

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

SHORT-FORM ANNOUNCEMENT

Condensed consolidated financial statements for the year ended 31 March 2022, ordinary and preference share dividend declarations

SALIENT FEATURES:

- Record group revenue up 29,7% to R46,2 billion;
- Strong growth in Group retail turnover to R43,4 billion (up 31,6%) with all territories performing above expectation;
- Group online retail turnover growth of 11,7% to R4,4 billion, contributing 10,2% to total Group retail turnover;
- Gross margin expanded strongly to 48,5% (March 2021: 45,5%) as a result of an increasing proportion of full price sales and lower inventory markdowns due to strong consumer demand for our products and an increasingly efficient, localised supply chain supporting TFG Africa;
- Continued investment in growth through organic investments (including over 300 store openings for the Group in FY2022), an increase in omnichannel penetration and investment in all territories and the expansion of quick response local manufacturing capacity in Africa through strategic acquisitions, as previously announced.
- Headline earnings per share of 1 009,0 cents up 409,9% (March 2021: 197,9 cents per share);
- Basic earnings per share of 901,9 cents up 246,9% (March 2021: loss of 614,0 cents per share);
- Operating profit before finance costs of R4,8 billion (March 2021: loss of R719,2 million);
- Continued strong cash generation from operations of R8,2 billion;
- Net debt (pre-IFRS 16) of R1,0 billion* at historic low levels (March 2021 pre-IFRS 16: R1,3 billion). Gross debt pre-IFRS 16 to pre-IFRS 16 adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) ratio reduced to 1.3**;
- Final dividend of 330 cents per share declared. An interim dividend of 170 cents was declared at half year while no dividend was declared in the 2021 financial year.

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

** Pro forma information used to calculate gross debt pre-IFRS 16 to pre-IFRS 16 adjusted EBITDA ratio.

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 reviewed provisional condensed consolidated financial statements for the year ended 31 March 2022 were approved by the Board of Directors on 10 June 2022 and the information in this announcement has been correctly extracted from the reviewed provisional condensed consolidated financial statements. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement, which has been published on the JSE Stock Exchange News Service ('SENS') and is available at:
<https://senspdf.jse.co.za/documents/2022/JSE/ISSE/TFG/FY2022.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

STRONG PERFORMANCE WITH SIGNIFICANT MARKET SHARE GAINS AND INCREASED PROFITABILITY

The Group delivered a robust post-COVID-19 recovery during the past financial year. The Group's retail outlets delivered a strong trading performance as economic activity resumed in the wake of reduced restrictions on movement and travel. In South Africa, the restrictions were eased to adjusted Level 1 from 1 October 2021. The restrictions remained at adjusted Level 1 during the fourth quarter and the National State of Disaster was terminated on 4 April 2022. In Australia, the vaccination rate has reached almost 90% which has led to the easing of restrictions by most state governments. In respect of New South Wales and Victoria, two financially significant states in Australia, stores reopened on 11 October 2021 and 30 October 2021 respectively after severe lockdown restrictions were experienced in the second quarter. On 24 February 2022 the UK Government ended all legal COVID-19 restrictions in England.

As previously announced on SENS, 198 South African stores were looted and damaged to varying degrees by the civil unrest experienced in the KwaZulu-Natal province and parts of the Gauteng province during July 2021. The Group reopened 176 of these stores by the end of May 2022. The remainder of the stores will only reopen from June 2022 onwards and 2 stores will not be reopened. SASRIA payments of R541 million (VAT inclusive) have been received to date, while the Business Interruption claim submitted is expected to be finalised by the insurers by December 2022.

Despite the continued challenging trading environment, the Group continues to invest in growth opportunities. As announced on SENS previously, the Company entered into a sale and purchase agreement to acquire the entire issued share capital of Tapestry Home Brands Proprietary Limited ('Tapestry'). Tapestry is a prominent direct-to-consumer, vertically integrated designer, manufacturer and omnichannel cash retailer of home furnishings serving consumers' living and sleeping needs, targeting the middle to upper LSM markets. The transaction will provide TFG with exposure to new products and categories as well as new customers that will complement the current TFG customer base in existing categories. The transaction is in line with TFG's stated strategy of vertical integration in key product categories, to protect and improve margins, and the continued development of its import substitution and quick response initiatives through expanded local manufacturing capability. The transaction is subject to the fulfilment of a number of conditions precedent, one being approval from the relevant competition authorities and the Takeover Regulation Panel.

FINANCIAL PERFORMANCE

The robust recovery in trading performance for the year ended 31 March 2022 is evident in the Group's retail turnover growing by 31,6% to R43,4 billion, which was above expectation. Group cash retail turnover grew by 33,6% compared to the same period in the previous financial year, contributing 79,9% (FY2021: 78,7%) to total Group retail turnover for the 12 months to 31 March 2022. Group online retail turnover grew by 11,7% (12 months to 31 March 2021: 33,4%) to R4,4 billion for the 12-month period, coming off a high COVID-19 base, contributing 10,2% (FY2021: 12,0%) to total Group retail turnover evidencing the continuing strong online demand for all our brands.

Gross margin for the Group increased to 48,5% as a result of a higher proportion of full price sales and lower markdowns due to the strong demand for the Group's products as well as an increasingly efficient localised, quick response supply chain supporting TFG Africa. Locally and regionally sourced products now contribute 72% of total apparel purchases in TFG Africa on an increasingly quick response basis, leading to increased stock turns and consequently improved stock newness and lower markdowns.

At year end, trading expenses were 41,4% of retail turnover, the ratio materially down on 2020 pre-COVID-19 levels (March 2020: 44,8%) despite the continued investment in a number of strategic initiatives, which is in line with the growth strategy of the Group. Expense management remains a significant focus area for management teams whilst driving growth and our fit-for-the-future strategy.

Headline earnings per share and basic earnings per share increased by 409,9% and 246,9% respectively. Earnings performance was impacted by the post COVID-19 recovery, 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 in the year ended 31 March 2021 specifically affected basic earnings per share and diluted earnings per share;
- The R2,7 billion after tax non-cash impairment of the carrying values of TFG London's goodwill and intangible assets in year ended 31 March 2021 specifically affected basic earnings per share and diluted earnings per share; and
- The civil unrest experienced in the current period in South Africa in July 2021, as previously reported, where the Group suffered an estimated loss of turnover in excess of R700 million.

STRONG STATEMENT OF FINANCIAL POSITION

The Group generated cash from operations of R8,2 billion for the year ended 31 March 2022 through the strong trading performance and careful management of working capital. This allowed the Group to maintain healthy reduced gearing with net debt (pre-IFRS 16) of R1,0 billion* at the end of 31 March 2022.

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

Focussed working capital management resulted in inventory days decreasing from 169 days to 153 days while stock freshness improved. Gross debtor book growth was 3,6% while credit turnover grew 24,2%.

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 to Sept 2021	H2 Oct 2021 to March 2022	FY2022	FY 2022 Contribut ion to TFG Africa retail turnover
Clothing	72,2%	20,4%	38,4%	75,1%
Homeware	38,5%	22,6%	29,0%	7,4%
Cosmetics	23,5%	(1,3%)	8,2%	3,2%
Jewellery	49,0%	7,0%	21,3%	4,8%
Cellphones	22,5%	(0,2%)	9,4%	9,5%
Total TFG Africa	59,5%	16,9%	32,3%	100,0%

Cash retail turnover, contributing 71,1% to TFG Africa retail turnover, grew by 35,9% when compared to the same period in the previous financial year. Credit retail turnover grew by 24,2% for the year ended 31 March 2022.

TFG Australia's retail turnover grew by 24,0% (AUD) when compared to the same period in the previous financial year, and now contributes 15,8% to Group retail turnover. Retail turnover in TFG London grew 57,3% (GBP) in the same period and now contributes 14,4% to Group retail turnover.

The retail turnover growth when compared to the same period in the previous financial year in each of our business segments in local currency was as follows:

Business segment	H1 April to Sept 2021	H2 Oct 2021 to March 2022	FY2022	FY 2022 Contribut ion to Group retail turnover
TFG Africa (ZAR)	59,5%	16,9%	32,3%	69,8%
TFG London (GBP)	65,6%	50,5%	57,3%	14,4%
TFG Australia (AUD)	39,2%	14,5%	24,0%	15,8%
Group (ZAR)	51,8%	19,2%	31,6%	100,0%

STORE PORTFOLIO

As at 31 March 2022, the Group traded out of 4 351 outlets across 26 countries. During the year, 377 outlets were opened and 310 outlets closed, with outlet movement in the respective business segments as follows:

Outlets	TFG Africa	TFG London	TFG Australia	Group
Opening balance as at 1 April 2021	2 929	801	554	4 284
New outlets	274	62	41	377
Closed outlets	(116)	(175)	(19)	(310)
Closing balance at 31 March 2022	3 087	688	576	4 351

The Group continued its focus on space rationalisation and the renegotiation of rentals. Since year end, TFG Africa has opened a further 98 new outlets.

CREDIT

Given the strong cash turnover growth and the prevailing economic conditions we remain cautiously conservative with our credit lending criteria and the retail debtors' book remains conservatively provided. Average approval rates for new accounts increased to c.25% as customer payments and therefore credit book performance continued to exceed expectations. For the year ended 31 March 2022 credit retail turnover grew by 24,2% compared to the same period in the previous financial year on the back of better than expected payments from our credit customers and continued improvements in the quality of the book. Credit sales now contribute 28,9% (March 2021: 30,7%) to total TFG Africa retail turnover.

The retail net debtors' book of R7,0 billion increased by 5,7% year-on-year. Provisioning levels have been retained given the ongoing pressure on the South African consumer with the total allowance for impairment as a percentage of the debtors' book declining slightly to 19,1% (March 2021: 20,7%).

PRO FORMA INFORMATION

Pro forma information for net debt pre-IFRS 16 and the gross debt pre-IFRS 16 to pre-IFRS 16 adjusted EBITDA ratio is used in this announcement, as these are key metrics within the Group's debt reporting. These key metrics are Non-IFRS measures.

This pro forma information 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 net debt pre-IFRS 16 numbers were calculated using reviewed numbers from current and audited numbers from previously published results as follows:

	March 2022	March 2021
	Rm	Rm
Total interest-bearing debt	^15 599,1	^^14 344,6
Less: Cash and cash equivalents	^5 745,8	^^4 843,2
Net debt	9 853,3	9 501,4
Less: Lease liabilities	^8 816,0	^^8 186,9
Net debt pre-IFRS 16	1 037,3	1 314,5

^ Reviewed.

^^ Audited.

The pro forma gross debt pre-IFRS16 to pre-IFRS 16 adjusted EBITDA ratio was calculated using reviewed numbers from current and audited numbers from previously published results as follows:

	March 2022	March 2021
	Rm	Rm
Total interest-bearing debt	^15 599,1	^^14 344,6
Less: Lease liabilities	^8 816,0	^^8 186,9
Gross debt pre-IFRS 16	6 783,1	6 157,7

	March 2022	March 2021
	Rm	Rm
Operating profit (loss) before finance costs	^4 812,7	^^ (719,2)
Add: Depreciation and amortisation	^860,6	^^857,6
Add: Depreciation on right-of-use assets	^3 453,5	^^3 418,3
EBITDA	9 126,8	3 556,7
Add: Acquisition costs	^58,8	^^16,8
Less: Gain on bargain purchase	^-	^^709,0
Add: Impairment of goodwill and brands	^-	^^2 958,1
Adjusted EBITDA	9 185,6	5 822,6
Less: Occupancy costs lease reversal	^4 027,8	^^4 043,5
Less: Profit on termination of leases	^58,3	^^31,1
Add: Impairment of right of use assets	^118,8	^^239,5
Pre-IFRS 16 adjusted EBITDA	5 218,3	1 987,5

^ 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 2022.

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 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

Macroeconomic conditions in all territories in which we operate are likely to remain constrained. Current shipping disruptions will most likely continue for most of the 2022 calendar year and global inflationary pressures and the rising interest rate environment are both expected to persist.

The Group will however continue to invest in its key strategic initiatives to further strengthen its differentiated business model, which has proven to be resilient and has delivered superior growth in all its operating territories. Further, the Group made progress on the implementation of its key strategic objectives and its speciality brand business portfolio. The Group remains very well positioned for further organic and inorganic growth, supported by a strong Group balance sheet.

Operationally, there will be a continued focus on further improving gross profit margins, expense control, working capital management and disciplined capital allocation.

The Supervisory Board thanks 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 results presentation will be broadcast at 10:00 am (SAS) on 10 June 2022. 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 the same day.

FINAL ORDINARY CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a final gross cash dividend of 330,0 cents (264,00000 cents net of dividend withholding tax) per ordinary share from profits accrued during the six-month period ended 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 331 027 300 ordinary shares.

The salient dates for the ordinary dividend will be as follows:

Publication of declaration data	Friday, 10 June 2022
Last day of trade to receive a dividend	Tuesday, 19 July 2022
Shares commence trading "ex" dividend	Wednesday, 20 July 2022
Record date	Friday, 22 July 2022
Payment date	Monday, 25 July 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 July 2022 and Friday, 22 July 2022, both days inclusive.

PREFERENCE CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a gross cash dividend (no. 171) of 3,25% or 6,5 cents (5,20000 cents net of dividend withholding tax) per preference share for the six-month period ending 30 September 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 preference dividend will be as follows:

Publication of declaration data	Friday, 10 June 2022
Last day of trade to receive a dividend	Tuesday, 13 September 2022
Shares commence trading "ex" dividend	Wednesday, 14 September 2022
Record date	Friday, 16 September 2022
Payment date	Monday, 19 September 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 14 September 2022 and Friday, 16 September 2022, both days inclusive.

Signed on behalf of the Supervisory Board.

M Lewis	A E Thunström
Chair	Chief Executive Officer

Cape Town
10 June 2022

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

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Stanley Lewis Centre, 340 Voortrekker Road, Parow East, 7500,
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Sponsor:
RAND MERCHANT BANK (A division of FirstRand Bank Limited)