

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 Q3 FY2023 AND THE NINE MONTHS ENDED 31 DECEMBER 2022

SALIENT FEATURES

- Robust performance, off a strong base, in Q3 FY2023 with Group retail turnover growth of 17,3% compared to Q3 FY2022, and a growth of 20,8% for the nine months ended 31 December 2022;
- TFG Africa recorded a strong performance in Q3 FY2023 with retail turnover growth of 18,4% and like-for-like retail turnover growth of 5,7%, both compared to Q3 FY2022;
- Cash retail turnover growth for TFG Africa in Q3 FY2023 of 23,6% compared to Q3 FY2022. Cash retail turnover for Q3 FY2023 now contributes 74,6% to total TFG Africa retail turnover and 81,7% to total Group retail turnover;
- TFG London showed resilience in Q3 FY2023 with retail turnover growth of 2,0% (GBP) compared to Q3 FY2022;
- TFG Australia delivered a strong 20,9% (AUD) growth in retail turnover in Q3 FY2023 compared to Q3 FY2022; and
- Group online retail turnover grew 5,6% in Q3 FY2023, whilst online retail turnover contributed 8,3% (Q3 FY2022: 9,3%) to total Group retail turnover for Q3 FY2023.

OPERATING CONTEXT

The Group delivered a strong performance in Q3 FY2023 with exceptional Black Friday and festive period trade, despite the load shedding challenges in South Africa.

ESKOM LOAD SHEDDING

TFG Africa lost c.112,000 trading hours during Q3 FY2023 and c.260,000 trading hours during the first nine months of FY2023 due to continued load shedding across all provinces in South Africa. This represents 2,4 times and 2,6 times the lost trading hours over the same period in the previous financial year, respectively.

INTERNATIONAL OPERATIONS

In the UK, inflation continues to outpace wage growth, further straining the discretionary budgets of many households.

Australian trade remains ahead of expectation at the end of Q3 FY2023, despite continued elevated inflation and increasing interest rates which have driven higher living costs.

TFG AFRICA PERFORMANCE UPDATE

In TFG Africa, retail turnover growth of 18,4% was achieved in Q3 FY2023 (compared to Q3 FY2022), largely driven by pleasing growths in our Clothing merchandise category and in our Homeware and Furniture merchandise category, partly supported by the acquisition of Tapestry Home Brands, with effect from 1 August 2022, as well as the continued expansion of the Jet Home business.

Positive retail turnover growth was achieved across most merchandise categories, with Homeware and Furniture retail turnover growing at 110,5% (including Tapestry Home Brands). Growth in Clothing retail turnover was 13,4% during Q3 FY2023, strongly supported by local clothing supply chain and sourcing capabilities.

TFG achieved a record Black Friday and Cyber Monday with turnover exceeding R1 billion over these two days. TFG Africa's like-for-like retail turnover growth increased 5,7% during Q3 FY2023 (compared to Q3 FY2022). TFG continues to invest in innovating and developing our existing brands to ensure that they are best positioned to continue to gain market share, despite the currently constrained consumer environment. Like-for-like retail turnover growth for the Clothing and Homeware merchandise categories increased 6,7% and 3,4% respectively during Q3 FY2023 (compared to Q3 FY2022).

The growth / (decline) 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 | Q3 FY2023 vs. Q3 FY2022 | Q3 FY2023 contribution to TFG Africa retail turnover |
|----------------------|----------------------------|--|
| Clothing | 13,4% | 74,5% |
| Homeware | 110,5% | 12,6% |
| Cosmetics | (0,1%) | 2,6% |
| Jewellery | (1,4%) | 4,0% |
| Cellphones | 3,9% | 6,3% |
| Total TFG Africa | 18,4% | 100,0% |

| Merchandise category | Nine months FY2023 vs. Nine months FY2022 | Nine months FY2023 contribution to TFG Africa retail turnover |
|----------------------|--|---|
| Clothing | 15,1% | 74,5% |
| Homeware | 80,6% | 11,1% |
| Cosmetics | 3,2% | 2,7% |
| Jewellery | 2,0% | 4,0% |
| Cellphones | 1,6% | 7,7% |
| Total TFG Africa | 17,6% | 100,0% |

Cash retail turnover for Q3 FY2023 grew by 23,6% compared to the same quarter in FY2022 and contributed 74,6% to total TFG Africa retail turnover for the period. For the nine months ended 31 December 2022 cash retail turnover grew 20,2% compared to the same period in FY2022 and contributed 72,2% to total TFG Africa retail turnover for the period.

Credit retail turnover for Q3 FY2023 grew by 5,5% compared to the same quarter in FY2022. For the nine months ended 31 December 2022, credit retail turnover grew by 11,3% compared to the same period in FY2022. Average acceptance rates for new accounts remained purposefully restricted at 20,4% for the nine months ended 31 December 2022 (FY2022: 24,5%), which remains appropriate given the volatile economic environment.

Online retail turnover for Q3 FY2023 grew by 43,3% compared to the same quarter in FY2022, as retailers and shopping centres continue to grapple with the constant electricity supply disruptions and customers turned to our e-commerce platforms. Online retail turnover contributed 3,9% of total TFG Africa retail turnover for Q3 FY2023 (Q3 FY2022: 3,2%). For the nine months ended 31 December 2022, online retail turnover grew 30,1% and contributed 3,4% to total TFG Africa retail turnover compared to the same period last year (FY2022: 3,1%).

TFG Africa traded out of 3,529 stores as at 31 December 2022, with 170 new stores opened in Q3 FY2023 and 303 new stores opened over the nine month period ended 31 December 2022. These stores have performed well above expectations.

TFG Africa gross margin is in line with plan but 1% behind the comparative period as our value businesses continue to grow in line with our strategy and as a result of cyclical input cost pressures.

The investment in battery back-up power solutions has proved sound and partly mitigated the impact of load shedding in our South African businesses. As at 31 December 2022, 1,455 stores had back-up power, representing c.70% of TFG Africa's turnover, with plans to ensure all our stores have back up power over the next few months. Additional diesel and security costs were incurred to protect operations and stores impacted by deeper levels of load shedding.

TFG LONDON PERFORMANCE UPDATE

In line with the market, TFG London's performance for Q3 FY2023 was more challenging as consumer confidence declined. Turnover was less concentrated around the Black Friday promotion and more evenly spread across the overall peak period, resulting in some gross margin gain. All evidence indicates that the tough economic conditions and high levels of inflation continue to stretch consumer wallets and adjust spending habits.

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

| | Q3 FY2023 vs. Q3 FY2022 | Nine months FY2023 vs. Nine months FY2022 |
|--|----------------------------|--|
| Retail turnover growth - GBP denominated | 2,0% | 13,8% |

Positively however, the high street traffic returned to pre COVID-19 levels in some cases and the increased footfall resulted in growth in TFG London's own UK stores of 7,2% versus online retail turnover from TFG London's own websites contracting 11,5% in Q3 FY2023 compared to the same quarter in FY2022. The contribution of online retail turnover for the quarter was at 42,0% (Q3 FY2022: 44,9%).

TFG AUSTRALIA PERFORMANCE UPDATE

TFG Australia continued to deliver strong retail turnover growth during Q3 FY2023 as the economy continued to recover post COVID-19 restrictions. The start of the prior comparative period was impacted by closures and restrictions.

Online retail turnover for Q3 FY2023 was down 16,2% compared to the same quarter in FY2022, contributing 5,8% to total TFG Australia retail turnover for the quarter (Q3 FY2022: 8,4%) 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:

| | Q3 FY2023 vs. Q3 FY2022 | Nine months FY2023 vs. Nine months FY2022 |
|--|----------------------------|--|
| | | |

| | | |
|--|-------|-------|
| Retail turnover growth – AUD denominated | 20,9% | 36,3% |
|--|-------|-------|

GROUP PERFORMANCE UPDATE

Overall, despite tougher trading conditions, the Group sustained pleasing results into Q3 of FY2023. For the nine months ended 31 December 2022, the Group delivered retail turnover growth of 20,8% 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 | Q3 FY2023 vs. Q3 FY2022 | Q3 FY2023 contribution to Group retail turnover | Nine months FY2023 vs. Nine months FY2022 | Nine months FY2023 contribution to Group retail turnover |
|---------------------|-------------------------------|---|---|---|
| TFG Africa (ZAR) | 18,4% | 72,2% | 17,6% | 68,5% |
| TFG Australia (ZAR) | 20,9% | 16,9% | 36,3% | 18,3% |
| TFG London (ZAR) | 2,0% | 10,9% | 13,8% | 13,2% |
| Group (ZAR) | 17,3% | 100,0% | 20,8% | 100,0% |

Group online retail turnover has seen an uptick in Q3 FY2023 with growth of 5,6% compared to the same period last year, driven largely by the TFG Africa business segment. The contribution from online retail turnover to total retail turnover for the quarter was 8,3%. For the nine months ended 31 December 2022, Group online retail turnover grew 3,7% (FY2022: 17,8%) and contributed 8,6% (FY2022: 10,1%) to total Group retail turnover.

ACQUISITION OF STREET FEVER

Shareholders of TFG are advised that the Group, through its value athletic and leisure footwear retail brand, Sneaker Factory, has entered into an agreement to acquire Street Fever, an independent retailer of affordable branded footwear and apparel ("Acquisition").

The Acquisition will allow TFG to scale up its presence in the value branded footwear segment and gain new customers while offering them greater choice of brands and products through TFG's sourcing capability.

Implementation of the Acquisition is subject to the fulfilment of conditions precedent normal for a transaction of this nature, including approval by the relevant Competition Authorities.

On completion of the Acquisition, the 114 Street Fever stores, their leases, and store-related staff will be taken over by TFG, with approximately 90 of these earmarked to be rebranded as Sneaker Factory stores. The remainder, which are located where Sneaker Factory outlets are already in close proximity, will be taken up by other TFG brands.

The Acquisition is not a categorised transaction for the purposes of Section 9 of the JSE Limited Listings Requirements.

OUTLOOK

The Group continues to invest in its differentiated business model and has made good progress in respect of its key strategic objectives. The Group's speciality brand business portfolio remains very well positioned for further organic and inorganic growth.

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
23 January 2023

Sponsor:
Rand Merchant Bank (A division of FirstRand Bank Limited)