

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
(‘Truworths International’ or the ‘Group’)

BUSINESS UPDATE

Truworths International announces that Group retail sales for the first 17 weeks (from 4 July 2022 to 30 October 2022) of the 2023 financial period (‘the current period’) increased by 15.5% to R5.9 billion, compared to the first 17 weeks (from 28 June 2021 to 24 October 2021) of the 2022 financial period (‘the prior period’ or ‘2022’).

Due to the inclusion of a 53rd week in the 2022 financial period, the first 17 weeks of each of the 2022 and 2023 financial periods are not comparable. Compared to the corresponding 17-weeks of the 2022 financial period (from 5 July 2021 to 31 October 2021), retail sales for the current period increased by 13.1%.

In the current period, account sales comprised 52% (2022: 49%) of Group retail sales, with account and cash sales increasing by 21.5% and 9.7%, respectively, relative to the prior period. Compared to the corresponding 17-week prior period, wherein account sales comprised 49%, account and cash sales increased by 19.2% and 7.1%, respectively.

Truworths Africa

Retail sales for the Truworths Africa segment (being the Group, excluding the United Kingdom-based Office segment and comprising mainly of the Truworths businesses in South Africa) increased by 16.9% to R4.4 billion relative to the prior period. Compared to the corresponding 17-week prior period, retail sales for the current period increased by 14.2%.

In the prior period, retail sales performance was impacted negatively by the civil unrest in South Africa in July 2021 (mainly in KwaZulu-Natal and parts of Gauteng), the impact of which extended beyond August 2021 while the Group prepared to reopen the affected stores. Comparable store retail sales, which exclude the stores affected by the civil unrest, increased by 10.7% in the current period relative to the corresponding 17-week prior period.

Online sales continued to show good growth in the current period increasing by 33% and contributing 3.3% to Truworths Africa’s total retail sales.

Account sales comprised 70% of retail sales (2022: 68%). Trading space increased 0.7% relative to the prior period and is expected to increase by approximately 2% for the 2023 financial period. Merchandise inflation averaged 12.0% for the current period (2022: 3.4% deflation).

At the end of the first quarter period ended 2 October 2022, Truworths Africa’s gross trade receivables were 13.3% higher at R5.8 billion relative to R5.1 billion at the prior quarter period ended 26 September 2021. The number of active accounts increased by 3.6%. Both active account holders able to purchase and overdue balances as a percentage of gross trade receivables were unchanged at 83% and 14%, respectively, compared to the prior quarter period ended 26 September 2021.

Office

Retail sales for the Group's United Kingdom-based Office segment increased in Sterling terms by 11.6% to £76.8 million relative to the prior period's £68.8 million. In Rand terms retail sales for Office increased by 11.7% to R1.5 billion. Compared to the corresponding 17-week prior period, retail sales for the current period increased by 10.2% in Sterling terms. E-commerce sales for the current period comprised 41% of total retail sales, declining from a contribution of 45% in the prior period as high-street trading normalised.

Office's trading space decreased by 3.4% compared to the prior period and is expected to decrease by approximately 8% for the 2023 financial period as the business continues to exit marginal and loss-making stores as leases expire or lease breaks become available.

Outlook

While the Group is pleased with the positive performance achieved in the current period, the trading environment is expected to remain challenging in the year ahead with low economic growth and ongoing electricity load shedding expected in South Africa, and as consumers contend with escalating fuel, electricity and food prices as well interest rates.

The Group will continue its focus on the strategic initiatives outlined in its 2022 annual results announcement. In Truworths Africa, these initiatives include growing the Group's market share in key categories, utilising the strength of the book to grow sales through consistent application of Truworths' account risk management strategies, launching new and expanded retail store concepts and brands, enhancing the supply chain and speed to market, as well as improving the omni-channel experience. Office will continue to build on the strength of its brand relationships, work towards increasing the sales contribution of its made-to-order (own-brand) range, progress the replacement of key legacy systems, and invest in the store portfolio through the planned opening of two new stores and the modernising of four strategically important stores.

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 Group's interim results for the 26-week period ending 1 January 2023 are scheduled to be released on or about Thursday, 23 February 2023.

3 November 2022
Cape Town

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