

# PERFORMANCE SUMMARY

## ACHIEVEMENTS

- Holdsport maintained EBITDA before foreign exchange adjustments and increased its cash conversion to 74.4% in a very challenging environment.
- Core headline earnings excluding the effect of foreign exchange adjustments were 522.3 cents per share, a decrease of 2.3% from the 534.5 cents for the previous financial year.
- The group increased the time weighted trading area by 3.4% relative to the prior year after opening three new stores, relocating one store and expanding another two stores during the year. It has successfully concluded lease agreements for a further three new stores and one expansion in the next financial year.
- Cash flow from operations decreased by 1.8% from the previous year.

## CHALLENGES

- Political uncertainty and subsequent rating downgrades erode consumer confidence and inhibit economic growth.
- The threat of increasing inflation and resulting increase in interest rates, coupled with a higher tax burden, could impact on customers' purchasing habits and consumption.
- Increases in energy costs and property rates above the general inflation rate.
- High levels of competition and the risk of overtrading in the industry.

"In evaluating the performance for 2017 shareholders should take into account that the aggregate foreign exchange adjustment during the current year was a loss of R19.5 million compared to an aggregate profit of R8.4 million during the prior year. Holdsport's policy is to take out forward exchange contracts to cover all its imported merchandise commitments and this has been applied consistently with previous years. This accounting adjustment does not have an operational or cash flow effect."

## STRATEGIC FOCUS AREAS

- Expansion of the store base and evolution of the in-store experience.
- Evolution of online sales offer and digital relationship with customers.
- Relentless focus on efficiencies.
- The development and retention of key staff and the promotion of transformation in the group.
- Substantial development of design and sourcing capabilities.

# BUSINESS PHILOSOPHY

## BUSINESS MODEL

Holdsport pioneered the concept of large-format destination stores dedicated to the active sport and outdoor enthusiast and, in so doing, transformed the South African sporting goods landscape.

The group continues to provide the widest possible range of brands and products in an authentic environment with well-trained, knowledgeable staff providing customers with high levels of service and advice.

In addition the group seeks to utilise its scale to ensure that this proposition is delivered to customers in the most efficient manner, thereby providing genuine value to customers.

"genuine range and depth of product"

"the most authentic national retailer of sporting and outdoor goods"

## MARKET POSITION

The South African sporting and outdoor retail market is growing and vibrant. Holdsport has a differentiated position in this marketplace, offering genuine range and depth of product across equipment, footwear and apparel in large-format stores, and as such is the most authentic national retailer of sporting and outdoor goods.

Holdsport's key competitive strengths include:

- (i) a strong market position in an attractive segment;
- (ii) differentiated merchandising and value-for-money proposition;
- (iii) distinctive retail experience;
- (iv) well-known brand names;
- (v) compelling store economics;
- (vi) proven track record of delivering profitable growth and operational excellence;
- (vii) an experienced management team with a significant shareholding in the business; and
- (viii) excellence in design and sourcing.