

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 Q2 FY2023 AND THE SIX MONTHS ENDED 30 SEPTEMBER 2022 AND
TRADING STATEMENT

SALIENT FEATURES

- Solid performance in Q2 FY2023 with Group retail turnover growth of 31,0% compared to Q2 FY2022, despite continued pressure on consumers;
- Robust performance from TFG Africa in Q2 FY2023 with retail turnover growth of 22,5% compared to Q2 FY2022;
- Like-for-like retail turnover growth for TFG Africa in Q2 FY2023 of 6,4% compared to Q2 FY2022;
- Cash retail turnover growth for TFG Africa in Q2 FY2023 of 24,3% compared to Q2 FY2022. Cash retail turnover for Q2 FY2023 now contributes 71,4% to total TFG Africa retail turnover and 80,8% to total Group retail turnover;
- Continued market share gains in Men's and Women's categories according to the Retail Liaison Committee (increase in market share to 16,7% for H1 FY2023 compared to 16,4% for H1 FY2022);
- TFG London continued to perform well in Q2 FY2023 with retail turnover growth of 4,4% (GBP) compared to Q2 FY2022;
- TFG Australia delivered a strong 104,5% (AUD) growth in retail turnover in Q2 FY2023 compared to Q2 FY2022. Q2 FY2022 was impacted by severe COVID-19 closures and restrictions;
- Group online retail turnover contracted 6,9% as consumers returned to stores during Q2 FY2023. Online retail turnover contributed 8,1% (Q2 FY2022: 11,4%) to total Group retail turnover for Q2 FY2023; and
- The Tapestry Home Brands ("Tapestry") acquisition was implemented with an effective date of 1 August 2022 and has been incorporated into these results from that date.

OPERATING CONTEXT

The Group continued its strong start to the 2023 financial year.

ESKOM LOAD SHEDDING

TFG Africa lost c.99,000 trading hours during Q2 FY2023 and c.132,000 trading hours during the first half of FY2023 due to continued load shedding across all provinces in South Africa. This represents 4.5 times and 2.6 times the lost trading hours over the same periods in the previous financial year, respectively.

In the UK, consumers remained under pressure as UK inflation in July 2022 breached double digit growth for the first time since the 1980's.

Australia continues to outperform expectations despite increasing fuel and housing prices, which are driving living costs to record highs.

TFG AFRICA PERFORMANCE UPDATE

In TFG Africa, customer demand for the Group's products continued to grow strongly in the second quarter. Retail turnover growth of 22,5% was achieved in Q2 FY2023 (compared to Q2 FY2022), partly supported by the acquisition of Tapestry, with effect from 1 August 2022.

Positive retail turnover growth was achieved across all merchandise categories, with Homeware retail turnover growing at 92,8% (including Tapestry). Growth in clothing retail turnover was supported by the Group's expanded 'quick response', local clothing supply chain and sourcing capabilities.

TFG Africa's like-for-like retail turnover growth increased 6,4% during Q2 FY2023 (compared to Q2 FY2022).

The growth in TFG Africa's retail turnover, compared to the same period in the previous financial year, in the respective merchandise categories was as follows:

Merchandise category	Q2 FY2023 vs. Q2 FY2022	Q2 FY2023 contribution to TFG Africa retail turnover
Clothing	19,9%	72,0%
Homeware	92,8%	11,9%
Cosmetics	10,3%	2,9%
Jewellery	5,4%	4,3%
Cellphones	2,2%	8,9%
Total TFG Africa	22,5%	100,0%

Merchandise category	H1 FY2023 vs. H1 FY2022	H1 FY2023 contribution to TFG Africa retail turnover
Clothing	16,5%	74,4%
Homeware	56,9%	9,8%
Cosmetics	5,8%	2,9%
Jewellery	4,8%	4,1%
Cellphones	0,2%	8,8%
Total TFG Africa	16,9%	100,0%

Cash retail turnover for Q2 FY2023 grew by 24,3% compared to the same quarter in FY2022 and for the quarter now contributes 71,4% to total TFG Africa retail turnover.

Credit retail turnover for Q2 FY2023 grew by 18,3% compared to the same quarter in FY2022. For the six months ended 30 September 2022, credit retail turnover grew by 15,8% compared to the same period in FY2022. Average acceptance rates for new accounts declined to 21% (H1 FY2022: 24%), as overall credit retail turnover continues to be purposefully restricted by more stringent acceptance criteria in line with the current constrained economic conditions.

Online retail turnover for Q2 FY2023 grew by 18,7% compared to the same quarter in FY2022. Online retail turnover contributed 3,0% to total TFG Africa retail turnover for Q2 FY2023 (Q2 FY2022: 3,1%).

TFG LONDON PERFORMANCE UPDATE

TFG London's performance for Q2 FY2023 was pleasing, especially in respect of the further gross margin expansion, which was achieved despite the tough economic conditions and high levels of inflation which has seen consumer wallets stretched and spending habits adjust.

The growth in TFG London's retail turnover compared to the same period in FY2022 was as follows:

	Q2 FY2023 vs. Q2 FY2022	H1 FY2023 vs. H1 FY2022
Retail turnover growth - GBP denominated	4,4%	21,2%

In line with expectation and the increased footfall in stores, online retail turnover from TFG London's own sites contracted 16,2% in Q2 FY2023 compared to the same quarter in FY2022, while retail turnover from third party online channels also declined by 4,1%. In total, the contribution of online retail turnover for the quarter was at 36,6% (Q2 FY2022: 43,0%).

TFG AUSTRALIA PERFORMANCE UPDATE

TFG Australia saw impressive retail turnover growth as the economy continued to make a strong recovery post COVID-19 restrictions. The prior comparative period was adversely impacted by substantial closures and restrictions in Q2 FY2022, with approximately 50% of stores closed in August and September 2021.

The Australian economy continues to successfully navigate global supply chain issues, a tight domestic labour market and above average inflation.

Online retail turnover for Q2 FY2023 was down 25,9% compared to the same quarter in FY2022, contributing 6,5% to total TFG Australia retail turnover for the quarter (Q2 FY2022: 17,8%) as previously locked-down shoppers returned to stores.

The growth in TFG Australia's retail turnover compared to the same period in FY2022 was as follows:

	Q2 FY2023 vs. Q2 FY2022	H1 FY2023 vs. H1 FY2022
Retail turnover growth - AUD denominated	104,5%	48,7%

GROUP PERFORMANCE UPDATE

Overall, the Group continued to build on the strong performance of the first quarter, notwithstanding the tough economic conditions, and delivered growth in Q2 FY2023 of 31,0% compared to the same quarter in FY2022. For the six months ended 30 September 2022, the Group delivered growth of 23,5% compared to the same period in FY2022.

The retail turnover growth when compared to the same period in FY2022 in each of our business segments was as follows:

Business segment	Q2 FY2023 vs. Q2 FY2022	Q2 FY2023 contribution to Group retail turnover	H1 FY2023 vs. H1 FY2022	H1 FY2023 contribution to Group retail turnover
TFG Africa (ZAR)	22,5%	67,2%	16,9%	65,6%
TFG Australia (ZAR)	122,3%	19,6%	56,5%	19,5%
TFG London (ZAR)	4,2%	13,2%	20,3%	14,9%
Group (ZAR)	31,0%	100,0%	23,5%	100,0%

Group online retail turnover was subdued in Q2 FY2023, declining 6,9% compared to the same quarter in FY2022 as consumer spend in stores continued to increase. The contribution of online retail turnover to total retail turnover for the quarter was 8,1% (Q2 FY2022: 11,4%).

OUTLOOK

The Group continues to invest in its key strategic initiatives to further strengthen its differentiated business model. It has made further progress on its key strategic objectives and its speciality brand business portfolio which remains very well positioned for further organic and inorganic growth, despite the current economic challenges. A specific focus through to the end of the financial year will be the continued integration of the Tapestry business, to ensure that we extract the maximum value from our investment.

TRADING STATEMENT

In accordance with the JSE Limited Listing Requirements, shareholders are advised that earnings per share ('EPS'), diluted EPS, headline earnings per share ('HEPS') and diluted HEPS for the six months ended 30 September 2022 ('current period') compared to the six months ended 30 September 2021 ('prior period') are expected to be within the ranges reflected below:

	Reported	Expected	
	Six months ended 30 September 2021	Six months ended 30 September 2022	
	Cents	Cents	% increase
Basic earnings per ordinary share	319,5	431,3 to 495,2	35,0 to 55,0
Diluted earnings per ordinary share	318,3	429,7 to 493,4	35,0 to 55,0
Basic headline earnings per ordinary share	393,4	424,9 to 503,6	8,0 to 28,0
Diluted headline earnings per ordinary share	391,8	423,1 to 501,5	8,0 to 28,0

The expected earnings ranges have been impacted, *inter alia*, by the following:

- The COVID-19 pandemic and the related government-enforced lockdowns in the UK and Australia during the prior period, as previously reported; and
- Store closures in South Africa during the prior period as a result of civil unrest experienced in July 2021, and as previously reported.

The information contained in this announcement, including estimate financial information, is the responsibility of the board of directors of TFG and has not been audited, reviewed or reported on by the Group's external auditors.

The Group's financial results for the six months ended 30 September 2022 will be released on SENS on or about 11 November 2022.

Cape Town

25 October 2022

Sponsor:

Rand Merchant Bank (A division of FirstRand Bank Limited)