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

TRADING STATEMENT AND TRADING UPDATE FOR Q4 FY2021 AND THE TWELVE MONTHS ENDED 31 MARCH 2021

TRADING UPDATE

SALIENT FEATURES:
- Strong recovery in Q4 FY2021 with Group turnover growth of 21,0% (excluding Jet +6,0%)* compared to Q4 FY2020;
- Solid performance from TFG Africa with turnover growth of 37,3% in Q4 FY2021 (excluding Jet +13,2%)*;
- Encouraging like-for-like turnover growth for TFG Africa of 11,6% for Q4 FY2021;
- Strong cash turnover growth for TFG Africa of 63,8% for Q4 FY2021 and 19,0% for the 12 months ended 31 March 2021, which is indicative of continued customer demand for our brands and products and further market share gains. Cash turnover now contributes 69,3% to total TFG Africa turnover;
- Continued resilient performance from TFG Australia with turnover growth of 30,4% (AUD) in Q4 FY2021;
- Group online turnover growth of 33,4% for the 12 months ended 31 March 2021, contributing 12,0% (prior year: 8,4%) to total Group turnover;
- TFG Africa online turnover growth of 132,4% for the period 1 May 2020 to 31 March 2021;
- Reset the cost base going forward;
- Reduction in net debt from R8,4 billion (March 2020 pre-IFRS 16) to R1,3 billion (March 2021 pre-IFRS 16)**; and
- R2,7 billion after tax non-cash impairment of the carrying values of TFG London's goodwill and intangible assets on the back of the impact the COVID-19 pandemic has had on the trading environment.

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

** Pro forma information used to calculate net debt pre-IFRS 16

BACKGROUND

As a result of the COVID-19 pandemic, the past financial year was characterised by unprecedented global economic, political and social turmoil. Consumer sentiment, although in the process of recovering, has remained muted and spend remains suppressed.

While all three of our main territories, South Africa, the United Kingdom (UK) and Australia, continue to be impacted by COVID-19, TFG Africa and TFG Australia continued to trade strongly in Q4 FY2021.

The UK continues to be the hardest hit with no stores operating during Q4 FY2021. As previously advised, the third UK national lockdown (announced on 4 January 2021) was in place for the full fourth quarter of the financial year, with non-essential retail only reopening on 12 April 2021. In total, the UK lost approximately 50% of its available store trading hours during the past financial year and experienced severely depressed footfall and consumer confidence for most of the remainder of the year. Following the review of the carrying value of the investment in the fourth quarter, the impacts of the above-mentioned uncontrollable circumstances, coupled with the significant deterioration in Weighted Average Cost of Capital (WACC) rates used, due to an increase in the business risk rates applied and confirmation of the closure of a number of department store concessions through which we had previously traded, a decision was taken to impair approximately 56% of the carrying values of TFG London's goodwill and intangible assets.

Despite the challenges described above, the Group, in line with its strategic intents, continues to invest for the long-term and to further strengthen its digital and local supply chain and manufacturing capabilities. Now that the UK has reopened for trading, most of our brands are currently trading above expectations as consumers start to return to stores.

TFG AFRICA PERFORMANCE UPDATE

TFG Africa's performance in Q4 FY2021 was very encouraging, with turnover growth of 37,3%, aided by the significant contribution of the recently acquired Jet business. Excluding Jet, turnover for the quarter grew by 13,2%* compared to the same period in the previous financial year. All merchandise categories grew turnover during Q4 FY2021 compared to the corresponding period in the prior year, with the exception of cosmetics, which was marginally down.

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

TFG Africa's like-for-like turnover growth (which by definition excludes Jet) has been particularly pleasing with growth of 11,6% in Q4 FY2021.

The growth / (decline) in TFG Africa's turnover compared to the same periods in the previous financial year in the respective merchandise categories were as follow:

Merchandise category	Q1 April to June 2020	Q2 July to Sept 2020	Q3 Oct to Dec 2020	Q4 Jan to March 2021
Clothing	(41,4%)	(9,5%)	16,0%	41,6%
Homeware	(25,0%)	4,9%	16,3%	28,1%
Cosmetics	(51,5%)	(18,7%)	(4,3%)	(2,5%)
Jewellery	(70,3%)	(15,1%)	(13,0%)	4,5%
Cellphones	5,1%	29,6%	39,0%	58,8%
Total TFG Africa	(38,4%)	(5,8%)	14,7%	37,3%

Merchandise category	H1 April to Sept 2020	H2 Oct 2020 to March 2021	FY 2021	FY 2021 Contribution to TFG Africa turnover
Clothing	(25,7%)	24,4%	0,8%	71,8%
Homeware	(10,0%)	21,3%	6,5%	7,6%
Cosmetics	(34,3%)	(3,6%)	(18,2%)	3,9%
Jewellery	(41,0%)	(6,4%)	(22,0%)	5,2%
Cellphones	17,6%	48,2%	33,5%	11,5%
Total TFG Africa	(22,1%)	22,7%	1,6%	100,0%

Cash turnover for the year, contributing 69,3% to TFG Africa's turnover, grew by 19,0% compared to the previous financial year. Particularly encouraging was the growth experienced in Q4 FY2021 of 63,8%.

Credit turnover for the year was purposely restricted by the imposition of more stringent and reduced acceptance criteria. Compared to the same period in the previous financial year, credit turnover declined by 23,6% for the full year.

Online turnover for the period 1 May 2020 to 31 March 2021 grew by 132,4%. April has been excluded from this growth as we were not permitted to fulfill any online deliveries during the South African government-enforced lockdown in April 2020. Online turnover for TFG Africa for the year contributed 3,5% to total segment turnover (FY 2020: 1,6%).

Despite the challenging trading conditions experienced during the year, TFG Africa opened 55 new stores. In total, 128 stores were closed during the year.

TFG AUSTRALIA PERFORMANCE UPDATE

TFG Australia continued to exceed expectation with turnover growth of 30,4% (AUD) in Q4 FY2021 and 11,8% (AUD) in H2 FY2021 compared to the same period in the previous financial year. This performance was achieved despite intermittent lockdowns and restrictions in different states and regions, depending on the number of positive COVID-19 cases.

For the full year, TFG Australia's turnover declined by 7,1%. Online turnover for the full year, however, grew by 58,1%, now contributing 9,0% to total TFG Australia turnover (FY 2020: 5,3%).

The growth / (decline) in TFG Australia's turnover compared to the same periods in the previous financial year was as follow:

	Q1 April to June 2020	Q2 July to Sept 2020	Q3 Oct to Dec 2020	Q4 Jan to March 2021
Retail turnover movement – AUD denominated	(42,4%)	(12,4%)	0,4%	30,4%

	H1 April to Sept 2020	H2 Oct 2020 to March 2021	FY 2021
Retail turnover movement – AUD denominated	(26,9%)	11,8%	(7,1%)

During the past year, TFG Australia opened 28 new outlets, including eight concessions, while eight outlets were closed. At the year-end, TFG Australia was trading from 554 outlets.

TFG LONDON PERFORMANCE UPDATE

As indicated above, TFG London was the hardest hit by stringent government-enforced lockdowns during the past financial year, with turnover for the 12-month period contracting by 49,7% on the previous year, as a result of mandatory store closures. In total, the UK lost approximately 50% of its available store trading hours during the past financial year.

The Phase Eight and Hobbs brands were particularly hard-hit by the pandemic, as these brands predominantly serve the occasion wear and formal workwear segments. These segments experienced reduced customer demand as socializing and in-office attendance remained largely prohibited.

In the lead up to the outbreak of the pandemic, TFG London was a strong and fast-growing business. In the report on the Global Powers of Luxury Goods 2020, Deloitte identified TFG London as the third fastest growing brand portfolio in the world, behind Richard Mille SA and Canada Goose Holdings Inc., with a three-year Cumulative Annual Growth Rate (CAGR) of 33% between 2016 and 2019.

The pandemic has not only directly impacted trading over the last financial year, but it has also had significant long-term ramifications on TFG London's department store partners, reducing TFG London's projected future cash flows. The increase in the level of uncertainties in the trading environment and the impact on our future projected cash flows has negatively impacted the discount rates applied in assessing the carrying values. After re-assessing the carrying values of the goodwill and intangible assets related to TFG London, a non-cash impairment of R2,7 billion after tax has been recognized.

Despite this re-assessment, we consider the TFG London brands to have retained their brand equity during this period, and we are encouraged by current trade exceeding expectations since the reopening of non-essential retail in the UK on 12 April 2021, albeit with fewer physical store and concession routes to market. We however continue to explore alternative routes to market. In addition, following completion of the final phase of portfolio integration to the single TFG London operating platform, the conclusion of the associated head office restructuring and the closure of 230 non-profitable stores and concessions, we are able to take the business forward with a more efficient infrastructure and an appropriately reduced cost base in place.

The turnover performance of TFG London compared to the same periods in the previous financial year was as follow:

	Q1 April to June 2020	Q2 July to Sept 2020	Q3 Oct to Dec 2020	Q4 Jan to March 2021
Retail turnover movement – GBP denominated	(68,5%)	(41,9%)	(41,4%)	(45,0%)

	H1 April to Sept 2020	H2 Oct 2020 to March	FY 2021

		2021	
Retail turnover movement – GBP denominated	(56,2%)	(42,8%)	(49,7%)

Online turnover performance from TFG London’s own sites was particularly strong with growth of 9,1% (GBP) for the year, compared to growth in department store channels for the same period of -9,5% (GBP). The contribution of online turnover to TFG London’s total turnover for the year was 62,5% (FY 2020: 31,4%).

GROUP PERFORMANCE UPDATE

Overall, the Group delivered a strong performance during Q4 FY2021 with Group turnover growth of 21,0% compared to the same period in the previous financial year. Excluding Jet, turnover for the quarter grew by 6,0%* compared to the same period in the previous financial year.

Online turnover for the Group continued to excel with growth of 49,5% for Q4 FY2021 compared to the same period in the previous financial year.

For the 12 months to 31 March 2021, total Group turnover declined by 6,7% compared to the same period in the previous financial year (excluding Jet: -13,0%*) due to the impact of lockdowns in April and May in all countries of operation, and subsequent periods of lockdowns in the UK and Australia as previously reported. Group cash turnover declined by 0,8% compared to the same period in the previous financial year, contributing 78,7% (comparable prior period: 73,9%) to total Group turnover for the 12 months to 31 March 2021.

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

Group online turnover grew by 33,4% (comparable prior period: -1,9%) for the 12-month period, contributing 12,0% (comparable prior period: 8,4%) to total Group turnover.

We continue to focus on enhanced cost control and prudent working capital management and from an inventory perspective, we are adequately provisioned leading into the new financial year.

The Group continues to reduce net debt owing to strong cash generation, working capital optimization, deliberate paying down of debt and the successful rights offer concluded in July 2020.

UPDATE ON JET

As announced on SENS on 25 September 2020, 5 November 2020 and 19 January 2021, the Group acquired certain commercially viable stores and selected assets of Jet in South Africa (effective 25 September 2020) and in Botswana, the Kingdom of Eswatini, Lesotho and Namibia (effective on various dates in December 2020 and January 2021). The integration of these 425 Jet stores and the other key back-office integration workstreams have all been satisfactorily completed within planned budgets and timeframes.

OUTLOOK

Macroeconomic conditions in all territories in which we operate are likely to remain constrained, and changing customer needs will continue to disrupt traditional business models and accelerate digitalisation.

The impact of lockdown measures has further caused a structural shift in the way we conduct business and how our customers interact with us. This will determine in the future how we operate, where we invest and what, strategically, we prioritise.

However, the past year has also demonstrated that TFG remains resilient under extremely difficult and unprecedented circumstances.

We remain committed to the prioritisation of our strategic investments in digital transformation and localised quick response manufacturing. We are satisfied with the manner in which we have de-geared our balance sheet, both as a result of the successful rights offer as well as from strong trading conditions since the reopening of the various economies in which we trade. We will continue with our strong focus on expense control and capital management.

We are well positioned to benefit from the expected recovery in the UK, which will be aided to a large extent by the extensive vaccine roll-out.

Trade since the year-end has been encouraging across all three of our trading territories. For the trading month of April 2021, TFG Africa had turnover growth of 25,7% (excluding Jet +3,0%*) and TFG Australia turnover growth of 41,6% (AUD), both compared to April 2019. As previously announced, since most of the Group’s trading outlets across all our major trading territories were closed in the month of April 2020, turnover growth for April 2021 has been calculated on April 2019. TFG

London’s turnover decreased by 42,0% (GBP), considering that non-essential retail only re-commenced on 12 April 2021 (19 days), versus a full trading month in April 2019.

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

TRADING STATEMENT FOR THE TWELVE MONTHS ENDED 31 MARCH 2021

As per paragraph 3.4(b)of the JSE Limited Listings Requirements, shareholders are advised that the Group’s basic and diluted headline earnings per share for the year ended 31 March 2021, which by definition excludes the impact of the non-cash impairment of the carrying values of TFG London’s goodwill and intangible assets, are expected to fall within the following ranges:

	Reported	Expected	
	Year ended 31 March 2020 Restated^	Year ended 31 March 2021	
	Cents	Cents	%
Basic headline earnings per ordinary share	1 029,3	154,4 to 257,3	-75,0% to -85,0%
Diluted headline earnings per ordinary share	1 024,6	153,7 to 256,2	-75,0% to -85,0%

However, basic and diluted earnings per share, which includes the impact of the non-cash impairment of the carrying values of TFG London’s goodwill and intangible assets, are expected to fall within the following ranges:

	Reported	Expected	
	Year ended 31 March 2020 Restated^	Year ended 31 March 2021	
	Cents	Cents	%
Basic earnings per ordinary share	925,7	-648,0 to -555,4	-160,0% to -170,0%
Diluted earnings per ordinary share	921,4	-645,0 to -552,8	-160,0% to -170,0%

^ As required by IAS 33, the prior year basic and diluted weighted average number of shares has been adjusted retrospectively to account for the bonus element arising from the rights issue.

Other than the R2,7 billion after tax non-cash impairment of the carrying values of TFG London's goodwill and intangible assets, earnings performance has also been impacted, inter alia, by the following factors:

- The impact of the COVID-19 pandemic and store closures as reported previously and 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. 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
- Responsible cost control, which has been achieved through enhanced operational discipline and through cost savings initiatives across all our operations, including specific business optimisation initiatives in TFG Africa.

ANNUAL FINANCIAL RESULTS

Shareholders are advised that the Group expects to release its annual financial results for the 12 months ended 31 March 2021 on SENS on Thursday, 10 June 2021.

A live webcast of the result presentation will be broadcast at 10:00 am (SAS) on 10 June 2021. A registration link for the webcast will be available on the Company's website at www.tfglimited.co.za. The slides for the annual 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.

PRO FORMA INFORMATION

Pro forma management account information for Jet was used in this announcement for illustrative purposes only to provide an indicative turnover growth for the Group and for TFG Africa excluding the acquired Jet stores.

Jet turnover for the period 25 September 2020 to 31 March 2021 relating to the acquired Jet stores were removed as if the acquisition did not take place.

Pro forma information for net debt pre-IFRS 16 was also used in this announcement as this is a key metric 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 management account turnover numbers used were:

TFG Africa	Q4 Jan to March 2021	Q4 Jan to March 2020	Growth
	Rm	Rm	%
TFG Africa turnover including Jet	5 764,8	4 198,8	37,3%
Less: Jet turnover#	1 012,7		
TFG Africa turnover excluding Jet	4 752,1	4 198,8	13,2%

Group	Q4 Jan to March 2021	Q4 Jan to March 2020	Growth
	Rm	Rm	%
Group turnover including Jet	8 174,1	6 757,2	21,0%
Less: Jet turnover#	1 012,7		
Group turnover excluding Jet	7 161,4	6 757,2	6,0%

TFG Africa	FY 2021	FY 2020	Growth
	Rm	Rm	%
TFG Africa turnover including Jet	22 885,8	22 531,8	1,6%
Less: Jet turnover#	2 228,0		
TFG Africa turnover excluding Jet	20 657,8	22 531,8	(8,3%)

Group	FY 2021	FY 2020	Growth

	Rm	Rm	%
Group turnover including Jet	32 950,3	35 323,3	(6,7%)
Less: Jet turnover#	2 228,0		
Group turnover excluding Jet	30 722,3	35 323,3	(13,0%)

TFG Africa	Trading month April 2021	Trading month April 2019	Growth
	Rm	Rm	%
TFG Africa turnover including Jet	2 520,5	2 005,9	25,7%
Less: Jet turnover#	455,0		
TFG Africa turnover excluding Jet	2 065,5	2 005,9	3,0%

The adjustment is based on management accounts. The Group is satisfied with the quality of these management accounts which are unaudited.

The pro forma net debt pre-IFRS 16 numbers were calculated as follows:

	March 2021	March 2020
	Rm	Rm
Total interest-bearing debt	14 344,6	19 927,3
Less: Cash and cash equivalents	4 843,2	2 969,1
Net debt	9 501,4	16 958,2
Less: Lease liabilities	8 186,9	8 597,8
Net debt pre-IFRS 16	1 314,5	8 360,4

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 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 2021.

Shareholders are advised that the financial information on which this trading update and trading statement is based has not been reviewed or reported on by the Company's external auditors.

Cape Town
14 May 2021

Sponsor:
UBS South Africa Proprietary Limited