (“**Superior Offer**”). In making its determination in terms of this paragraph 2.3.2, the HSP Board shall also take into account the Conditions Precedent;
- 2.3.3 agree to, approve or recommend a Competing Offer, unless the Competing Offer constitutes a Superior Offer; or
- 2.3.4 enter into any agreement related to a Competing Offer, unless such offer has not come about as a result of a breach of paragraph 2.3.1 and constitutes a Superior Offer.

Holdsport has agreed to notify Long4Life of and provide Long4Life with, save as may prohibited by applicable law (including the fiduciary duties of Holdsport's directors) or any confidentiality obligation of Holdsport in relation to the Competing Offer, the name of the person from whom it receives a Competing Offer, copies of all other due diligence material exchanged between such person and Holdsport to the extent not already provided to Long4Life and the details of the material terms and conditions of the Competing Offer.

If Holdsport announces a Superior Offer, Long4Life will have 20 business days to match or better the Competing Offer, in which event, Holdsport shall not be entitled to implement the Competing Offer.

Each of Long4Life and Holdsport has undertaken to the other to pay a break fee equal to the actual costs incurred for professional advisors fees and expenses in connection with the Proposed Transaction limited to maximum amount of R5 million (representing 0.2% of the Scheme Consideration) if, *inter alia*, -

- (i) in the case of Holdsport: (i) the Independent Holdsport Board after recommending that the Holdsport shareholders vote in favour of the Scheme withdraws its recommendation for the Scheme, (ii) the Independent Holdsport Board recommends a Competing Offer, or (iii) it breaches any of its material undertakings in relation to the Proposed Transaction, which, if capable of being remedied, is not timeously remedied; or
- (ii) in the case of Long4Life: (i) the L4L Shareholders do not pass the requisite ordinary and special resolutions required to be passed by them in order to implement the Scheme; or (ii) if L4L fails to take all steps that are reasonably required in order to procure the implementation of the Scheme within the timeframes required for such steps in terms of the Companies Act, the Companies Regulations and the JSE (or such extended periods of time as may be approved by the relevant regulatory authorities).

3. Nature of the business of Long4Life and Holdsport

3.1 Long4Life

Long4Life is an investment holding company with a lifestyle focus that seeks to generate superior returns for L4L Shareholders over the medium to long term. Long4Life plans to invest primarily in businesses with attractive growth prospects, led by strong, entrepreneurial-minded management teams. The L4L Board, who collectively have a wealth of operational and deal-making experience across various industries, are responsible for capital allocation and play an active role in identifying and approving attractive investment opportunities.

Long4Life operates a decentralised management structure, providing financial, strategic and management support to its investee companies. Long4Life takes a long-term view on investments, while retaining the flexibility to dispose of investments which no longer meet the investment criteria and the agility to take advantage of opportunities as they arise.

3.2 Holdsport

Holdsport is a leading South African cash retailer selling sport, leisure and recreational merchandise through a national store network operating the Sportsmans Warehouse and Outdoor Warehouse retail chains. The store network operates large-format stores that are mostly located in value centres in retail nodes located in South Africa and Windhoek and recently entered Mall of Africa through a smaller-format Sportsmans Warehouse store.

Sportsmans Warehouse provides a range of sports equipment, footwear and apparel catering for both individual and team sports. It operates out of 38 stores in South Africa and one in Windhoek, Namibia.

Outdoor Warehouse sells a wide range of outdoor and camping equipment, apparel and related merchandise. The focus of the chain is camping, hiking, off-road and general open-air recreation. Outdoor Warehouse operates out of 24 stores around South Africa and one in Windhoek, Namibia.

Holdsport also owns a wholesale division, Performance Brands, which is a developer and wholesaler of technical apparel and equipment. The portfolio includes the well-known brands First Ascent and Capestorm, as well as recent acquisitions two new brands in Second Skins (technical sportswear) and African Nature (outdoor safari brand) during 2016.

4. Long4Life's rationale for the Proposed Transaction

The L4L Board believes that the Proposed Transaction will fulfil the majority of Long4Life's stated investment criteria, and that the acquisition of Holdsport will prove to be a key acquisition in building the Long4Life investment platform.

5. Holdsport's rationale for the Proposed Transaction

The HSP Board's view is that the Offer represents a compelling proposition and attractive opportunity for the HSP Shareholders to realise value for their current shareholding, as well as the opportunity to participate in the growth opportunity in Long4Life.

Having Long4Life as the sole shareholder of Holdsport will provide Holdsport with access to Long4Life's strong balance sheet, providing appetite and capacity for growth both acquisitively and organically, as well as access to Long4Life's management team providing proven deal making expertise. The Proposed Transaction will provide improved efficiency of the capital structure of the business. The Long4Life platform will also provide support for existing senior management to grow the business.

6. Conditions Precedent

The implementation of the Scheme is subject to the fulfilment or waiver, as the case may be, of the following Conditions Precedent -

- 6.1 by no later than 120 days after the Signature Date ("**Long Stop Date**") (or such later date as may be agreed to between Long4Life and Holdsport) –
 - 6.1.1 all regulatory approvals and/or consents as may be necessary to give effect to the Proposed Transaction have been obtained (either unconditionally or subject to conditions acceptable to the parties against whom such conditions will be enforceable), including, without limitation, the JSE, Takeover Regulation Panel and/or the South African Competition Authorities;
 - 6.1.2 all necessary Holdsport shareholder resolution approvals as may be necessary to give effect to the Scheme have been obtained, including, but not limited to, the special resolution to be passed in terms of section 115 of the Companies Act ("**Scheme Special Resolution**");
 - 6.1.3 the Scheme Special Resolution has been passed and, to the extent required in terms of section 115(3)(a) of the Companies Act, the implementation of the Scheme Special Resolution is approved by the Court and, if applicable, the company has not elected to treat the Scheme Special Resolution as a nullity in terms of section 115(5) of the Companies Act;
 - 6.1.4 if the Scheme Special Resolution has been passed and any person who voted against the Scheme Special Resolution applies to Court within 10 (ten) business days after the vote for a review of the Proposed Transaction in accordance with the requirements of section 115(3)(b) of the Companies Act, (i) no leave is granted by the Court to such person to apply to Court for a review of the Proposed Transaction in accordance with the requirements of section 115(6) of the Companies Act or (ii) if leave is granted by the Court to apply to Court for a review of the Proposed Transaction in accordance with the requirements of section 115(6) of the Companies Act, the Court has not set aside the Scheme Special Resolution in terms of section 115(7) of the Companies Act;
 - 6.1.5 within the time period prescribed in section 164(7) of the Companies Act, the HSP Shareholders have not exercised appraisal rights (being the rights afforded in terms of section 164 of the Companies Act), by giving valid demands in accordance with the requirements of section 164(5) to 164(8) of the Companies Act, in respect of more than 3% of the entire issued share capital of Holdsport;
 - 6.1.6 all necessary Long4Life Shareholder resolution approvals as may be necessary to cause the Scheme to be implemented have been obtained, including, but not limited to, the special resolution to be passed in terms of section 41(3) of the Companies Act; and
 - 6.1.7 the Takeover Regulation Panel has issued a compliance certificate in respect of the Proposed Transaction in terms of section 119(4)(b) of the Companies Act;
- 6.2 at any time between 1 March 2017 until 17h00 (SA time) on the business day immediately preceding the finalisation date of the Scheme, no material adverse change has arisen in the business of

Holdsport. "**Material adverse change**" shall mean an adverse effect, fact, circumstance which has arisen or occurred or might reasonably be expected to arise or occur in the future (alone or together with any other such actual or potential adverse effect, fact and/or circumstance), and which is material with regard to the business, condition, assets, liabilities, operations, financial performance, net income and prospects of Holdsport and/or any member of its group (whether as a consequence of the Proposed Transaction or not), and/or any restrictive covenant or covenants or similar provision entered into by Holdsport or any member of its group which will or could reasonably be expected to materially reduce the actual or potential value of Holdsport or its group. To be "**material**" the adverse impact must have an impact in an amount calculated as being more than 10% of Holdsport's 2017 audited tangible NAV (being the net asset value of Holdsport and/or its group less all intangible assets and goodwill) or if the adverse impact results or is likely to result in a reduction of Holdsport's EBITDA for the year ending 28 February 2018, in an amount calculated as being more than 7% of the Holdsport 2017 EBITDA. "**2017 EBITDA**" is Holdsport's sustainable consolidated earnings before interest, tax, depreciation and amortisation (EBITDA), before taking into account the foreign exchange adjustment of R19.5 million, calculated with reference to the Holdsport's audited financial statements as at 28 February 2017. For the purposes of this definition, "value" shall include the value of assets without double counting where a single matter affects more than one measure of value.

The Conditions Precedent stipulated in –

- paragraphs 6.1.5 and 6.2 have been stipulated for the sole benefit of Long4Life and Long4Life shall be entitled to waive the fulfilment of the aforesaid Conditions Precedent (in whole or in part) on or before the date for fulfilment thereof on written notice to Holdsport.
- paragraphs 6.1.1, 6.1.2, 6.1.3, 6.1.4, 6.1.6 and 6.1.7 are regulatory in nature and may not be waived, unless the Long4Life and Holdsport agree in writing to waive any of the aforesaid Conditions Precedent (or part thereof) on or before the date for fulfilment thereof on the basis that any such regulatory conditions are no longer (or are not) applicable to the Proposed Transaction.

The effective date of the Scheme will be the 3rd business day after the last Condition Precedent is fulfilled or waived, as the case may be, ("**Effective Date**") and the Scheme will be implemented at the earliest date after the Effective Date.

7. Shareholder support or irrevocable

Long4Life has received (i) the letters of support from HSP Shareholders representing 31.4% of the Holdsport Shares (net of treasury shares) ("**Voting Shares**"); and (ii) irrevocable undertakings from HSP Shareholders representing an additional 27.6% of the Voting Shares to vote in favour of the Scheme. Included in the irrevocable undertakings are undertakings from members of the Holdsport Board and/or executive management team members of Holdsport representing 17.3% of the Voting Shares. Details of the HSP Shareholders who have provided irrevocables / letters of support prior the issuance of the Scheme Circular will set out in the aforementioned document.

In addition, Long4Life has received letters of support from more than 75% of its shareholder base to vote in favour of all resolutions required to be passed by the L4L Shareholders in order to implement the Proposed Transaction.

8. Guarantees and confirmations to the TRP

Long4Life has delivered to the Takeover Regulation Panel an irrevocable, unconditional bank guarantee (in conformity with Regulations 111(4) and 111(5) of the Takeover Regulations) issued by The Standard Bank of South Africa Limited for the Maximum Cash Scheme Consideration.

9. Recommendations and fair and reasonable opinion

Holdsport has convened its independent Holdsport Board, comprising Syd Muller, Bryan Hopkins, Keneilwe Moloko and Phillip Matlakala ("**Holdsport Independent Board**"), to consider the terms and conditions of the Proposed Transaction.

The Holdsport Independent Board has appointed PSG Capital ("**PSG**") as an independent expert ("**Independent Expert**"), as required in terms of section 114(2) of the Companies Act and as contemplated in regulations 87(5) and 110 of the Takeover Regulations, and PSG will provide it with external advice in relation to the Proposed Transaction and will make appropriate recommendations to the Holdsport Independent Board in the form of a fair and reasonable opinion.

10. Documentation

Details of the Scheme will be included in the Scheme Circular which will contain, *inter alia*, details of the Proposed Transaction, a notice of the meeting convened by Holdsport (“**Scheme Meeting**”), a form of proxy, a form of surrender and transfer form. The Scheme Circular is expected to be posted to HSP Shareholders in due course.

Approval of the resolution to be passed by the Long4Life Shareholders will be proposed by way of written resolutions to be adopted by Long4Life Shareholders in terms of section 60 of the Companies Act.

In terms of section 60(1) of the Companies Act, a resolution that could be voted on at a shareholders’ meeting may instead be submitted for consideration to the shareholders entitled to exercise voting rights in relation to the resolution, and be voted on in writing by shareholders entitled to exercise voting rights in relation to the resolution, within 20 (twenty) business days after the resolution was submitted to them.

Section 60(2) of the Companies Act provides that a resolution contemplated in section 60(1) of the Companies Act will have been adopted if it is supported by persons entitled to exercise sufficient voting rights for it to have been adopted as an ordinary or a special resolution, as the case may be, at a properly constituted shareholders’ meeting, and if adopted, such resolution will have the same effect as if it had been approved by voting at a shareholders’ meeting (“**Section 60 Approval Process**”).

As a result of the Section 60 Approval Process, Long4Life will not convene a general meeting.

The salient dates and times pertaining to the Proposed Transaction will be released on SENS and published in the press at the time of posting of the Scheme Circular.

11. Cautionary announcements

As the *pro forma* financial effects of the Scheme on HSP Shareholders and consequentially on L4L Shareholders have not yet been published:

6.3 L4L Shareholders are advised to continue to exercise caution when dealing in their shares; and

6.4 HSP Shareholders are advised to continue to exercise caution when dealing in their shares,

until such time as the aforementioned *pro forma* financial effects are published.

12. Long4Life responsibility statement

The Long4Life Board accepts responsibility for the information contained in this Firm Intention Announcement to the extent that it relates to Long4Life. To the best of its knowledge and belief, the information contained in this Firm Intention Announcement is true and nothing has been omitted which is likely to affect the importance of the information.

13. Holdsport responsibility statement

The Holdsport Independent Board accepts responsibility for the information contained in this Firm Intention Announcement to the extent that it relates to Holdsport. To the best of its knowledge and belief, the information contained in this Firm Intention Announcement is true and nothing has been omitted which is likely to affect the importance of the information.

Cape Town / Johannesburg

25 July 2017

Financial Advisor to Long4Life

Investec Bank Limited

Sponsor to Long4Life

The Standard Bank of South Africa Limited

Sponsor to Holdsport

UBS South Africa (Pty) Ltd

Legal Advisor to Long4Life
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