

Truworths International Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1944/017491/06)
JSE Code: TRU
NSX Code: TRW
ISIN: ZAE000028296

BUSINESS UPDATE FOR THE 52-WEEK PERIOD ENDED 27 JUNE 2021

Over the last 18 months the COVID-19 pandemic has severely disrupted retail businesses across the globe. Truworths International Limited (the 'Group') continued to be materially affected by the impact of the pandemic in its main markets in South Africa and the United Kingdom ('UK') during its 52-week financial period ended 27 June 2021 (the 'current period'). While there were no hard lockdowns in South Africa during the current period, various levels of lockdown restrictions adversely impacted economic growth, employment, consumer confidence and spending, as well as retail foot traffic as the country experienced severe second and third waves of infection.

In the UK, trading conditions were exceptionally challenging amidst the Brexit transition and the closure of the Group's stores from 5 November 2020 to 2 December 2020, and then again from 5 January 2021 to 12 April 2021, as all non-essential retail activity was suspended by the government in an attempt to curb the spread of the virus. Online trading activity, however, continued throughout these closures, and benefited from the UK-based Office segment's strong e-commerce presence, as previously reported. Lockdown restrictions in the UK have been gradually relaxed in the last quarter of the current period as the government's vaccine programme gained momentum, however retail footfall continued to be impacted by low levels of tourism and work-from-home arrangements.

The Group continued to mitigate the impact of COVID-19 on its operations through all available measures. These included steps to exercise rigorous operating and capital expenditure control, access available government support schemes (predominantly in the UK), manage inventory levels and the order book, ensure greater focus on the online element of the business with particular emphasis on the UK segment and closely monitor all aspects of the trade receivables portfolio. In addition, strict COVID-19 protocols were implemented at the start of the pandemic and remain in force across all areas of operation to ensure the safety of employees and customers. Notwithstanding these measures, the pandemic has had a material impact on the Group's performance in the current period, most notably on revenue generation, gross profit margins and the recoverable value of right-of-use (property lease) assets. On the other hand, the performance of the Truworths Africa segment's trade receivables portfolio has been better than anticipated at June 2020 and the reduction in the expected credit loss allowance has exceeded the anticipated increase in bad debts. Government support schemes, specifically in relation to business rates and job retention in the UK, have further mitigated the impact on the Group's cash flows and profits.

While the uncertainty around COVID-19 is expected to continue for many months ahead, especially in light of new variants of the virus and uncertainty around vaccine efficacy, the Group's strong balance sheet and ability to manage margins and costs effectively, positions it to succeed in these challenging times.

Group

Retail sales of the Group for the current period increased by 0.5% to R17.0 billion relative to the R16.9 billion reported for the 52-week period ended 28 June 2020 (the 'prior period').

Account sales comprised 52% (2020: 51%) of Group retail sales for the current period, with account sales increasing by 2.8% and cash sales decreasing by 1.9%, relative to the prior period.

Truworths Africa

Retail sales for the Truworths Africa segment (being the Group, excluding the UK-based Office segment and comprising mainly of the Truworths businesses in South Africa) increased by 5.5% to R13.0 billion relative to the prior period's R12.3 billion, with account and cash sales increasing by 2.8% and 11.8%, respectively. Account sales comprised 68% of retail sales (2020: 70%). Truworths Africa's like-for-like store retail sales increased by 4.3% and trading space decreased by 1.1% relative to the prior period-end. Product inflation averaged 1.4% for the current period (2020: 1.2% product deflation).

Gross trade receivables (relating to the Truworths, Identity and YDE businesses) were at R5.4 billion (2020: R5.5 billion) and the number of active accounts was almost unchanged at 2.6 million relative to the prior period-end. Active account holders able to purchase and overdue balances as a percentage of gross trade receivables were at 82% (2020: 77%) and 15% (2020: 20%), respectively.

Office

Retail sales for the Group's UK-based Office segment decreased in Sterling terms by 17.2% to £192.8 million relative to the prior period's £232.8 million, as a consequence of the prolonged store closures. In Rand terms, retail sales for Office decreased by 12.9% to R4.0 billion. Office continues to benefit from its strong online presence, with online sales growing by 18.2% relative to the prior period and contributing approximately 63% (2020: 44%) of retail sales for the current period. Trading space for the Office segment decreased by 22.0% relative to the prior period as the Group continued its strategy of exiting marginal and loss-making stores.

Earnings

The Group is in the process of finalising various material entries, and the results for the current period are in the year-end external audit review. The Group will provide an update on earnings for the current period when it has reasonable certainty in this regard.

Civil unrest, looting and disruption in South Africa

Over the past week the country has witnessed civil unrest and violence which has temporarily disrupted some parts of the Group's operations in South Africa. A number of the Group's stores have been targeted, leaving Truworths with stock losses and damage to properties and equipment. Thankfully staff members that work in these stores are all safe and unharmed which will always be management's highest priority.

In these incidents 57 of the Group's South African store portfolio of 758 stores have been impacted directly and severely by looting and destruction of property. More than 55% of the 57 stores are located in central business districts and small shopping malls and approximately 45% are located in regional centres. These stores would normally account for approximately 7% of the retail sales in the Group's South African store portfolio. No super-regional malls have been impacted. Furthermore, approximately 160 stores have been impacted indirectly as a consequence of precautionary closures. At present it is too early to determine the full extent of damages suffered and when the stores that have been closed pre-emptively will resume trading.

To date, the Group's own distribution centres, which are located in the Western Cape, have not been affected. Additional security measures have been put in place to mitigate the risk of loss and to ensure the safety of personnel.

The Group's third party logistics provider responsible for delivering merchandise to its South African stores and to e-commerce customers is also experiencing major disruption due to infrastructure damage and risks relating to road transportation in Kwazulu-Natal ('KZN'). This means that the Group's stores that are still trading are also being adversely impacted, as they are not receiving deliveries of merchandise allocated to them. However, recent information available indicates that this disruption will probably be resolved to a large extent by early next week.

The Group also has manufacturers in KZN that have been looted or have had garments, raw materials and equipment vandalised, in some cases rendering these manufacturers inoperable until further notice. Some factories that have not been vandalised or looted have been impacted by the unrest, as employees are either fearful or unable to return to work in affected areas. However management has been advised that most of these suppliers have either returned, or are expecting during this week and next to return to operational mode.

The bulk of the Truworths Africa segment's locally produced merchandise is supplied by manufacturers based in the Western Cape, while imported merchandise generally arrives via the Cape Town harbour. These factors have significantly limited the direct impact of the incidents on merchandise sourcing and procurement.

The Group believes that it has adequate insurance cover to mitigate much of the losses of merchandise, the damage to its stores and loss of profits as a consequence of the inability to trade. The Chief Executive Officer, directors and senior executives are monitoring and managing the situation closely and have initiated steps to restore operations and resume trading as soon as possible. Unfortunately, the uncertainty around the extent of the damage makes it difficult to determine when operations will normalise, and what the impact of the incidents will be on sales and account collections due to store closures, and stock levels.

The Group expresses its extreme gratitude to all who have worked tirelessly in protecting the business and to all other stakeholders for their understanding and patience during such a challenging time.

Results release

Shareholders are advised that this business update does not constitute an earnings forecast, that the financial information provided herein is the responsibility of the directors, and that such information has neither been reviewed nor reported on by the Group's external auditors. The Group's audited results for the 52-week period ended 27 June 2021 are currently scheduled for release on or about Thursday, 2 September 2021.

20 July 2021
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