

Truworths International Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1944/017491/06)
JSE Code: TRU
NSX Code: TRW
ISIN: ZAE000028296
LEI: 37890099AFD770037522
(the 'Group')

BUSINESS UPDATE FOR THE 53-WEEK PERIOD ENDED 3 JULY 2022

The 53-week period ended 3 July 2022 (the 'current period') presented various challenges for the Group in both of its main markets, South Africa and the United Kingdom. Although waves of the Covid-19 pandemic were less severe than those experienced in the 52-week period ended 27 June 2021 (the 'prior period'), the pandemic caused wide-scale global supply chain disruption in the form of port congestion, container shortages and significantly increased freight costs. The global economy was and continues to be hit hard by the invasion of Ukraine by Russia in February 2022, resulting in further supply chain disruption, higher energy prices, pressure on food resources and consequently significantly increased inflation in many countries around the world.

In South Africa, the further relaxation of Covid-19 restrictions during the current period contributed to a normalising economy, which was favourable for consumer sentiment, and ultimately retail spending. Trading was however negatively impacted by the civil unrest in July 2021, mainly in KwaZulu-Natal and Gauteng, as well as the recent unprecedented flooding in KwaZulu-Natal resulting in the loss of hundreds of lives, devastating damage to infrastructure and leaving thousands of people homeless. The Group is deeply saddened by these events and their impact on our customers and employees. As always, the wellbeing of the Group's employees was our first and foremost priority and the Group is fortunate to report that all its employees were unharmed in these unfortunate events. Furthermore, electricity supply issues in South Africa continued throughout much of the current period, also affecting many of the Group's stores where back-up power is not available.

In the United Kingdom, trading conditions were much improved in the current period with no Covid-19 restrictions affecting the Group's stores (compared to 18 weeks of store closures in the prior period), workers returning to the office and a rebound in tourism. The consequences of the exit of the United Kingdom from the European Union and the ongoing Ukrainian conflict have however impacted trading and sentiment in general. In particular, the unusually high inflationary environment is putting strain on consumers' disposable income.

Notwithstanding these significant macro-economic headwinds, through our continued focus on our Business Philosophy, the Group has successfully navigated these challenges, backed by a strong balance sheet and our ability to manage margins and costs effectively.

Group retail sales for the current period increased by 9.0% (6.6% on a 52-week basis*) to R18.5 billion relative to the R17.0 billion reported for the prior period. Group retail sales in the second half of the current period, on a 26-week basis^, increased by 12.7% relative to the comparable prior 26-week period. Account sales comprised 52% (2021: 52%) of Group retail sales for the current period, with account sales increasing by 8.7% and cash sales increasing by 9.3%, 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 7.5% (increased by 5.0% on a 52-week basis*) to R14.0 billion relative to the prior period's R13.0 billion, with account and cash sales increasing by 8.7% and 4.9%, respectively. Truworths Africa's retail sales in the second half of the current period, on a 26-week basis^, increased by 9.7% relative to the comparable prior 26-week period. Account sales comprised 69% of retail sales (2021: 68%) for the current period. Truworths Africa's like-for-like store retail sales increased by 7.3% and trading space decreased by 0.2% relative to the prior period-end. Product deflation averaged 0.6% for the current period (2021: 1.4% product inflation).

Gross trade receivables (relating to the Truworths, Identity and YDE businesses) increased by 9.4% to R5.9 billion (2021: R5.4 billion) and the number of active accounts increased by 2% to approximately 2.6 million relative to the prior period-end. The debtors book is in a healthy position as reflected in the active account holders able to purchase at 82% (2021: 82%) and overdue balances as a percentage of gross trade receivables improving to 14% (2021: 15%).

Office

Retail sales for the Group's UK-based Office segment increased in Sterling terms by 16.6% (increased by 14.2% on a 52-week basis*) to £224.3 million relative to the prior period's £192.4 million, as a consequence of improved trading conditions. In Rand terms, retail sales for Office increased by 14.0% to R4.5 billion. Office's retail sales in the second half of the current period, on a 26-week basis^, increased in Sterling terms by 23.1% relative to the comparable prior 26-week period.

Office continues to benefit from its strong online presence, with online sales contributing approximately 45% (2021: 63%) of retail sales for the current period during which stores remained fully open, unlike the prior period where store closures boosted the contribution from online sales.

While the Office segment planned to reduce trading space by approximately 12% in the current period as part of the Group's continued strategy of exiting marginal and loss-making stores, favourable negotiations with landlords and the stronger than expected post pandemic recovery in store performance resulted in trading space decreasing by only 4.4% relative to the prior period (2021: reduction of 22.0%).

Earnings

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

Results release

The Group's audited results for the 53-week period ended 3 July 2022 are currently scheduled for release on or about Thursday, 1 September 2022.

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 52-week period from 28 June 2021 to 26 June 2022, being the current period, excluding the 53rd week from 27 June 2022 to 3 July 2022.

^ The 26-week period from 27 December 2021 to 26 June 2022, being the second half of the current period excluding the 53rd week from 27 June 2022 to 3 July 2022.

26 July 2022
Cape Town

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