The Foschini Group Limited
Registration number: 1937/009504/06
Share codes: TFG-TFGP
ISIN codes: ZAE000148466 – ZAE000148516

SHORT-FORM ANNOUNCEMENT
Unaudited interim condensed consolidated results for the half-year ended 30 September 2019 and dividend declaration

SALIENT FEATURES

Group revenue up 6,3% to R18,6 billion
Group retail turnover up 6,5% to R17,0 billion
Gross margin maintained at 53,2% (Sept 2018: 53,6%)
Operating profit before finance costs up 5,6% to R2,3 billion
Basic earnings per share up 5,4% to 533,4 cents
Headline earnings per share up 3,0% to 526,7 cents
Free cash flow in excess of R1,1 billion generated, equal to 91,4% of net profit after tax
Interim dividend declared of 335,0 cents per share, an increase of 1,5%

This short-form announcement is the responsibility of the company's directors. It is a summary of the information in the Group's unaudited interim condensed consolidated results for the half-year ended 30 September 2019 and does not contain complete information. The full results announcement is accessible via the JSE link at https://senspdf.jse.co.za/documents/2019/JSE/isse/TFG/H12019.pdf and on the Company’s website at http://www.tfglimited.co.za

Copies of the full announcement may also be requested by contacting the Company Secretary (company_secretary@tfg.co.za) and are available for inspection at the Company’s registered office at no charge, weekdays during office hours.

COMMENTARY

STRONG PERFORMANCE IN A DIFFICULT TRADING ENVIRONMENT
TFG’s performance for the 6 months to 30 September 2019 was achieved in a trading environment characterised by challenging conditions, increased pressure on consumers, retail industry disruption and low economic growth across all three of its major territories, South Africa, United Kingdom and Australia. Nevertheless, the Group outperformed the market in each of its three major territories and generated free cash flow in excess of R1,1 billion.

The Group delivered turnover growth of 6,5% and growth in earnings per share and headline earnings per share of 5,4% and 3,0% respectively. Cash turnover grew by 9,3% (TFG Africa: 12,0%) while credit turnover, by design, decreased by 0,5%. Cash turnover now contributes 73,5% to Group turnover.

TFG Africa’s turnover grew by 6,4%, with comparable store turnover growth of 4,6%. TFG London achieved a turnover growth of 0,1% (£) in a particularly tough environment where Brexit-related uncertainty continues along with the ongoing negative impact of constrained trade through House of Fraser.

Excluding concession turnover from House of Fraser, TFG London’s turnover grew by 3,6%*. TFG Australia continued to report strong performance with turnover growth of 11,1% (A$) and comparable store turnover growth of 6,1% (A$). Turnover growth for TFG Australia, excluding the G-Star franchise stores disposed of in December 2018, was 15,9% (A$)*. The comparable store turnover growths are a notable achievement and are driven by an emphasis on merchandising and quality service.

Online turnover grew by 4,3% across the Group and now contributes 8,8% to Group turnover. Online turnover growth in the three business segments were as follows:

Business segment	Currency	Online turnover growth	Online turnover contribution to business segment turnover
TFG Africa	R	52,0%	1,5%
TFG London	£	-5,5%	32,2%
TFG Australia	A$	37,1%	5,5%

Excluding online turnover from House of Fraser, TFG London’s online turnover grew by 0,3%*.

* Pro forma management account numbers used to calculate an indicative turnover growth.

The Group’s gross margin for the period was maintained at 53,2% (Sept 2018: 53,6%). Margins in the respective business segments were 47,4% (TFG Africa), 61,7% (TFG London) and 64,8% (TFG Australia).

A consistent focus on back office optimisation limited expense growth to 4,5%. Growth in the respective segments were 4,4% (TFG Africa, ZAR), -2,3% (TFG London, £) and 10,0% (TFG Australia, A$), driven off a rapid expansion of the Australian store footprint and investment in digital capabilities. As a result, the Group’s EBIT margin was largely maintained at 13,7% (Sept 2018: 13,9%).

Headline earnings for the period increased by 3,1% with headline earnings per share increasing by 3,0%.

An interim dividend of 335,0 cents per share was declared, a growth of 1,5% on the prior period.

Merchandise category turnover

Positive turnover growth was achieved in all business segments and across most merchandise categories, except for cosmetics.

Turnover growth in the various merchandise categories were as follows:

	% turnover growth (Group) ZAR	% turnover growth (TFG Africa)	% comparable store turnover growth	% turnover growth (TFG London)	% turnover growth (TFG Australia) A$	% comparable store turnover growth

		ZAR	(TFG Africa) ZAR	£		(TFG Australia) A$
Clothing	6,7%	6,8%	4,8%	0,1%	10,5%	6,1%
Cellphones	7,8%	7,8%	7,2%			
Homeware & furniture	7,9%	7,9%	4,5%			
Jewellery	6,4%	4,3%	3,6%		n/a^	
Cosmetics	-1,2%	-1,2%	-1,7%			
	6,5%	6,4%	4,6%	0,1%	11,1%	6,1%

^ American Swiss Australia only started trading in October 2018.

Product price deflation in TFG Africa averaged approximately -0,4%.

New accounting standard – IFRS 16

The Group adopted IFRS 16 “Leases” for the first time for its financial reporting year ending 31 March 2020. The amendments to the standard have been applied retrospectively, subject to transitional provisions, with comparative information in these unaudited interim results restated accordingly. Further information about the impact of this change in accounting policy is provided in note 15 of these financial results. The primary effect of the application of the new standard at transition date (31 March 2018) has been to capitalise store leases of approximately R6,9 billion and to record a lease liability of R7,8 billion.

Store movement

As at the end of September 2019, the Group’s footprint was 4 066 outlets across 33 countries. The Group opened 108 outlets during the past six months while 127 outlets were closed. Focus on space rationalisation in TFG Africa continued with net space increasing only 0,3% since the year-end. Space growth in TFG Australia was 3,5% since the year-end, as the business pursued its store expansion plans.

The store movement in the respective business segments were as follows:

Outlets	TFG Africa	TFG London	TFG Australia	Group
Opening balance	2 631	971	483	4 085
New	36	35	37	108
Closed	(85)	(34)	(8)	(127)
Closing balance	2 582	972	512	4 066

Negative rent reversions of 15% were achieved in TFG Africa for the last 12-month period with average escalations below 6%. In TFG Australia, double digit negative rent reversions were achieved. In the UK, the shift to turnover-based rentals and shorter lease terms continues.

Capital management

The Group generated free cash flow of R1,1 billion for the six months ended September 2019, the equivalent of 91,4% of net profit after tax. The improvement in free cash flow of 16,7%, compared to the corresponding six months ended September 2018, is in line with the Group's focus on working capital optimisation.

The debt to equity ratio at end September 2019 was 60,0% (Sept 2018: 65,1%) excluding the impact of IFRS 16, and 120,1% (Sept 2018: 127,5%) including the impact of the adoption of IFRS 16. See note 15 to these financial results.

Credit

Prudent credit risk policies and restricted approval rates, in response to the Group's assessment of the subdued economic climate and pending implementation of the Debt Intervention Bill, resulted in credit turnover growth contracting by 0,5% year-on-year for the first half of this financial year. Increased demand for credit in the prior financial year contributed to the growth of 7,3% in the gross debtors' book during the first half of the current financial period. The retail net debtors' book of R7,5 billion increased by 6,0% since September 2018. Net bad debt as a percentage of the debtors' book at September 2019 of 11,7% increased from 10,7% at March 2019 and 10,2% at September 2018 but remains within management's expectation.

Board updates

As was announced on SENS, Doug Murray, the former CEO of the Group, was appointed as a non-executive director with effect from 1 October 2019. The Supervisory Board welcomes Doug and looks forward to his contribution.

Outlook

The general retail outlook in the UK and Australia remains relatively subdued. However, the retail outlook for South Africa is particularly challenging given the close to zero growth environment, chronically high structural unemployment and the continuing speculation of a possible credit downgrade and what that may imply for the consumer.

Despite these challenges, TFG will continue focus on its well-defined strategy and believes that its considerable efforts in respect of digital transformation and business optimisation will positively position the Group for the future.

As always, the second half of the Group's financial year is heavily dependent on Black Friday, Cyber Monday and Christmas trade, which will largely determine performance for the full year. In South Africa, trading conditions have continued to tighten over recent months and, coming off a high base in the previous period, the Group is cautious in respect of its expectations for the remainder of the financial year.

Pro forma information

Pro forma management account information for TFG London and TFG Australia were used in this announcement for illustrative purposes only to provide an indicative turnover growth for these business segments.

In TFG London, all turnover transacted through House of Fraser was removed to illustrate the impact of House of Fraser (an independently owned department store) going into administration during August 2018.

In TFG Australia, turnover for the period 1 April to 30 September 2018 relating to the G-Star franchise stores was removed as if the disposal of these stores took place effective 31 March 2018.

This pro forma information, because of its nature, may not be a fair reflection of the Group’s results of operations, financial position, changes in equity or cash flows. There are no events subsequent to the reporting date which require adjustment to the pro forma information.

The pro forma management account turnover numbers used were as follows:

	6 months ended Sept 2019	6 months ended Sept 2018	
	£m	£m	% change
TFG London turnover for the period 1 April to 30 September	200,7	200,4	0,1%
Less turnover through House of Fraser (1 April to 30 September) #	10,7	16,9	-37,1%^
Comparable TFG London turnover	190,0	183,5	3,6%^
	6 months ended Sept 2019	6 months ended Sept 2018	
	£m	£m	% change
TFG London online turnover for the period 1 April to 30 September	64,5	68,3	-5,5%^
Less online turnover through House of Fraser (1 April to 30 September) #	0,9	4,9	-81,8%^
Comparable TFG London online turnover	63,6	63,4	0,3%
	6 months ended Sept 2019	6 months ended Sept 2018	
	A$m	A$m	% change

TFG Australia turnover for the period 1 April to 30 September	265,4	239,0	11,1%^
Less turnover from G-Star RAW franchise stores (1 April to 30 September) #	-	10,0	-
Comparable TFG Australia turnover	265,4	229,0	15,9%

^ Difference due to rounding.
# The adjustment is based on management accounts which are unaudited. The Group is satisfied with the quality of these management accounts.

The directors are responsible for compiling the pro forma financial information in accordance with the JSE Limited Listings Requirements and in compliance with the SAICA Guide on Pro Forma Financial Information. The underlying information used in the preparation of the pro forma financial information has been prepared using the accounting policies in place for the year ending 31 March 2020.

Interim ordinary dividend announcement
The directors have declared a gross interim ordinary dividend of 335,0 cents per ordinary share from income reserves, for the period ended 30 September 2019, payable on Monday, 6 January 2020 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 3 January 2020. The last day to trade (“cum” the dividend) in order to participate in the dividend will be Monday, 30 December 2019. The Foschini Group Limited ordinary shares will commence trading “ex” the dividend from the commencement of business on Tuesday, 31 December 2019 and the record date, as indicated, will be Friday, 3 January 2020.

Ordinary shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Tuesday, 31 December 2019 to Friday, 3 January 2020, both dates inclusive.

In terms of paragraph 11.17 of the JSE Listings Requirements, the following additional information is disclosed:
1) Local dividend tax rate is 20%;
2) The withholding tax, if applicable at the rate of 20%, will result in a net cash dividend per share of 268,00000 cents;
3) The issued ordinary share capital of The Foschini Group Limited is 236 756 814 shares at 7 November 2019; and
4) The Foschini Group Limited’s tax reference number is 9925/133/71/3P.

Preference dividend announcement
Dividend no. 166 of 3,25% (6,5 cents per share) (gross) in respect of the six months ending 31 March 2020 has been declared from income reserves, payable on Monday, 16 March 2020 to holders of 6,5% preference shares recorded in the books of the company at the close of business on Friday, 13 March 2020. The last day to trade (“cum” the dividend) in order to participate in the dividend will be Tuesday, 10 March 2020. The Foschini Group Limited preference shares will commence trading “ex” the dividend from

the commencement of business on Wednesday, 11 March 2020 and the record date, as indicated, will be Friday, 13 March 2020.

Preference shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Wednesday, 11 March 2020 to Friday, 13 March 2020, both dates inclusive.

In terms of paragraph 11.17 of the JSE Listings Requirements, the following additional information is disclosed:

1) Local dividend tax rate is 20%;
2) The withholding tax, if applicable at the rate of 20%, will result in a net cash dividend per share of 5,20000 cents;
3) The issued preference share capital of The Foschini Group Limited is 200 000 shares at 7 November 2019; and
4) The Foschini Group Limited’s tax reference number is 9925/133/71/3P.

Signed on behalf of the Board.

M Lewis	A E Thunström
Chairman	Chief Executive Officer

Cape Town
7 November 2019

Non-executive Directors:
M Lewis (Chairman), Prof. F Abrahams, S E Abrahams, G H Davin, D Friedland, B L M Makgabo-Fiskerstrand, A D Murray, E Oblowitz, N V Simamane, R Stein

Executive Directors:
A E Thunström, B Ntuli

Company Secretary:
D van Rooyen

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Transfer secretaries:
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, South Africa

Sponsor:
UBS South Africa Proprietary Limited

Visit our website at http://www.tfglimited.co.za