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

SUMMARY OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2022, ORDINARY AND PREFERENCE DIVIDENDS DECLARATIONS

HIGHLIGHTS

- Group revenue up 23,0% to R25,1 billion
- Group retail turnover up 23,5% to R23,5 billion
- Group online retail turnover up 2,6% to R2,1 billion, contributing 8,9% to total Group retail turnover, as consumers returned to stores during the period
- Strong cash retail turnover growth of 25,5%, contributing 80,4% to total Group retail turnover
- Gross profit up 24,8% to R11,6 billion
- Operating profit before finance costs up 40,7% to R2,6 billion
- Headline earnings up 17,9% to R1,5 billion
- Basic earnings per share up 44,5% to 461,6 cents per share (Sept 2021: 319,5 cents per share)
- Headline earnings per share up 18,1% to 464,6 cents per share (Sept 2021: 393,4 cents per share)
- Cash generated from operations of R1,5 billion used to fund growth and acquisitions
- Interim dividend declared of 170,0 cents per share (Sept 2021: 170,0 cents per share)

COMMENTARY

STRONG PERFORMANCE DESPITE SIGNIFICANT HEADWINDS WHICH WAS ENABLED BY A ROBUST BUSINESS MODEL AND CONTINUED INVESTMENT THROUGHOUT THE CYCLE

The Group delivered a strong performance during the six months ended 30 September 2022 ('current period' or 'H1'2023') despite tough trading conditions and a stronger post-COVID-19 comparative in the six months ended 30 September 2021 ('prior period' or 'H1'2022'). The prior period was also impacted by the KZN civil unrest in July 2021.

H1'2023 performance was achieved despite continued disruptions during the current period, including increased levels of load shedding in South Africa, flooding in parts of South Africa and Australia, and double digit UK inflation.

Group retail turnover grew by 23,5%, supported by the continued expansion of our footprint and brand portfolio; and further growth in online retail turnover.

The strong trade, along with our continued focus on resetting the cost base, enabled growth of 17,9% in headline earnings and 18,1% in headline earnings per share.

OPERATING CONTEXT

TFG AFRICA

In TFG Africa, the post-pandemic economic recovery remained robust, showing resilience in consumer spending during the period, despite the reported unemployment rates, reduced consumer confidence and spend; and increased levels of Eskom load shedding.

During the current period we have seen a spike in load shedding which has resulted in c.132,000 lost trading hours during H1'2023. This impacted all provinces in South Africa and was 2,6 times greater than the lost trading hours from load shedding absorbed during the prior period.

Initiatives are being put in place to mitigate the lost trading hours due to load shedding by investing in a number of battery backup power solutions, installed in priority stores throughout South Africa. Along with the backup solutions, TFG Africa has deployed mobile point of sale devices across a number of stores to enable trade during load shedding. These initiatives will protect approximately 68% of South Africa turnover.

With effect from 1 August 2022, TFG acquired 100% of the issued share capital of Tapestry Home Brands Proprietary Limited ('Tapestry') for a cash equivalent purchase consideration of R2,2 billion. The acquisition seeks to provide the Group with exposure to new and diverse products and categories as well as gaining new customers to 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 and the continued development of its quick response local manufacturing capability.

TFG AUSTRALIA

In TFG Australia, the retail environment continued its strong recovery post the COVID-19 restrictions. The prior period was adversely impacted by COVID-19 related closures and restrictions, with approximately 50% of stores closed in August and September 2021. With customers now returning to stores, TFG Australia's outlet turnover grew 56,3% (AUD). TFG Australia continues to successfully navigate global supply chain issues, a tight domestic labour market and above average inflation.

TFG London

In TFG London, inflation has accelerated to the highest levels since the early 1980's and reached double digit growth on goods for the first time in April 2022 (12,4%, Office National Statistics, UK). Inflation is expected to remain high for some time despite the successive raises in interest rates by the Bank of England (from 0,1% to 3,0% currently). Against this backdrop, TFG London performed relatively well during the first quarter as consumers caught up on long delayed family celebrations and events; and employees began to return to normal working patterns. Retail outlet turnover growth (excluding online) of 64,0% (GBP) in the first quarter was delivered with stores being open for the entire trading period versus phased openings in the prior period. The second quarter saw more modest growth (Q2'2023 retail growth of 4.4% (GBP), H1'2023 of 21.2% (GBP)) with a focus on protecting margin through reduced promotional days. The Queen's passing and subsequent period of mourning, together with the uncertainty caused by the successive changes in Prime Minister, have been distracting for the UK consumer. There are many variables at play within the UK market however we remain optimistic.

FINANCIAL PERFORMANCE

The Group achieved retail turnover of R23,5 billion, enabled by above expectation performance across all retail segments.

Cash retail turnover increased by 25,5% compared to the prior period and now contributes 80,4% to total Group retail turnover. Credit retail turnover continues to be purposefully restricted by stringent acceptance criteria in line with current constrained economic conditions, and grew by 15,8% over the same period.

Online retail turnover from a high base in the prior period, as customers returned to stores, increased by 2,6% and now contributes 8,9% to total Group retail turnover. Our continued strategic focus on diversification of brands and omnichannel retailing resulted in outlet retail turnover growth of 26,0% over the same period.

Growth in the various merchandise categories was as follows:

Merchandise category	H1'2023 retail turnover growth	H1'2023 Contribution to total retail turnover
Clothing	24,7%	83,2%
Homeware	56,9%	6,4%
Cosmetics	5,8%	1,9%
Jewellery	4,8%	2,7%
Cellphones	0,2%	5,8%
Total Group	23,5%	100,0%

The Group increased gross profit by 24,8% to R11,6 billion. This result is particularly pleasing considering significant cost inflation absorbed as a result of global dynamics which have affected the South African business.

Continued focus on our cost control initiatives and the reduction of our cost base continued during the current period, with tangible savings being realised through our ongoing business optimisation projects. While trading expenses increased by 19,6% compared to the prior period, this was largely due to strategic investment and store expansions. Trading expenses as a percentage of Group retail turnover improved to 42,3% in the current period from 43,7% in the prior period.

Basic earnings per ordinary share and headline earnings per ordinary share increased by 44,5% and 18,1%, respectively, achieved through a solid performance across all divisions.

An interim dividend of 170,0 cents per share has been declared, which is the same as the prior period.

FINANCIAL POSITION

The Group generated R1,5 billion in cash from operations which was used to fund strategic investments and growth. The Group is well positioned to capitalise on future opportunities.

SEGMENTAL PERFORMANCE

All segments performed well despite a number of external factors and the challenging retail environment.

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	H1’2023 growth in retail turnover (LC)	H1’2023 Contribution to Group retail turnover (ZAR)
TFG Africa (ZAR)	16,9%	65,6%
TFG London (GBP)	21,2%	14,9%
TFG Australia (AUD)	48,7%	19,5%
Group (ZAR)	23,5%	100,0%

Our online and outlet channels contributed to the continued progress in all three territories, with the respective growths and contributions as follows:

Business segment	H1’2023 Online retail turnover growth	H1’2023 Online contribution to segment retail turnover	H1’2023 Outlet retail turnover growth	H1’2023 Contribution to segment retail turnover
TFG Africa (ZAR)	18,8%	3,1%	16,9%	96,9%
TFG London (GBP)	1,0%	37,6%	37,9%	62,4%
TFG Australia (AUD)	(12,4%)	6,5%	56,3%	93,5%
Group (ZAR)	2,6%	8,9%	26,0%	91,1%

CREDIT

The average new account acceptance rates for the six months ended 30 September 2022 of 20,9% (H1’2022: 23,9%) were purposefully restricted due to the constrained economic conditions. The demand for store credit however, increased by over 90% in the current period, resulting in credit retail turnover growth of 15,8% compared to H1’2022.

The retail net debtors’ book of R7,1 billion increased by 1,8% compared to March 2022. Robust payment behaviour contributed to the cash collected for the current period exceeding that of the prior period. The allowance for impairment as a percentage of the debtors’ book increased to 20,1% (March 2022: 19,1%) due to new account growth.

STORE PORTFOLIO

At 30 September 2022, the Group traded out of 4 399 outlets across 24 countries. Expansion of outlets continued during the current period with the opening of 159 outlets, while 111 outlets were closed, which includes 41 concessions in TFG London.

The outlet movement in the respective business segments was as follows:

Outlets	TFG Africa	TFG London	TFG Australia	Group
Opening balance at 1 April 2022	3 087	688	576	4 351
New outlets	136	12	11	159
Closed outlets	(35)	(68)	(8)	(111)
Closing balance at 30 September 2022	3 188	632	579	4 399

SUPERVISORY BOARD UPDATES

As was announced on SENS on 30 June 2022, the following changes were made to the Audit Committee with effect from 1 July 2022:

- Ronnie Stein, an independent non-executive director, stepped down as a member of the Audit Committee; and
- Graham Davin, an independent non-executive director was appointed as a member of the Audit Committee.

OUTLOOK

The Group continues to demonstrate its resilience and agility and is well positioned to navigate through tough economic conditions and stretched consumer wallets in all territories in which we operate. Trading conditions and consumer confidence are likely to remain under pressure, exacerbated by lost footfall due to load shedding in South Africa.

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

As always, the second half of the Group’s financial year is heavily dependent on Black Friday and Christmas trade, which will largely determine performance for the full year.

RESULTS PRESENTATION WEBCAST

A live webcast of the interim results presentation will be broadcast at 10:00 am (SAST) on Friday, 11 November 2022. A registration link for the webcast will be available on the Company’s website at www.tfglimited.co.za. The slides for the interim 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 on the same day.

INTERIM ORDINARY CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared an interim gross cash dividend of 170,0 cents (136,00000 cents net of dividend withholding tax) per ordinary share for the six-month period ended 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 331 027 300 ordinary shares.

The salient dates for the dividend will be as follows:

Publication of declaration data	Friday, 11 November 2022
Last day of trade to receive a dividend	Tuesday, 3 January 2023
Shares commence trading “ex” dividend	Wednesday, 4 January 2023
Record date	Friday, 6 January 2023
Payment date	Monday, 9 January 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 January 2023 and Friday, 6 January 2023, both days inclusive.

PREFERENCE DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a gross preference dividend (no. 172) of 3,25% or 6,5 cents per share (5,20000 cents net of dividend withholding tax) per preference share for the six-month period ending 31 March 2023.

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 dividend will be as follows:

Publication of declaration data	Friday, 11 November 2022
Last day of trade to receive a dividend	Tuesday, 7 March 2023
Shares commence trading “ex” dividend	Wednesday, 8 March 2023
Record date	Friday, 10 March 2023
Payment date	Monday, 13 March 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 March 2023 and Friday, 10 March 2023, both days inclusive.

Signed on behalf of the Supervisory Board.

M Lewis	A E Thunström
Chairman	Chief Executive Officer

Cape Town
11 November 2022

ABOUT THIS ANNOUNCEMENT

Statement and availability

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 unaudited interim condensed consolidated results were approved by the Board of Directors on 11 November 2022 and the information in this announcement has been correctly extracted from the unaudited interim condensed consolidated results. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement, which has been published on SENS and is available at: https://senspdf.jse.co.za/documents/2022/JSE/ISSE/TFG/Int2022.pdf and on the Company's website at: https://tfglimited.co.za/investor-information/financial-reports-and-presentations/.

An electronic copy of the full announcement may be requested and obtained, at no charge, from the Company Secretary at company_secretary@tfg.co.za.

DIRECTORATE AND STATUTORY INFORMATION

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

Registered office:
Stanley Lewis Centre, 340 Voortrekker Road, Parow East, 7500, South Africa

Transfer secretaries:
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, South Africa

Sponsor:
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Visit our website at http://www.tfglimited.co.za