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

SHORT-FORM ANNOUNCEMENT
Condensed consolidated financial statements for the year ended 31 March 2021

SALIENT FEATURES:
- Group revenue down 7,5% to R35,6 billion;
- Group retail turnover down 6,7% (excluding Jet -13,0%)* to R33,0 billion, but a strong recovery in H2 FY2021 with Group retail turnover growth of 11,2% (excluding Jet - 0,8%)* compared to H2 FY2020;
- Group online retail turnover now contributes 12,0% to Group retail turnover with strong growth for TFG Africa and TFG Australia at 132,4%^ (ZAR) and 58,1% (AUD) respectively;
- Gross margin contracted to 45,5% (March 2020: 52,7%) mainly as a result of dealing with seasonal inventory where clearances were impacted by the various lockdowns;
- Headline earnings per share of 197,9 cents down 80,8% (March 2020: 1 029,3 cents per share);
- Basic earnings per share down 166,3% to a loss of 614,0 cents per share (March 2020: basic earnings per share of 925,7 cents per share);
- Operating loss before finance costs of R719,2 million (March 2020: Operating profit before finance costs of R4,7 billion);
- Strong cash generation from operations of R9,4 billion (March 2020: R8,3 billion);
- Reduction in net debt from R8,4 billion (March 2020 pre-IFRS 16) to R1,3 billion (March 2021 pre-IFRS 16)**;
- 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;
- The Supervisory Board has decided that it would be prudent not to declare a final dividend at this year-end, but plans to resume dividends in the 2022 financial year (March 2020: 335,0 cents per share for the full year); and
- Acquisition of the Jet business for a purchase consideration of R385,3 million which resulted in the recognition of a bargain purchase gain of R709,0 million.

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

^ Online retail turnover for the period 1 May 2020 to 31 March 2021. April has been excluded from this growth as we were not permitted to fulfil any online deliveries during the South African government-enforced lockdown in April 2020*.

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

This short-form announcement is the responsibility of the company's directors. It is a summary of the information in the Group's reviewed provisional condensed consolidated financial statements for the year ended 31 March 2021 and does not contain complete information. The full results announcement is accessible via the JSE link at https://senspdf.jse.co.za/documents/2021/JSE/isse/TFG/FY2021.pdf and on the Company’s website at https://tfglimited.co.za/investor-information/financial-reports-and-presentations/.

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.

This announcement has not been reviewed or reported on by the Group’s external auditors. The Group’s auditors, Deloitte & Touche, have reviewed the full announcement and expressed an unmodified conclusion thereon.

COMMENTARY

SUCCESSFUL EXECUTION OF STRATEGIC MEASURES SUPPORTS GROUP PERFORMANCE DURING UNPRECEDENTED COVID-19 PANDEMIC – A PIVOTAL YEAR IN TFG’S STRATEGIC TRANSFORMATION

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.

As previously announced, most of the Group’s 4 083 trading outlets across all our major trading territories – South Africa, the United Kingdom (UK) and Australia - were closed in the first month of our financial year (April 2020). In South Africa, 447 jewellery stores remained closed during the month of May 2020 due to the prevailing lockdown restrictions. Further lockdowns were experienced in certain states of Australia, in the UK and other international markets, which continued to adversely impact trade performance in these countries throughout our 2021 financial year.

While all three of our main territories 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 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 the 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 intent, 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.

FINANCIAL PERFORMANCE

Against this backdrop, the Group's retail turnover for the year ended 31 March 2021 decreased by 6,7% to R33,0 billion. Excluding the recently acquired Jet business, retail turnover for the year decreased by 13,0%*. Particularly encouraging, however, was the strong recovery in H2 FY2021 with Group retail turnover growth of 11,2% (excluding Jet -0,8%)* compared to H2 FY2020.

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

Cash retail turnover for the year ended 31 March 2021 decreased by 0,8% while credit retail turnover, which was purposely restricted by stringent and reduced acceptance criteria, decreased by 23,6%. Cash retail turnover now contributes 78,7% to total Group retail turnover.

Online retail turnover in TFG Africa and TFG Australia exceeded management's expectation with strong growth of 132,4%^ (ZAR) in TFG Africa and 58,1% (AUD) in TFG Australia for the year ended 31 March 2021. In the UK, however, online performance continues to be negatively impacted by weaker department store online channels. Online retail turnover from TFG London's own sites for the year ended 31 March 2021 increased by 9,1% (GBP) compared to the previous comparable period. For the year ended 31 March 2021, online retail turnover contributed 12,0% to total Group retail turnover, up from an 8,4% contribution in the comparative 12-month period.

^ Online retail turnover for the period 1 May 2020 to 31 March 2021. April has been excluded from this growth as we were not permitted to fulfil any online deliveries during the South African government-enforced lockdown in April 2020*.

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

Gross margin for the Group decreased by 7,2% to 45,5% 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 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 new financial year.

A significant effort from management teams across the three segments ensured that trading expenses for the year ended 31 March 2021 were curtailed. This was achieved through operational discipline and various cost savings initiatives, including business optimisation initiatives in TFG Africa and TFG London. The Group also benefited from various government relief measures related to COVID-19.

Headline earnings per share and basic earnings per share decreased by 80,8% and 166,3% respectively. Earnings performance was impacted by the COVID-19 pandemic and outlet closures as outlined previously, as well as, *inter alia*, by the following non-comparable events:

- The acquisition of 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 inclusion of a bargain purchase gain on acquisition of R709,0 million as well as acquisition costs of R16,8 million has impacted specifically on basic earnings per ordinary share and diluted earnings per ordinary share; and

- The R2,7 billion after tax non-cash impairment of the carrying values of TFG London's goodwill and intangible assets which has impacted specifically on basic earnings per ordinary share and diluted earnings per ordinary share.

STRONG STATEMENT OF FINANCIAL POSITION

The Group generated cash from operations of R9,4 billion for the year ended 31 March 2021, which is a very pleasing result. This was achieved through the focused preservation of cash resources and the responsible optimisation of working capital. This, together with the R3,8 billion successful rights offer, has supported the reduction in net debt from R8,4 billion (pre-IFRS 16)** at the end of March 2020 to R1,3 billion (pre-IFRS 16)** at the end of March 2021.

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

Ongoing focus on working capital management has also resulted in the Group's current ratio improving to 1,8 from 1,5 at year-end, with inventory balances reducing by c.R100,0 million since 31 March 2020 and inventory days reducing by 15 days to 169 days, notwithstanding the acquisition of Jet during the financial year.

SEGMENTAL PERFORMANCE UPDATE

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

Merchandise category	H1 April 2020 to Sept 2020	H2 Oct 2020 to March 2021	FY2021	FY2021 Contribution to TFG Africa retail 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 retail turnover, contributing 69,3% of TFG Africa's total retail turnover, grew by 19,0% when compared to the same period in the previous financial year, while credit retail turnover decreased by 23,6% when compared to the same period in the previous financial year. Product deflation for TFG Africa was -2,2%.

TFG Australia's retail turnover, contributing 17,9% to Group retail turnover, decreased by 7,1% (AUD) when compared to the same period in the previous financial year, while TFG London's retail turnover, contributing 12,7% to Group retail turnover, decreased by 49,7% (GBP) when compared to the same period in the previous financial year.

The retail turnover growth/(decline) when compared to the same period in the previous financial year in each of our business segments was as follows:

Business segment	H1 April 2020 to Sept 2020	H2 Oct 2020 to March 2021	FY 2021	FY 2021 Contribution to Group retail turnover
TFG Africa (ZAR)	(22,1%)	22,7%	1,6%	69,4%
TFG London (GBP)	(56,2%)	(42,8%)	(49,7%)	12,7%
TFG Australia (AUD)	(26,9%)	11,8%	(7,1%)	17,9%
Group (ZAR)	(26,1%)	11,2%	(6,7%)	100,0%

As was announced in the Group's trading statement on the Stock Exchange News Service (SENS) on 14 May 2021, TFG London was the hardest hit by stringent government-enforced lockdowns during the past financial year, with retail 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 socialising 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 Compound 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 future projected cash flows has negatively impacted the discount rates applied in assessing the carrying values. After reassessing 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 recognised.

Despite this reassessment, 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 stores 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.

STORE PORTFOLIO

At 31 March 2021, the Group traded out of 4 284 outlets across 26 countries. During the year, 142 outlets were opened and 366 outlets closed, with outlet movement in the respective business segments as follows:

Outlets	TFG Africa	TFG London	TFG Australia	Group
Opening balance at 1 April 2020	2 577	972	534	4 083
New outlets	55	59	28	142
Jet acquisition	425	-	-	425
Closed outlets	(128)	(230)	(8)	(366)
Closing balance at 31 March 2021	2 929	801	554	4 284

The Group continued its focus on space rationalisation and the renegotiation of rentals. In TFG London the shift to turnover-based rentals and shorter lease terms continued.

CREDIT

The impact of the COVID-19 pandemic on trading activity and the decrease in new account initiatives, contributed to demand for new accounts decreasing by 41,9% year-on-year. Approval rates at 14,9% on average for the financial year reflect the conservative new account strategy. Demand did however improve by 50,1% in the second half of the financial year compared to the first half, as marketing activities were resumed and the level of government intervention to curb the spread of the COVID-19 pandemic was less severe. The average approval rate for the second half of the year increased to 19,0% (H2 2020: 9,1%) to stimulate responsible credit retail turnover and debtors’ book growth.

The muted new account growth and the impact of the lockdown on store activity, resulted in credit sales decreasing by 23,6% year-on-year for the financial year. Credit sales now contribute 30,7% (March 2020: 40,9%) of total TFG Africa retail turnover.

The retail net debtors’ book of R6,6 billion decreased by 14,5% year-on-year. The allowance for impairment as a percentage of the debtors’ book remained stable at 20,7% (March 2020: 20,4%). As the COVID-19 pandemic is still ongoing, an overlay to account for the potential effects of the pandemic on credit losses was retained in the allowance for impairment.

PRO FORMA INFORMATION

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

Jet retail 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 management account information for online retail turnover was also used in this announcement for illustrative purposes only to provide an indicative online retail turnover growth for TFG Africa excluding the month of April.

April has been excluded from this growth as we were not permitted to fulfil any online deliveries during the South African government-enforced lockdown in April 2020.

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, which is prepared for illustrative purposes and 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 retail turnover numbers used were:

Pro forma Group retail turnover, excluding Jet retail turnover:

Group	FY2021	FY2020	Growth
	Rm	Rm	%
Group retail turnover including Jet	32 950,3^	35 323,3^^	(6,7%)
Less: Jet retail turnover#	2 228,0		
Group retail turnover excluding Jet	30 722,3	35 323,3	(13,0%)

^ Reviewed.

^^ Audited.

Pro forma Group retail turnover, excluding Jet for H2 October to March 2021:

Group	H2 Oct 2020 to March 2021***	H2 Oct 2019 to March 2020****	Growth
	Rm	Rm	%
Full year Group retail turnover	32 950,3^	35 323,3^^	(6,7%)
Less: H1 Unaudited results previously published	12 530,0	16 955,2	
H2 October to March including Jet	20 420 ,3	18 368,1	11,2%
Less: Jet retail turnover#	2 205,9		
Group retail turnover excluding Jet	18 214,4	18 368,1	(0,8%)

^ Reviewed.

^^ Audited.

*** H2 October 2020 to March 2021 numbers are unaudited and derived from deducting the unaudited half-year results previously published from the full-year published results of 31 March 2021.

**** H2 October 2019 to March 2020 numbers are unaudited and derived from deducting the unaudited half-year results previously published from the full-year published results of 31 March 2020.

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

Pro forma TFG Africa online retail turnover:

TFG Africa	FY2021	FY2020	Growth
	Rm	Rm	%
TFG Africa online retail turnover for the period 1 April to 31 March##	798,3	366,4	117,9%
Less: TFG Africa online retail turnover in April#	9,9	27,1	
TFG Africa online retail turnover for the period 1 May 2020 to 31 March 2021	788,4	339,3	132,4%

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

These numbers are unaudited and obtained from management accounts.

The pro forma net debt pre-IFRS 16 numbers were calculated using reviewed numbers from current and audited numbers from previously published results 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

^ Reviewed.

^^ Audited.

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.

Deloitte & Touche has issued an unmodified reporting accountants' report on the pro forma financial information, which is available for inspection at the Company's registered office and on the Company's website at https://tfglimited.co.za/investor-information/financial-reports-and-presentations/.

SUPERVISORY BOARD UPDATES

As was announced on SENS previously, the following changes took place during the year.

- 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

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 how we operate and engage with our customers in future, 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 statement of financial position, 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 programme.

The Supervisory Board would like to take this opportunity to thank the management teams and employees of each of the business units for leading the Group through the pandemic and the challenging economic environments within which TFG operates.

RESULTS PRESENTATION WEBCAST

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 webcast will be available later on the same day.

FINAL ORDINARY DIVIDEND ANNOUNEMENT

The Supervisory Board has decided that it would be prudent not to declare a final dividend at this year-end (March 2020: No final dividend). As previously communicated, the Supervisory Board had guided that dividends would only be resumed when appropriate to do so. Given the better than expected recent trade performance across the Group as well as the Group's strong statement of financial position, the Supervisory Board anticipates resuming dividend payments during the 2022 financial year, with a higher planned dividend cover of 2x (with reference to headline earnings per share). This remains subject to potential acquisition/organic growth opportunities.

PREFERENCE DIVIDEND ANNOUNCEMENT

Dividend no. 169 of 3,25% (6,5 cents per share) (gross) in respect of the six months ending 30 September 2021 has been declared from income reserves, payable on Monday, 20 September 2021 to holders of 6,5% preference shares recorded in the books of the company at the close of business on Friday, 17 September 2021. The last day to trade ("cum" the dividend) in order to participate in the dividend will be Tuesday, 14 September 2021. The Foschini Group Limited preference shares will commence trading "ex" the dividend from the commencement of business on Wednesday, 15 September 2021 and the record date, as indicated, will be Friday, 17 September 2021.

Preference shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Wednesday, 15 September 2021 to Friday, 17 September 2021, 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 10 June 2021; and
4) The Foschini Group Limited's tax reference number is 9925/133/71/3P.

Signed on behalf of the Supervisory Board.

M Lewis
Chairman

A E Thunström
Chief Executive Officer

Cape Town
10 June 2021

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

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Transfer secretaries:
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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