

THE FOSCHINI GROUP LIMITED
Reg. No.: 1937/009504/06
Share code: TFG - TFGP
ISIN: ZAE000148466 - ZAE000148516
("TFG" or "Group")

UPDATED TRADING STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

TFG wishes to advise shareholders that it is in the process of finalising its interim results for the six months ended 30 September 2020, which are due to be published on or about 5 November 2020.

As was announced in the Group's trading updates on SENS on 15 May 2020, 18 June 2020, 13 July 2020 and 15 September 2020, the Group's performance to date, has been negatively impacted by the COVID-19 pandemic, and the government-enforced lockdowns and measures taken to protect citizens in each of the Group's major territories, South Africa, the United Kingdom and Australia.

COVID-19 pandemic and store closures

Most of the Group's 4,083 trading outlets were closed in the month of April across all our major trading territories.

In TFG Africa, in excess of 2 100 or c.80% of the stores re-opened from 1 May, with all 2 577 stores re-opened from the 1st week of June. While trade has steadily improved since May, it remains volatile.

In TFG London, the regional store and concession estate gradually re-opened during May and June (in the United Kingdom from 15 June), albeit with significantly lower than usual levels of footfall. The re-opening of our city centre locations was generally held back until October, as footfall in these locations has been consistently weak, with commuter and tourist traffic slow to return, especially in central London.

In TFG Australia, the re-opening of stores commenced end April and all 534 stores across Australia and New Zealand were reopened by the end of May. A strong improvement in trade - relative to April - was seen in the months of May to July, but overall trade in August and September was again negatively impacted by Government restrictions responding to the second wave which resulted in store closures in both New Zealand and Victoria. New Zealand had 17 stores closed for 2 weeks, however these have subsequently reopened. Victoria has had 84 stores closed from 2 August. These stores still remain closed and the Victoria State Government anticipates lifting the lockdown regulations at the end of October. Despite these government enforced interruptions, TFG Australia has proved extremely resilient and in July reported its highest EBITDA in history. Due to immediate actions taken by management, the business has remained significantly cash positive and has to date not accessed any of its borrowing facilities.

Further lockdowns have since been announced in certain states of Australia, as well as in the United Kingdom, which will continue to adversely impact trade performance in these countries well into the second half of 2020 calendar year.

Online turnover continues to exceed management's expectation across all our major territories, except in the United Kingdom where online performance continues to be negatively impacted by weaker department store online channels. Online turnover from TFG London's own sites for the six months ended September 2020 however increased marginally by 1,6% compared to the previous comparable period.

Given the strong consumer association of our UK brands with occasion and formal workwear, it is clear that a recovery in demand for our clothing and accessories will be closely linked to the timing of a return to social mixing and in-office attendance. Taking into consideration the recent tightening of COVID-19 controls in the UK and Europe, it is increasingly likely that this recovery will be slower than originally anticipated.

Whilst we are very cognisant of the current retail challenges in the UK, we do believe that our UK brands remain very strong within their specific categories and we are in the process of further reviewing our cost base and operating model for TFG London, to ensure that we are well positioned for recovery.

Commenting on the current trading environment, Anthony Thunström, CEO of TFG said:

"Although Group turnover and earnings have clearly been negatively impacted by the COVID-19 pandemic and in particular the associated store closures, we are satisfied with both the strategic and tactical steps that our management teams have successfully undertaken in an unprecedented environment, and humbled by the continued support of our shareholders, as evidenced by the substantial oversubscription in respect of the recently concluded rights offer. Our balance sheet has never been stronger and the group's previous and ongoing investments into digital transformation; product, brand and category diversification and vertical, quick response supply chain development will continue to benefit the Group in the future, both during and post COVID. Our strong management teams have responded to these challenges as evidenced by the trading results we have managed to achieve under very difficult circumstances, especially in the United Kingdom. We responded with urgency, showed great resilience and at the same time took advantage of 'game changing' opportunities in the last six months, such as the Jet acquisition which provides TFG with a strategically important expansion into the value segment of the South African retail apparel market. The Group is well positioned to take advantage of any economic recovery and will continue to invest organically in its brands, its digital transformation initiatives as well as in its vertical quick response supply chain capacity, which has the added benefit of creating and preserving more South African jobs, at a time where every job is precious. We remain on the lookout for further inorganic growth opportunities that meet our acquisition criteria".

Earnings performance

As required in terms of the JSE Listings Requirements and as previously communicated to shareholders in our trading statement on 15 September, the Group expected its earnings for the six months ended 30 September 2020, to be at least 20% lower than those reported for the six months ended 30 September 2019.

The Group further advises that it expects the interim results for the six months ended 30 September 2020 to fall within the following ranges:

	Reported	Expected	
		Cents	%
	6 months ended 30 September 2019	6 months ended 30 September 2020	
Basic earnings per	533,4	133,4 - 186,7	-65,0% to -75,0%

ordinary share			
Basic headline earnings per ordinary share	526,7	(131,7) - (79,0)	-115,0% to -125,0%
Diluted earnings per ordinary share	530,6	132,7 - 185,7	-65,0% to -75,0%
Diluted headline earnings per ordinary share	523,9	(131,0) - (78,6)	-115,0% to -125,0%

Earnings performance has been impacted, *inter alia*, by the following factors:

- The impact of the COVID-19 pandemic and store closures as outlined above;
- The dilution impact of the successfully concluded rights offer as announced on SENS on 11 August 2020;
- The acquisition of certain commercially viable stores and selected assets of JET in South Africa as announced on SENS on 25 September 2020. The effective date of the acquisition was 25 September 2020 and the inclusion of a bargain purchase gain on acquisition will impact specifically on basic earnings per ordinary share and diluted earnings per ordinary share; and
- Good cost control, which has been achieved through operational discipline and through cost savings initiatives across all our operations, including business optimisation initiatives in TFG Africa.

Strong balance sheet

We have continued to monitor and responsibly manage cash resources, cash flow and liquidity and this, together with the successfully concluded rights offer, will insulate the balance sheet during this time of global economic uncertainty and allow us to further execute on the company's growth strategy and vision for the future. The Group's net funding position is much improved from pre-COVID-19 levels and we are confident with the strength of the Group's balance sheet.

Interim results announcement

Shareholders are advised that the Group expects to release its interim financial results for the six months ended 30 September 2020 on SENS on or about Thursday, 5 November 2020.

A live webcast of the result presentation will be broadcast at 09:00 am (SAS) on 5 November 2020. A registration link for the webcast will be available on the Company's website at www.tfglimited.co.za. The slides for the interim results presentation will be made available on the Company's website prior to the commencement of the webcast. A delayed version of the webcasts will be available later on the same day.

The forecast financial information on which this trading statement is based has not been reviewed and reported on by the company's external auditors.

Cape Town
23 October 2020

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