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 2020

SALIENT FEATURES

- Group revenue down 25,3% to R13,9 billion
- Group retail turnover down 26,1% to R12,5 billion
- Group online turnover now contributes 14,4% to Group retail turnover with strong growth for TFG Africa and TFG Australia at 115,8% (ZAR) and 66,8% (AUD) respectively
- Gross margin contracted to 45,2% (Sept 2019: 53,2%) mainly as a result of dealing with seasonal inventory where clearances were impacted by the various lockdowns
- Trading expenses decreased by 22,8% to R5,9 billion (Sept 2019: R7,7 billion)
- Basic earnings per share down 69,7% to 161,5 cents per share (Sept 2019: 533,4 cents per share)
- Headline loss per share of 91,0 cents down 117,1% (Sept 2019: headline earnings per share of 531,2 cents per share)
- Operating profit before acquisition costs, gain on bargain purchase and finance costs down 88,0% to R279,8 million
- Strong cash generation from operations of R4,9 billion (Sept 2019: R4,0 billion)
- Reduction in net debt from R8,4 billion (March 2020 pre-IFRS 16) to R2,3 billion (Sept 2020 pre-IFRS 16) as a result of the successful R3,8 billion rights issue and strong cash generation. Debt to equity improved to 11,2% (pre-IFRS 16)*
- No interim dividend has been declared (Sept 2019: 335,0 cents per share)
- Acquisition of Jet business in South Africa for a purchase consideration of R333,2 million

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 2020 and does not contain complete information. The full results announcement is accessible via the JSE link at https://senspdf.jse.co.za/documents/2020/JSE/isse/TFG/HY2021.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.

* Pro forma information used to calculate net debt pre-IFRS 16 and the debt to equity ratio pre-IFRS 16.

COMMENTARY

SUCCESSFUL EXECUTION OF STRATEGIC AND TACTICAL MEASURES SUPPORTS GROUP PERFORMANCE DURING UNPRECEDENTED COVID-19 PANDEMIC

The first half of financial year 2021 was delivered in unprecedented circumstances. The COVID-19 pandemic was declared a global emergency on 30 January 2020 and the impact of the pandemic has been felt across all our operations since the beginning of March 2020 with significant trading disruptions caused by government-enforced lockdowns and regulations on social distancing in all three of our major operating territories – South Africa, the United Kingdom (UK) and Australia.

As was announced in the Group's trading statement on SENS on 23 October 2020, most of the Group's 4 083 trading outlets across all our major trading territories were closed in the month of April. Further lockdowns have since been announced in certain states of Australia, as well as in the UK and other international markets, which will continue to adversely impact trade performance in these countries well into the second half of the 2020 calendar year.

We reacted swiftly to the pandemic and prioritised measures in March and April to protect our employees, customers and other stakeholders, while strengthening our business through the preservation of cash resources and securing enhanced liquidity.

From 1 May, in excess of 2 100 of TFG Africa's outlets reopened, with all 2 577 stores reopened 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 reopened during May and June (in the UK from 15 June), albeit with significantly lower than usual levels of footfall. The reopening 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. A second national lockdown has been announced in the UK and is expected to last for four weeks from 5 November to 2 December which will have a significant adverse impact on trade performance.

In TFG Australia, the reopening 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 two weeks, however these have subsequently reopened. Victoria had 84 stores closed from 2 August to 28 October. 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.

Financial performance

Against this backdrop, the Group's turnover for the six months ended 30 September 2020 decreased by 26,1% to R12,5 billion. Cash turnover decreased by 23,0% while credit turnover, which was purposely restricted by stringent and reduced acceptance criteria, decreased by 34,7%. Cash turnover now contributes 76,6% to total Group turnover.

Online turnover in TFG Africa and TFG Australia exceeded management's expectation with strong growth of 115,8% (ZAR) in TFG Africa and 66,8% (AUD) in TFG Australia for the six months ended 30 September 2020. In the UK however, 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 30 September 2020 increased marginally by 1,6% (GBP) compared to the previous comparable period. For the six months ended 30 September 2020, online turnover contributed 14,4% to total Group turnover, up from an 8,5% contribution in the comparative six month period.

Gross margin for the Group decreased by 8,0% to 45,2% due to increased promotional activity in response to challenging trading conditions, stock provisions and a change in product mix across all three segments. Additional stock provisions were taken in all three of our major operating territories to deal with the impact that the various lockdowns had on the clearance of seasonal product, to ensure that the Group is well positioned going into the second half of the year.

A significant effort from management teams across the three segments, ensured that trading expenses for the six month period ended 30 September 2020, reduced by 22,8% when compared to the same period in the previous financial year. This was achieved through operational discipline and various cost savings initiatives, including business optimisation initiatives in TFG Africa. The Group also benefitted from various government relief measures related to COVID-19.

Basic earnings per share and headline earnings per share decreased by 69,7% and 117,1% respectively. Earnings performance was impacted by the COVID-19 pandemic and outlet closures as outlined above as well as by the following non-comparable events:

- The dilution impact of the successfully concluded rights offer as announced on SENS on 11 August 2020; and
- 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 purchase gain on acquisition of R694,3 million as well as acquisition costs of R14,3 million has impacted specifically on basic earnings per ordinary share and diluted earnings per ordinary share.

Segmental performance

TFG Africa's retail turnover decline (ZAR) when compared to the same period in the previous financial year in the respective merchandise categories was as follows:

Merchandise category	Total turnover decline / growth Q1 April to June 2020	Total turnover decline / growth Q2 July to Sept 2020	Total turnover decline / growth H1 April to Sept 2020	Contribution to TFG Africa turnover for the 6 months to Sept 2020
Clothing	(41,4%)	(9,5%)	(25,7%)	69,1%
Homeware	(25,0%)	4,9%	(10,0%)	8,4%

Cosmetics	(51,5%)	(18,7%)	(34,3%)	4,1%
Jewellery	(70,3%)	(15,1%)	(41,0%)	5,0%
Cellphones	5,1%	29,6%	17,6%	13,4%
Total TFG Africa	(38,4%)	(5,8%)	(22,1%)	100,0%

Cash turnover, contributing 64,5% of the segment's turnover, decreased by 12,9% when compared to the same period in the previous financial year, while credit turnover decreased by 34,7% when compared to the same period in the previous financial year. Product deflation for clothing was 3,5%.

TFG Australia's turnover, contributing 18,5% to Group turnover, decreased by 26,9% (AUD) when compared to the same period in the previous financial year, while TFG London's turnover, contributing 15,5% to Group turnover, decreased by 56,2% (GBP) when compared to the same period in the previous financial year.

The retail turnover decline when compared to the same period in the previous financial year in each of our business divisions was as follows:

Business division	Total turnover decline Q1 April to June 2020	Total turnover decline Q2 July to Sept 2020	Total turnover decline H1 April to Sept 2020	Contribution to Group turnover for the 6 months to Sept 2020
TFG Africa (ZAR)	(38,4%)	(5,8%)	(22,1%)	66,0%
TFG London (GBP)	(68,5%)	(41,9%)	(56,2%)	15,5%
TFG Australia (AUD)	(42,4%)	(12,4%)	(26,9%)	18,5%
Group (ZAR)	(43,0%)	(8,7%)	(26,1%)	100,0%

Given the strong consumer association of our UK brands with occasion and formal workwear, it is clear that a recovery in demand for their 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 and the announcement of a second national lockdown in the UK, 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.

Acquisition of certain commercially viable assets of Jet

As was announced on SENS on 25 September 2020, TFG concluded an agreement to acquire certain commercially viable stores and selected assets of Jet in South Africa.

With effect from 25 September 2020, the Group acquired 382 Jet stores in South Africa for a consideration of R333,2 million (being the South African portion of the maximum purchase consideration of R480 million, proportionally adjusted by the percentage by which the actual stock value at the effective date was less than the required minimum stock value).

The initial accounting for the acquisition of Jet has only been provisionally determined at the end of the reporting period and a gain on purchase of R694,3 million has been recognised in profit or loss in the current period. Acquisition costs related to the Jet acquisition of R14,3 million have been expensed in the current period in profit or loss.

The contracts for the acquisition of the Jet stores and assets located within the Republic of Botswana, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of eSwatini have been signed on 23 September 2020, however they remain subject to satisfactory fulfilment or waiver, as the case may be, of conditions precedent including, inter alia, approval by regulatory authorities in these jurisdictions. Therefore the purchase price allocation will only be finalised once these transactions have been concluded.

Store portfolio

At 30 September 2020, the Group traded out of 4 345 outlets across 31 countries. This includes the acquisition of 382 Jet stores in South Africa effective 25 September 2020. During the period, 63 outlets were opened and 183 outlets closed, with outlet movement in the respective business segments as follows:

Outlets	TFG Africa	TFG London	TFG Australia	Group
Opening balance at April	2 577	972	534	4 083
New outlets	23	37	3	63
Closed outlets	(33)	(148)	(2)	(183)
Closing balance before Jet acquisition	2 567	861	535	3 963
SA Jet stores acquired	382	-	-	382
Closing balance at 30 Sept 2020	2 949	861	535	4 345

Credit

A restricted credit appetite was maintained for the six month period ended 30 September 2020, with curtailed marketing during the COVID-19 pandemic contributing to a decrease in demand for new accounts of 55,0%. Approval rates have been reduced to less than 10% as a preventative measure. The lack of new accounts and the hard lockdown during the COVID-19 pandemic have resulted in credit sales decreasing by 34,7% compared to the same period in the previous financial year. The retail net debtors' book of R6,8 billion decreased by 9,6% compared to the same period in the previous financial year. The allowance for impairment as percentage of debtors' book increased to 25,0% (Sept 2019: 19,7%) as the allowance includes an assessment for the impact of COVID-19 on expected credit losses.

Successfully concluded rights offer

As was announced on SENS on 11 August 2020, TFG implemented a fully underwritten, renounceable rights offer that raised gross proceeds of R3,95 billion. The rights offer consisted of an offer of 94 270 486 new TFG ordinary shares at a subscription price of R41,90 per rights offer share. The net proceeds raised amounted to R3,8 billion.

Strong balance sheet

The Group generated net cash of R2,3 billion excluding the net proceeds of c.R3,8 billion from the successfully concluded rights offer, and R6,1 billion including the net proceeds from the rights offer. This strong cash generation, especially from operations (i.e. cash generated of R4,9 billion), is a pleasing result and has supported the reduction in net debt from R8,4 billion (pre-IFRS 16) at the end of March 2020 to R2,3 billion (pre-IFRS 16) at the end of September 2020. The Group's debt to equity ratio has improved to 11,2% (pre-IFRS 16) from 52,4% (pre-IFRS 16) at end March 2020*.

* Pro forma information used to calculate net debt pre-IFRS 16 and the debt to equity ratio pre-IFRS 16.

Ongoing focus on working capital management has also resulted in the Group's current ratio improving to 2,0 from 1,5 at year-end, with inventory balances reducing by R973,9 million since year-end and inventory days reducing by a further 2 days to 186 days (excluding the inventory acquired as part of the Jet acquisition).

PRO FORMA INFORMATION

Pro forma information for net debt pre-IFRS 16 and the debt to equity ratio pre-IFRS 16 were used in this announcement as these are key metrics within the Group's debt reporting. 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 net debt pre-IFRS 16 and debt to equity pre-IFRS 16 numbers were calculated as follows:

	Sept 2020	Sept 2019	March 2020
	Rm	Rm	Rm
Total interest-bearing debt	16 092,6	18 152,0	19 927,3
Less: Cash and cash equivalents	(4 760,2)	(1 159,8)	(2 969,1)
Net debt	11 332,4	16 992,2	16 958,2
Less: Lease liabilities	(9 072,9)	(8 495,2)	(8 597,8)
Net debt pre-IFRS 16	2 259,5	8 497,0	8 360,4
Equity	20 263,0	14 153,5	15 942,6
	%	%	%
Debt to equity	55,9	120,1	106,4
Debt to equity pre-IFRS 16	11,2	60,0	52,4

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 pro forma financial information has not been audited or reviewed by the external auditors. 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 ended 31 March 2020.

Supervisory Board updates
During the period, the following changes took place, as was communicated on SENS on 29 July 2020:

- G H Davin, an independent non-executive director, was appointed as the Lead Independent Non-Executive Director with effect from 1 August 2020;
- R Stein, previously categorised as a non-executive director, was classified as an independent non-executive director effective 29 July 2020; and
- Certain changes were made to the various Board committees effective 1 August 2020.

Outlook
The outlook for trading conditions remain uncertain as consumer confidence remains under pressure and further lockdowns as a result of the second wave of COVID-19 infections have already been experienced in TFG Australia and are currently being experienced in TFG London.

As previously communicated, the impact of the COVID-19 pandemic on our 2021 financial year is expected to be significant across all territories, the extent of which is difficult to predict with accuracy. Any re-introduction of significant lockdowns and store closures across our three business segments would have a further material and negative impact on our business and results of operations in our 2021 financial year.

We are however confident that the Group is well positioned to take advantage of any economic recovery and that our continued investment in our brands, digital transformation initiatives, e-commerce platforms and vertical quick response supply chain capacity, will continue to benefit the Group.

Results presentation webcast
A live webcast of the results presentation will be broadcast at 09:00 am (SAST) on 5 November 2020. A registration link for the webcast is available on the Company’s website: http://www.tfglimited.co.za. The interim results presentation will be made available on the Company’s website prior to the commencement of the webcast.

Interim ordinary dividend announcement
In light of the current subdued economic environment and the heightened levels of uncertainty posed by COVID-19, the Supervisory Board has decided that it would be prudent not to declare an interim ordinary dividend at this period-end (Sept 2019: 335,0 cents per share). Dividends will be resumed when appropriate to do so.

Preference dividend announcement
Dividend no. 168 of 3,25% (6,5 cents per share) (gross) in respect of the six months ending 31 March 2021 has been declared from income reserves, payable on Monday, 15 March 2021 to holders of 6,5% preference shares recorded in the books of the company at the close of business on Friday, 12 March 2021. The last day to trade (“cum” the dividend) in order to participate in the dividend will be Tuesday, 9 March 2021. The Foschini Group Limited preference shares will commence trading “ex” the dividend from the commencement of business on Wednesday, 10 March 2021 and the record date, as indicated, will be Friday, 12 March 2021.

Preference shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Wednesday, 10 March 2021 to Friday, 12 March 2021, both dates inclusive.

In terms of paragraph 11.17 of the JSE Listings Requirements, the following additional information is disclosed in respect of the preference dividend:
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 5 November 2020; and
4) The Foschini Group Limited's tax reference number is 9925/133/71/3P.

Signed on behalf of the Board.

M Lewis
Chairman

A E Thunström
Chief Executive Officer

Cape Town
5 November 2020

Non-executive Directors:
M Lewis (Chairman), Prof. F Abrahams, S E Abrahams, C Coleman, 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

Registered office:
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Transfer secretaries:
Computershare Investor Services Proprietary Limited
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Sponsor:
UBS South Africa Proprietary Limited

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