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

MEDIA RELEASE

RESULTS ANNOUNCEMENT

"A pleasing trading performance in a difficult economic environment. A solid platform has been established to execute our strategy and we remain patient for acquisitions."

Brian Joffe, CEO

KEY FEATURES (for the 12 months ended 28 February 2019)

- **Revenue for the year: R3.6 billion**
- **Group trading profit before depreciation and amortisation: R534.9 million**
- **Group trading profit: R454.2 million**
- **Headline earnings per share: 38.7 cents**
- **Cash and cash equivalents: R1.1 billion**

Johannesburg, 15 May 2019: Long4Life Limited (L4L) was listed on the JSE Limited in April 2017. L4L's strategy is focussed on investment in the leisure and lifestyle sectors in both the emerged and emerging consumer markets. The group is currently structured into three operating divisions: Sport and Recreation, Beverages and Personal Care and Wellness, each with their own management teams.

These results mark the group's first full twelve-month trading period since listing.

Financial overview

The group delivered pleasing results for the year under review, notwithstanding a weak consumer market. Revenue of R3,642 billion for the year was achieved and gross profit amounted to R1,446 billion, at a gross margin of 39.7%. Trading profit for the year was R454.2 million at a trading margin of 12.5%.

The group maintained gross profit and trading margins across its businesses despite consumer pricing pressure, the increase in the Value Added Tax rate and the devaluation in the Rand. Corporate costs, whilst well controlled, cater for the potential of managing a larger platform of businesses.

The divisions due to seasonality had significant operating leverage in the second half of the financial year. Beverage consumption, as well as demand for beauty treatments, increased substantially in the summer months and the Sport and Recreation retail stores experienced significant increase in trading over the holiday and Christmas periods.

The group's financial position is solid with cash of R1,1 billion at year end. Return on funds employed amounted to 42%. Operating cash flows generated from operations was strong at R465.1 million.

Operational review

L4L has positioned its respective businesses for continued growth and efficiency enhancement. Management continues to introduce new and extensions to existing products and services, while expanding the geographic store footprint and continually assessing complementary bolt-on acquisitions. The subsidiaries are primarily wholly owned, which enables the full benefit of cash flows.

The group has a central function that provides financial, governance and strategic support to its businesses all of which operate within a decentralised entrepreneurial philosophy. L4L provides the necessary capital to support organic growth within its businesses and seeks new investments to build capability and capacity across the lifestyle and leisure space.

The past year has, however, been characterised by an underperforming South African economy weary from ongoing corruption revelations and frustrations with service delivery. Consumer confidence and purchasing power remains low.

In the light of the difficult economic environment, the group is pleased with the performance and the strategic progress of its businesses.

Sport and Recreation division

This division comprises Sports Retail, Outdoor Warehouse, a dedicated E-Commerce division and Performance Brands.

Price deflation measured 0.9% across the retail businesses and the overall weighted average trading area increased by 3.5% relative to the previous year.

Sports Retail: Total sales increased by 10.1% and by 4.0% on a like-for-like basis. Over the past year, Sportsmans Warehouse introduced a new mall-based concept with a smaller footprint, which still offers an authentic and recognisable shopping experience. Three of these new concept stores were opened during the year: Rosebank Mall, Sandton City and Eikestad Mall in Stellenbosch, bringing the total number of Sportsmans Warehouse stores to 43 . This new concept, which creates exciting opportunity in various mall-based locations where Sportsmans Warehouse is not currently represented, has been well received and is trading successfully. The next store in this format is opening in Eastgate Mall in May 2019. New design elements and fixtures are being introduced across the existing store base and all stores are being refurbished over the next three years to the latest concept.

Outdoor Warehouse: Sales performed satisfactorily with an increase of 3.3% and by 4.1% on a comparable basis. Sales growth was slightly hamstrung by price deflation while the shorter than normal December holiday restricted customers' traditional camping vacations and, consequently their demand for outdoor merchandise. Two stores were reduced in size as part of this business' objective to enhance trading density and ensure cost-efficiency. Outdoor Warehouse currently trades from 26 stores and a new store will open in Randburg later this calendar year.

Performance Brands: This business owns, designs, procures, manufactures and distributes the First Ascent, Capestorm, Second Skins, OTG Active and African Nature brands. Total external sales were 2.5% lower than the previous year whilst sales to the group's retail divisions increased by 0.5% year on year. A new manufacturing facility was commissioned in 2018 and management is committed to build production capacity with unique technical skills which will support design excellence and provide customised merchandise to key markets. Performance Brands was recently awarded the exclusive distribution rights for Speedo swimwear, effective January 2020.

Beverages division

L4L acquired Inhle Beverages, which manufactures in Heidelberg (Gauteng), in 2017 and Stellenbosch (Western Cape) based Chill Beverages, in 2018. Although the division's plants have different capabilities and capacities, there is complimentary production back-up and synergy which will prove to be beneficial in future years.

Own Brands are products (such as Score Energy, Bashews and Fitch & Leedes) where the trademarks and intellectual property are owned, while the manufacture of products for third parties is referred to as Contract Packing. The division packs for and services both multinational and local beverage brands. Private Label develops products to the needs of a specific customer, and can include a combination of product development, manufacture and/or distribution. Future growth is aligned to the constantly changing consumer trends: wellness, eco-footprint, authenticity, urbanisation, de-formalisation, function, flavour, as well as e-shopping.

Total volumes for this division, which includes Own Brands, Contract Packing and Private Label, increased by 19% year on year. Own brands, Contract Packing and Private Label accounted for 53%, 41% and 6% of the division's revenue respectively. Growth in Own Brands was particularly pleasing with 50% increase in volumes year on year.

The now familiar demand and supply challenges faced by the South African economy affected the Beverage division in varying degrees. Water shortages in the Western Cape did not have a material effect, but power outages had a slightly negative influence over both the Stellenbosch and Heidelberg plant's production output. The "sugar tax" became effective on 1 April 2018, and whilst it has not significantly affected beverage consumption volumes, it has had a small impact on gross margins.

There has been a substantial upgrade to the division's canning and glass packaging capacity as well as new infrastructure, which resulted in capital expansion expenditure of R61.4 million. Continued product innovation and incremental growth in targeted categories through the introduction of new brands and flavours is continuing while attention is being focused on digitisation, which is important to achieve future efficiency gains and insightful consumer interaction.

Personal Care and Wellness division

This division comprises both the beauty and grooming businesses Sorbet and LimeLight and the Health business, ClaytonCare. L4L intends expanding this division, largely through bolt-on acquisitions that are complementary to the current core offering. Various opportunities are being considered, together with an assessment of additional and/or new products and services.

Sorbet: Performance has exceeded expectations for the year and annual revenue reached the R100 million mark for the first time, a growth of 19% year on year. Most gratifying has been the significantly improved performance and returns with trading profit up, year on year, by 74%.

Sorbet (Sorbet Salons, Nail Bars, Dry Bars, Sorbet Man and Candi & Co) offers a fully franchised, owner-operator, beauty treatment business and the brand has exceptionally strong recognition and a loyal client base. The overall store base has grown to 207 outlets country wide and interest from potential franchisees remains strong. Sorbet Man in particular exceeded growth expectations, with this offering now extended to 21 stores.

With the ongoing modernisation program, a revamp of some 60 existing franchise stores is planned for the current year. Sorbet will be launching Sorbet SK-N, a high-end skin and aesthetic treatment offering, with the first store scheduled to open in May 2019 in Hyde Park Corner, Johannesburg.

LimeLight: This business procures and distributes hair and beauty products and equipment to professional salons and has been acquired to enhance the range of beauty products and create a distribution channel that will augment the division as a professional services and brands supplier. The business is building its portfolio of products as part of the ongoing strategy and has acquired the exclusive distribution rights for various international brands including American Crew (men's grooming products) and OWAY (organic hair and skin products). Other opportunities are currently being explored in this space.

ClaytonCare: Through its 59% stake in Long4Life Health, the L4L group has acquired 61% of Clayton, which has resulted in an effective 36% economic interest therein. Clayton is a sub-acute rehabilitation medical group which is located in two facilities: one in Randview and the other in Midstream. It has 83 sub-acute beds with 16 beds being High Care. The sub-acute care model is attractive in terms of the rising demand for cost-effective health care. Clayton provides the group with a platform on which to build post-acute and rehabilitation business and creates opportunities to participate in the transformation of the current healthcare delivery model.

Comparatives

As 2019 is the group's first full twelve-month trading period since listing, comparatives are largely not meaningful. The results for the previous financial period include trading results for a four-month period and incorporate finance income earned on cash balances for eleven months. Holdsport, Sorbet and Inhle Beverages were acquired effective 1 November 2017, Chill Beverages effective 1 March 2018, and the ClaytonCare Group ("Clayton") effective 1 September 2018.

Prospects

The group is proud of its achievements in the past two years in a difficult and competitive environment. Whilst the consumer is expected to continue to be under significant pressure, the group remains cautiously optimistic about the future. The group is confident in its business model, the positioning of the respective businesses and the ability of the experienced management teams to achieve above average returns.

The group has reviewed several investment opportunities in the past year, however sellers' expectations and asset valuations have not reflected the difficult economic climate and in many instances have not met the group's valuation criteria. Nonetheless, the group remains optimistic on investment opportunities materialising in the forthcoming year.

The group's balance sheet strength, access to an appropriate transactional pipeline as well as a wide spectrum of investors are all catalysts for its ongoing yet diligent assessment of organic and acquisitive possibilities. The focus is on those businesses that can provide satisfactory growth and returns to shareholders and where L4L's capital and strategic capability can be successfully leveraged. The group continues to seek acquisitions and trading opportunities in order to scale its activities.

Dividend

The board has resolved not to declare a dividend for the year under review. In arriving at this decision, the board has taken into consideration the R159,6 million spent on share repurchases and the prospects for further investments. Whilst the group has no formal dividend policy at this stage, this position will be reviewed and assessed by the board.

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NOTE TO EDITORS:

ISSUED ON BEHALF OF: LONG4LIFE

BY: APRIO STRATEGIC COMMUNICATIONS

CONTACTS: **Julian Gwillim – Aprio**
Mobile: 082 452 4389 Tel: (011) 880 0037

www.long4life.co.za