THE FOSCHINI GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1937/009504/06)
Ordinary share code: TFG
Preference share code: TFGP
ISIN: ZAE000148466
ISIN: ZAE000148516
("TFG" or "the Company")

SUMMARY OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2021, CASH AND PREFERENCE DIVIDENDS DECLARATIONS

HIGHLIGHTS

- Group revenue up 47,1% to R20,4 billion
- Group retail turnover up 51,8% to R19,0 billion
- Robust online retail turnover growth of 12,5% on the high base of the prior period, contributing 10,7% to total Group retail turnover
- Strong cash retail turnover growth of 56,8%, contributing 79,1% to total Group retail turnover
- Continued market share gains in Mens and Womens categories according to the Retail Liaison Committee (increase in market share of 4,8% for H1 FY2022 compared to H1 FY2021)
- Gross profit up 64,0% to R9,3 billion
- Operating profit before acquisition costs and gain on bargain purchase up 563,8% to R1,9 billion
- Headline earnings up 641,2% to R1,3 billion
- Basic earnings per share up 116,3% to 319,5 cents per share (Sept 2020: 147,7 cents per share^)
- Headline earnings per share up 572,2% to 393,4 cents per share (Sept 2020: headline loss per share of 83,3 cents per share^)
- Strong cash generation from operations of R3,9 billion with a net increase in cash and cash equivalents of R0,9 billion
- Further reduction in net debt from R1,3 billion (March 2021 pre-IFRS 16)* to R0,8 billion (Sept 2021 pre-IFRS 16)*
- Resumption of dividends with an interim dividend declared of 170,0 cents per share (Sept 2020: no interim dividend declared)

* Pro forma information used to calculate net debt pre-IFRS 16
^ The earnings per ordinary share figures above have been restated from what was previously reported in order to reflect the impact of the bonus element arising from the rights issue. As required by IAS 33, the basic and diluted weighted average number of shares for the prior corresponding period have been adjusted retrospectively to account for the bonus element arising from the rights issue

COMMENTARY

STRONG RECOVERY POST-COVID EVIDENT IN KEY METRICS; PERFORMANCE ENABLED BY INVESTMENT IN STRATEGIC INITIATIVES

The Group delivered a strong performance during the six months ended 30 September 2021 ('current period' or 'H1 FY2022'), recovering from the unprecedented trading conditions in the six months ended 30 September 2020 ('prior period' or 'H1 FY2021') caused by the COVID-19 pandemic. This performance was achieved despite continued disruptions during the current period, including extended lockdowns in Australia and New Zealand; and the civil unrest and resumption of load shedding in South Africa.

Group retail turnover grew by 51,8%, supported by continued market share gains, expansion of our footprint and brand portfolio and further growth in online retail turnover. According to the Retail Liaison Committee, TFG achieved market share gains in South Africa of 4,8% in the Mens and Womens categories for H1 FY2022 compared to H1 FY2021.

This strong trade, along with our continued focus on resetting our cost base, enabled a growth of 641,2% in headline earnings and 572,2% in headline earnings per share.

OPERATING CONTEXT

In South Africa, trading conditions during the current period were impacted by the civil unrest in July 2021, continued record high unemployment - which impacts consumer confidence and spend - and load shedding.

As previously announced on the JSE Stock Exchange News Service (‘SENS’), 198 South African stores were looted and damaged to varying degrees by the civil unrest experienced in the KwaZulu-Natal (KZN) province and parts of the Gauteng province. The Group reopened 145 of these stores by the end of September 2021 with a further 22 stores reopening by December 2021. The remainder of the stores will only reopen from 2022 onwards due to the extensive structural damage caused. The Group estimates that retail turnover in excess of R400 million was lost during the current period as a result of the civil unrest.

As previously announced on SENS, the Group has insurance policies in place and is able to claim for the damages and losses of income as a result of the business interruption. The total SASRIA claim for damages and asset losses is estimated at R613 million and the Group has received two interim payments from SASRIA to date, R200 million during the current period and a further R260 million subsequent to period end. Further insurance payments are expected in the second half of the financial year.

The Group has raised an accrual of R100 million in the current period related to expected insurance recoveries in respect of losses of profit due to the business interruption.

In TFG Australia, further lockdowns and restrictions impacted the business during the current period. Performance was strong in Q1 FY2022, but during Q2 FY2022 an estimated 43,5% of its trade days were lost as State Governments attempted to curb the spread of the COVID-19 Delta variant. In total, TFG Australia lost approximately 25% of its trading hours for the current period. At the end of September 2021 the two significant Australian states, New South Wales and Victoria, as well as New Zealand, were still in lockdown. Both these Australian states have a roadmap to reopen non-essential retail with restrictions once a 70-80% vaccination target has been reached. For New South Wales, stores reopened on 11 October 2021, while for Victoria, stores reopened from 30 October 2021.

The remaining lockdown restrictions in England were relaxed from 19 July 2021 and demand for TFG London products has continued to exceed expectation, an indication that consumer confidence and footfall in the UK retail market is recovering.

FINANCIAL PERFORMANCE

The Group achieved retail turnover of R19,0 billion, enabled by improved performance across all retail turnover drivers.

Cash retail turnover increased by 56,8% compared to the prior period and now contributes 79,1% to total Group retail turnover. Credit retail turnover, purposefully restricted by stringent acceptance criteria in line with prevailing economic conditions, grew by 35,3% over the same period.

Online retail turnover, building on the high base of the prior period, increased by 12,5% and now contributes 10,7% to total Group retail turnover. Our continued strategic focus on technology-led omnichannel retailing supported outlet retail turnover growth of 58,4% over the same period.

Growth in the various merchandise categories was as follows:

Merchandise category	H1 FY2022	H1 FY2022 Contribution to retail turnover
Clothing	57,1%	82,4%
Homeware	38,5%	5,1%
Cosmetics	23,5%	2,2%
Jewellery	48,8%	3,2%
Cellphones	22,5%	7,1%
Total Group	51,8%	100,0%

The Group is encouraged by the recovery in gross profit, which increased by 64,0% to R9,3 billion. This recovery is particularly pleasing, considering the Group’s investment in price and the impact of certain global trends which continue to put downward pressure on gross profit margins, including casualisation, shifts in product mix and the significant increase in the cost of transport and logistics.

The focus on cost control and the reduction of our cost base continued during the current period, with tangible savings yielded from our ongoing business optimisation projects. While trading expenses increased by 39,9% compared to the prior period, this was in part due to the base impact of the COVID-19-related rental concessions and various government assistance received in the prior period, as well as the impact in the current period of the acquisition of JET and continued strategic investments in technology and local manufacturing. Trading expenses as a percentage of Group retail turnover improved to 43,7% in the current period from 47,4% in the prior period.

Basic earnings per share and headline earnings per share increased by 116,3% and 572,2% respectively. Earnings performance in the prior period was impacted by the COVID-19 pandemic and related outlet closures, as well as, inter alia, by the non-comparable 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 R694,3 million as well as acquisition costs of R14,3 million in the prior period has impacted specifically on basic earnings per ordinary share and diluted earnings per ordinary share.

FINANCIAL POSITION

The Group continued to strengthen its balance sheet through a further reduction in net debt from R1,3 billion (March 2021 pre-IFRS 16)* to R0,8 billion (Sept 2021 pre-IFRS 16)* and a net increase in cash and cash equivalents of R0,9 billion.

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

Particularly pleasing is the continued improvement in inventory which increased by only 2,5% compared to the balance as at 31 March 2021.

SEGMENTAL PERFORMANCE

All three territories were impacted by external factors during the current period which reduced their available trading hours.

TFG Africa lost c.7% of its trading hours due to load shedding, riots and COVID-19-related store closures while TFG London lost c.9% of its trading hours due to lockdowns and restricted trade. As outlined above, TFG Australia was impacted most, losing c.25% of its trading hours as a result of government-enforced lockdowns.

Despite the lost trading hours, all three segments recovered strongly compared to the prior period with retail turnover growths in the respective segments as follows:

Business segment	H1 FY2022	H1 FY2022 Contribution to Group retail turnover (ZAR)
TFG Africa (ZAR)	59,5%	69,4%
TFG London (GBP)	65,6%	15,3%
TFG Australia (AUD)	39,2%	15,3%
Group (ZAR)	51,8%	100,0%

Both online and outlet channels contributed to the strong recovery in all three territories, with the respective growths and contributions as follows:

Business segment	H1 FY2022 online retail turnover growth	H1 FY2022 Online contribution to segment retail turnover	H1 FY2022 outlet retail turnover growth	H1 FY2022 Outlet contribution to segment retail turnover
TFG Africa (ZAR)	15,7%	3,0%	61,4%	97,0%

TFG London (GBP)	24,0%	45,1%	128,5%	54,9%
TFG Australia (AUD)	22,4%	11,0%	41,6%	89,0%
Group (ZAR)	12,5%	10,7%	58,4%	89,3%

CREDIT

The new account approval strategy remained conservative for the current period. Approval rates were restricted to c.25%, ensuring that the level of risk remains within management expectations. Marketing initiatives were however resumed in this financial year, increasing demand for new accounts by 55% compared to the prior period. In addition to the negative impact on credit sales as a result of the lockdowns in the prior period, the increase in new accounts approved resulted in a significant improvement in year-on-year credit sales. Year-on-year credit sales reflected growth of 35,3% for the current period.

Despite the improvement in credit sales, robust customer payment behaviour contributed to the retail net debtors' book of R6,5 billion decreasing by 4,8% compared to the prior period. The allowance for impairment as a percentage of the debtors' book improved to 20,0% (Sept 2020: 25,0%) due to the tighter risk criteria maintained for new accounts during the pandemic. Customer payment behaviour has remained healthy and the cash collected for the current period exceeded that of the prior period.

STORE PORTFOLIO

At 30 September 2021, the Group traded out of 4 294 outlets across 25 countries. Expansion of outlets continued during the current period with the opening of 183 outlets, while 173 outlets were closed, which includes 102 concessions in TFG London.

The outlet movement in the respective business segments was as follows:

Outlets	TFG Africa	TFG London	TFG Australia	Group
Opening balance at 1 April 2021	2 929	801	554	4 284
New outlets	125	32	26	183
Closed outlets	(53)	(115)	(5)	(173)
Closing balance at 30 September 2021	3 001	718	575	4 294

SUPERVISORY BOARD UPDATES

As was announced on SENS on 2 July 2021, Samuel Ellis Abrahams retired from TFG's Supervisory Board at the conclusion of the Company's annual general meeting on 2 September 2021 after twenty three years of valued service.

OUTLOOK

Trading conditions and consumer confidence are likely to remain under pressure. The Group, however, continues to demonstrate its resilience and agility and is well positioned to benefit from the continued post-COVID recovery in all territories in which we operate.

We remain committed to the prioritisation of our strategic investments in technology, local sourcing, new stores and brands. We are confident with the strength of our balance sheet which enables us to capitalise on organic and inorganic growth opportunities and we will continue with our strong focus on expense control and capital management.

As always, the second half of the Group’s financial year is heavily dependent on Black Friday and Christmas trade, which will largely determine performance for the full year.

PRO FORMA INFORMATION

Pro forma information for net debt pre-IFRS 16 was 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 net debt pre-IFRS 16 numbers were calculated as follows:

	30 Sept 2021	31 March 2021
	Rm	Rm
Total interest-bearing debt	14 720,6	14 344,6
Less: Cash and cash equivalents	5 743,7	4 843,2
Net debt	8 976,9	9 501,4
Less: Lease liabilities	8 200,9	8 186,9
Net debt pre-IFRS 16	776,0	1 314,5

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 Company’s 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 ending 31 March 2022.

RESULTS PRESENTATION WEBCAST

A live webcast of the interim results presentation will be broadcast at 10:00 am (SAS) on Thursday, 11 November 2021. 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 webcast will be available later on the same day.

INTERIM ORDINARY CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared an interim gross cash dividend of 170,0 cents (136,00000 cents net of dividend withholding tax) per ordinary share for the six-month period ended 30 September 2021.

The dividend has been declared from income reserves.

A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued share capital at the declaration date is 331 027 300 ordinary shares.

The salient dates for the dividend will be as follows:

Publication of declaration data	Thursday, 11 November 2021
Last day of trade to receive a dividend	Tuesday, 4 January 2022
Shares commence trading "ex" dividend	Wednesday, 5 January 2022
Record date	Friday, 7 January 2022
Payment date	Monday, 10 January 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 January 2022 and Friday, 7 January 2022, both days inclusive.

PREFERENCE DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a gross preference dividend (no. 170) of 3,25% or 6,5 cents per share (5,20000 cents net of dividend withholding tax) per preference share for the six-month period ending 31 March 2022.

The dividend has been declared from income reserves.

A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued share capital at the declaration date is 200 000 preference shares.

The salient dates for the dividend will be as follows:

Publication of declaration data	Thursday, 11 November 2021
Last day of trade to receive a dividend	Tuesday, 8 March 2022
Shares commence trading "ex" dividend	Wednesday, 9 March 2022
Record date	Friday, 11 March 2022
Payment date	Monday, 14 March 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 March 2022 and Friday, 11 March 2022, both days inclusive.

Signed on behalf of the Supervisory Board.

M Lewis
Chairman

A E Thunström
Chief Executive Officer

Cape Town
11 November 2021

ABOUT THIS ANNOUNCEMENT

Statement and availability
This short form announcement is the responsibility of the Company's directors and is only a summary of the information in the full announcement. The unaudited interim condensed consolidated results were approved by the Board of Directors on 11 November 2021 and the information in this announcement has been correctly extracted from the unaudited interim condensed consolidated results. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement, which has been published on SENS and is available at:
https://senspdf.jse.co.za/documents/2021/JSE/ISSE/TFG/Int2021.pdf

and on the Company's website at:
https://tfglimited.co.za/investor-information/financial-reports-and-presentations/

An electronic copy of the full announcement may be requested and obtained, at no charge, from the Company Secretary at company_secretary@tfg.co.za.

DIRECTORATE AND STATUTORY INFORMATION

Non-executive Directors:
M Lewis (Chairman), Prof. F 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

Registration number:
1937/009504/06

Tax reference number:
9925/133/71/3P

Registered office:
Stanley Lewis Centre, 340 Voortrekker Road, Parow East, 7500, South Africa

Transfer secretaries:
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, South Africa

Sponsor:
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

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