

## **THE FOSCHINI GROUP LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 1937/009504/06)

Share code: TFG

ISIN: ZAE000148466

("TFG", "the Company" or "the Group")

### **Voluntary trading update in respect of the continued impact of load shedding in South Africa**

Shareholders are advised that this voluntary trading update is being made ahead of an investor conference being attended by TFG management later this week.

The ongoing energy crisis and elevated levels of load shedding are having a profound impact on South Africa's economy and society at large, making it difficult for businesses to trade, operate and plan at normal levels. This is adding abnormal costs to the business, including the inability to pass on the impact of inflation and the costs of dealing with load shedding to the consumer in full. Further, due to load shedding, retail footfall has declined in some regions and this, together with a change in consumer spending patterns, has impacted all South African retail.

As previously announced on SENS, TFG has had to contend with the increasing levels of load shedding in South Africa throughout the current financial year ending 31 March 2023 ("FY2023"). The extent and duration of load shedding increased progressively during the second half of December 2022, as previously reported, and more recently throughout January and February 2023 ("2-month period"), with South Africa experiencing prolonged periods of stages 4, 5 and 6 load shedding.

TFG Africa has been negatively impacted by these unprecedented levels of load shedding. For the 2-month period (excluding the non-comparative Tapestry Home Brands ("Tapestry") retail turnover growth has decreased from 12,6% (excluding Tapestry)\* for the nine months ended 31 December 2022, to low-single digit growth for these 2 months. This has in turn reduced retail turnover growth for the 48 weeks ended 25 February 2023 to 11,4% (excluding Tapestry)\*. The impact of these consistent high levels of load shedding would have been significantly worse were it not for the back-up power solutions which were installed over the past few months and now provide partial mitigation to c.70% (by turnover) of our South African stores.

TFG Africa lost c.120,000 trading hours during the 2-month period due to continued load shedding across all provinces in South Africa, which represents 9,4 times the lost trading hours over the same period in the previous financial year. This now equates to c.345,000 lost trading hours for the 11 months ended 28 February 2023. The true impact, however, has been estimated at close to double this figure (i.e. c.685,000 lost trading hours) as customer demand is dampened by the associated disruption and inconvenience with reduced footfall observed before, during and immediately after load shedding periods.

Whilst we remain focussed on minimising the operational and financial impacts of load shedding, we estimate the financial impact of load shedding to have reduced TFG Africa's retail turnover by approximately R1 billion in FY2023 (and by more than R250 million in the 2-month period alone). The resultant higher levels of inventory have also necessitated increased levels of stock provisioning which will contribute to the deterioration of gross margin in TFG Africa compared to the previous financial year. Additional unbudgeted direct costs of c.R65 million have also been incurred in respect of diesel, security and maintenance. Capital expenditure of c.R220 million has been spent to date on back-up power solutions and an additional c.R30 million will be spent in FY2023 to ensure that c.80% (by turnover) of TFG Africa's stores have back-up power over the next few months. Back-up power solutions are most effective only up to and including stage 4 load shedding, but are less effective at stages 5 and 6. Other consequences of load shedding have included disruptions to operations. At this stage there has only been a minimal impact on TFG's supply chain.

Load shedding in South Africa is expected to continue to have a significant impact on our business in FY2023 and FY2024. We continue to monitor the impact carefully but, given this prevailing uncertainty, it is difficult to predict with accuracy the extent of these impacts. Retail turnover growth in the first two weeks of March 2023, however, is more encouraging at 15,9% (excluding Tapestry)\* against a backdrop of lower levels of load shedding relative to the 2-month period.

Tapestry, acquired with effect from 1 August 2022, has performed above expectation. The rapid integration into TFG's well-developed platform has given it access to retail credit, TFG's Rewards loyalty program, market leading customer base and ecommerce capabilities. TFG's @home business is also already benefitting from Tapestry's local manufacturing capabilities.

We remain committed to investing for the long-term, both in respect of local quick response manufacturing and ecommerce. Bash, TFG's new fashion and lifestyle online shopping platform, was successfully launched in February 2023 – on time and within budget – and early indications are very encouraging across a range of online performance metrics. We continue to open new stores in South Africa, in line with our strategy, however, we do so cautiously and responsibly given the current environment. Further, we continue to see positive results from our investment in the value segment of the South African market following our acquisition of Jet.

TFG London and TFG Australia both continue to trade above expectation, thereby mitigating, to a certain extent, the load shedding related pressures in South Africa.

We will continue to keep shareholders updated in this regard.

\* Pro forma management account numbers used to calculate an indicative retail turnover growth.

#### PRO FORMA INFORMATION

Pro forma management account information for Tapestry was used in this announcement for illustrative purposes only to provide an indicative retail turnover growth for TFG Africa excluding the acquired Tapestry business.

Tapestry retail turnover for the period since acquisition on 1 August 2022 to 11 March 2023 was removed as if the acquisition did not take place.

This pro forma information, because of its nature, may not be a fair reflection of the Group's results of operations, financial position, changes in equity or cash flows. There are no material events subsequent to the reporting date which require adjustment to the pro forma information.

The pro forma management account retail turnover numbers used were:

	Nine months ended 31 December 2022	Nine months ended 31 December 2021	Growth
	Rm	Rm	%
TFG Africa retail turnover including Tapestry	28 282,8	24 049,3	17,6%
Less: Tapestry retail turnover <sup>#</sup>	1 199,8		
TFG Africa retail turnover excluding Tapestry	27 083,0	24 049,3	12,6%

	48 weeks ended 25 February 2023	48 weeks ended 26 February 2022	Growth
	Rm	Rm	%

TFG Africa retail turnover including Tapestry	32 507,4	27 778,7	17,0%
Less: Tapestry retail turnover <sup>#</sup>	1 571,6		
TFG Africa retail turnover excluding Tapestry	30 935,8	27 778,7	11,4%

	First two weeks of March trading month 2023	First two weeks of March trading month 2022	Growth
	Rm	Rm	%
TFG Africa retail turnover including Tapestry	1 361,5	1 079,8	26,1%
Less: Tapestry retail turnover <sup>#</sup>	109,9		
TFG Africa retail turnover excluding Tapestry	1 251,6	1 079,8	15,9%

# The adjustment is based on management accounts. The Group is satisfied with the quality and completeness of these management accounts which are unaudited.

The directors are responsible for compiling the pro forma financial information in accordance with the JSE Limited Listings Requirements and in compliance with the SAICA Guide on Pro Forma Financial Information. The underlying information used in the preparation of the pro forma financial information has been prepared applying consistently the accounting policies in place for the year ended 31 March 2022.

Shareholders are advised that the financial information on which this announcement is based has not been reviewed nor reported on by the Company's external auditors.

Cape Town  
13 March 2023

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