

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")

TRADING UPDATE FOR Q1 FY2023 AND UPDATE ON THE ACQUISITION OF TAPESTRY HOME BRANDS PROPRIETARY LIMITED

TRADING UPDATE FOR Q1 FY2023

- Group retail turnover growth of 16,3% was delivered against a very high base due to the COVID-19 recovery in Q1 FY2022;
- Above expectation performance from TFG Africa with retail turnover growth (excluding any non-comparative acquisitions) of 11,2% in Q1 FY2023 compared to Q1 FY2022 (like-for-like retail turnover growth of 7,1%);
- This performance was underpinned by the Clothing (up 13.1%) and Homeware (up 17.4%) categories showing strong growth on Q1 FY2022. These categories delivered market share gains of 30 bps and 110 bps respectively, as reported by the Retailers' Liaison Committee (RLC) for the 2 months ended May 2022 (latest available data);
- Cash retail turnover growth for TFG Africa of 10,2% compared to Q1 FY2022. Cash retail turnover now contributes 68,8% to total TFG Africa retail turnover;
- Continued strong performance from TFG Australia with retail turnover growth of 15,7% (AUD) compared to Q1 FY2022;
- TFG London continued its strong performance trend in Q1 FY2023 with retail turnover growth of 39,9% (GBP) compared to Q1 FY2022; and
- Group online retail turnover growth of 13,2% compared to Q1 FY2022, contributing 9,7% (Q1 FY2022: 10,2%) to total Group retail turnover.

OPERATING CONTEXT

The Group had a strong start to the 2023 financial year, despite facing several headwinds. In South Africa there were increased levels of load shedding leading to lost trading hours, and trading was also impacted by the non-payment of the COVID-19 social relief of distress grant. The weakening exchange rate and increased inflationary pressure put further pressure on consumer spending. In the UK, inflation has accelerated to the highest levels since the early 1980s and is expected to breach double digit levels by the end of the calendar year. While the solid recovery from the COVID-19 pandemic continued in Australia, increasing fuel and housing costs have started to drive up consumer prices.

ESKOM LOAD SHEDDING

TFG Africa lost a further 33,000 trading hours during the quarter due to continued load shedding across all provinces in South Africa. This represents a 13,2% increase on lost trading hours in the same period in the previous financial year.

TFG AFRICA PERFORMANCE UPDATE

TFG Africa's retail turnover grew by 11,2% during Q1 FY2023 compared to the same period in the previous financial year. All merchandise categories, except Cellphones (impacted by continued supply shortages), grew retail turnover during Q1 FY2023 compared to the corresponding period in FY2022. Retail turnover growth was achieved despite the challenges mentioned above, and yet again supported by the Group's strong localised, quick response clothing supply chain and sourcing model, which shielded the business from continued international supply chain disruptions.

TFG Africa's like-for-like retail turnover performance has been encouraging with growth of 7,1% in Q1 FY2023 while a high proportion of sales were full price sales which contributed to margin improvements.

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

Merchandise category	Q1 Apr 2022 to Jun 2022	Q1 FY2023 Contribution to TFG Africa retail turnover
Clothing	13,1%	77,0%
Homeware	17,4%	7,4%
Cosmetics	1,1%	2,8%
Jewellery	4,1%	4,0%
Cellphones	(2,0%)	8,8%
Total	11,2%	100,0%

Product price inflation in TFG Africa averaged approximately 4,4% compared to the same quarter in FY2022.

Cash retail turnover for the quarter, contributing 68,8% to TFG Africa's retail turnover, grew by 10,2% compared to the same quarter in FY2022. Credit retail turnover was 13.4% up on the same quarter in FY2022 with acceptance rates down 3.7% to 21% due to the prevailing economic conditions.

Online retail turnover for the quarter grew by 11,4% compared to the same quarter in FY2022 and now contributes 3,2% to total TFG Africa retail turnover (Q1 FY2022: 3,1%).

Other income grew 18.7% to R757m over the period on the back of credit sales growth and higher interest rates.

TFG Africa opened 74 new profitable outlets during the quarter and traded from 3 172 outlets at the end of the quarter.

TFG LONDON PERFORMANCE UPDATE

TFG London's strong performance continued as employers encouraged their staff to work more from the office and formal events resumed. Increased movement of people and growing demand for our key categories have supported sales in the region. Q1 FY2023 delivered retail turnover growth of 39,9% (GBP) compared to the same quarter in the previous financial year.

The retail turnover growth was largely driven by own stores, which delivered growth of 64.0% on Q1 2022 whilst gross margins held. Online retail turnover from TFG London's own sites grew 7,7% (GBP) in Q1 FY2023, while retail turnover via third party online channels grew by 20,3% (GBP), both off a high base in the prior year. Online retail turnover contributed 38,4%(GBP) (FY2022: 47,4%) to TFG London's total retail turnover for the quarter.

TFG AUSTRALIA PERFORMANCE UPDATE

TFG Australia continued to exceed expectation with retail turnover growth of 15,7% (AUD) in Q1 FY2023 off a very high base in FY2022. This performance was supported by strong product demand, low unemployment rates and a robust economy.

Online retail turnover growth for the quarter normalised at 8,2% (AUD) compared to the same quarter in FY2022, now contributing 6,5% (AUD) to total TFG Australia retail turnover (Q1 FY2022: 7,0%).

TFG Australia opened 8 new outlets during the quarter while 3 outlets were closed. At the end of the quarter, TFG Australia traded from 581 outlets.

GROUP PERFORMANCE UPDATE

Overall, the Group delivered a strong performance during the first quarter with retail turnover growth of 16,3% compared to the same quarter in FY2022.

Online retail turnover performance continues to normalise with growth of 13,2% for Q1 FY2023 compared to the same quarter in FY2022. The contribution of online retail turnover to total retail turnover for the quarter was 9,7% (Q1 FY2022: 10,2%) as customers continue to return to physical stores and become less dependent on online shopping.

UPDATE ON THE ACQUISITION OF TAPESTRY HOME BRANDS PROPRIETARY LIMITED - FULFILMENT OF CONDITIONS PRECEDENT

Shareholders of TFG ("Shareholders") are referred to the announcement released by the Company on the JSE Stock Exchange News Service on 7 March 2022 advising that the Company had entered into a sale and purchase agreement ("SPA") to acquire the entire issued share capital of Tapestry Home Brands Proprietary Limited for a purchase consideration, subject to certain adjustments, of R2.35 billion ("Transaction").

Shareholders are hereby notified that all conditions precedent to the Transaction have either been fulfilled or waived as set out in the SPA, it being noted that the approval from the relevant competition authorities was obtained. Accordingly, the Transaction is now unconditional in accordance with the terms of the SPA and is envisaged to be implemented with an effective date of 1 August 2022.

OUTLOOK

The Group continued to invest in its key strategic initiatives to further strengthen its differentiated business model. It has made progress on its key strategic objectives, especially that of growing the value segment contribution further and its speciality brand business portfolio which remains very well positioned for further organic and inorganic growth, supported by a strong Group balance sheet.

In light of the current macroeconomic conditions, the ongoing rise in input costs, rising interest rates and a weaker exchange rate, we expect the consumer to remain under pressure. There will be a continued focus on further improving gross profit margins during the second half, expense control, working capital management and disciplined capital allocation whilst continuing to invest in growth (growth mindset).

Trade since the end of the quarter has been encouraging across all trading territories. For the first three weeks of the July 2022 trading month TFG Africa had retail turnover growth of 27,3%, TFG London had growth of 5,3% (GBP) and TFG Australia had growth of 72,8% (AUD).

Shareholders are advised that the financial information on which this trading update is based has not been reviewed and reported on by the Company's external auditors.

Cape Town
28 July 2022

Financial Advisor, Sponsor and Corporate Broker to TFG:
Rand Merchant Bank (A division of FirstRand Bank Limited)

Legal Advisor to TFG:

ENSafrica