

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 Q4 FY2023 AND THE TWELVE MONTHS ENDED 31 MARCH 2023

SALIENT FEATURES

- Pleasing Group retail turnover growth of 14,3% achieved in Q4 FY2023, compared to Q4 FY2022, despite the unprecedented levels of load shedding experienced in South Africa and global macroeconomic challenges;
- The Group delivered retail turnover growth of 19,4% for the twelve months ended 31 March 2023;
- TFG Africa recorded retail turnover growth of 15,6% (6,0% excluding Tapestry*) in Q4 FY2023, compared to Q4 FY2022, which was negatively impacted by the high levels of load shedding experienced in Q4 FY2023;
- Per the latest RLC market share figures, TFG continued to grow ahead of the market during Q4 FY2023 and the twelve months ended 31 March 2023, further expanding market share by 0,3% in respect of both these periods, for those categories reported. Given the superior growth of TFG's Sports Division and the acquisition of Tapestry Home Brands (neither reported via RLC), TFG Africa further entrenched its footprint, customer base and market leadership positions in all its key categories;
- Cash retail turnover growth for TFG Africa in Q4 FY2023 of 17,8% compared to Q4 FY2022. Cash retail turnover for Q4 FY2023 now contributes 74,5% to total TFG Africa retail turnover and 82,5% to total Group retail turnover;
- TFG London's retail turnover declined 5,2% (GBP) in Q4 FY2023 compared to Q4 FY2022, which period was influenced by pent up demand following Covid-19 lockdowns. This decline in turnover was not however unexpected, in light of the repositioning of the TFG London business model towards a smaller but more profitable business;
- TFG Australia delivered a 6,7% (AUD) growth in retail turnover during Q4 FY2023 compared to Q4 FY2022;
- Group online retail turnover grew 17,7% in Q4 FY2023, whilst online retail turnover contributed 10,8% (Q4 FY2022: 10,5%) to total Group retail turnover;
- TFG continued to invest in capital expenditure to improve logistics infrastructure, local manufacturing, ecommerce capabilities and its store network (new and revamped stores); and
- Strong balance sheet position maintained despite the acquisition of Tapestry, strategic capital investments and higher levels of load shedding.

OPERATING CONTEXT

Consistent with many businesses in South Africa, the Group faced strong headwinds during Q4 FY2023, as consumer pressure heightened, load shedding levels worsened in South Africa and surplus inventories due to these factors resulted in higher promotional activity across our various markets, placing additional pressure on margins.

LOAD SHEDDING

TFG Africa lost, conservatively, c.360,000 trading hours during the twelve months ended 31 March 2023 ("FY2023"). The true impact, however, has been estimated at more than double this figure (i.e. c.730,000 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. We estimate the financial impact of load shedding to have reduced TFG Africa's retail turnover by in excess of R1,5 billion in FY2023, with a concomitant impact on inventory provisioning which ultimately impacts on gross margins achieved.

The investment in alternative power solutions, including battery back-up power solutions, has partially mitigated the impact of recent load shedding, although they are less effective under the increased frequency and extended hours experienced during stages 5 and 6**. As of 31 March 2023, 1 875 stores had back-up power, representing c.75% of TFG Africa's retail turnover, with plans to ensure the majority of our key stores have the much needed back up power in place over the next few months. Capital expenditure of c.R200 million has been spent on alternative power solutions to date which under normal circumstances, would have been invested more constructively in further expanding our store base as well as other strategic capital projects.

The elevated levels of load shedding commenced in the middle of peak festive trading season resulting in reduced available trading hours during a key period. This resulted in a moderate increase in inventory levels, as our proactive management of inventory in season mitigated some of this risk. Consequently, the comparable TFG Africa store units decreased by 10% on FY2022, however, due to provisions and markdown taken to clear the inventory, the gross margins decreased 2,1% in the TFG Africa business for FY2023 when compared to FY2022.

Additional unbudgeted diesel and security costs were also incurred to power and protect certain operations and stores impacted by load shedding.

INTERNATIONAL OPERATIONS

UK consumers continued to experience household pressure as a result of cost inflation outpacing wage growth. TFG London's repositioned business model, with its higher full price sales contribution, higher gross margins and reduced cost base, allowed it to successfully navigate these market pressures.

Australian trade remained buoyant through to the end of Q4 FY2023 despite elevated inflation and increased interest rates.

TFG AFRICA PERFORMANCE UPDATE

TFG Africa retail turnover growth of 15,6% was achieved in Q4 FY2023 (compared to Q4 FY2022) despite the significant levels of load shedding. Positive retail turnover growth was achieved across all key merchandise categories, with Homeware and Furniture retail turnover growing at 119,9% (4,5% excluding Tapestry*). Growth in Clothing retail turnover was 8,3% during Q4 FY2023.

Lost trading hours due to elevated blackouts and dependence on alternative electricity curtailed TFG Africa's retail turnover, with retail turnover growth excluding Tapestry at 6,0%* in Q4 FY2023 (compared to Q4 FY2022). Like-for-like retail turnover for the Clothing and Homeware merchandise categories grew 0,8% and 1,9% respectively during Q4 FY2023 (compared to Q4 FY2022).

TFG remains confident in its ability to innovate and develop its existing brands to ensure that they are best positioned to grow market share, notwithstanding the challenging trading environment.

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	Q4 FY2023 vs. Q4 FY2022	Q4 FY2023 contribution to TFG Africa retail turnover	H1 FY2023 vs. H1 FY2022	H2 FY2023 vs. H2 FY2022
Clothing	8,3%	66,9%	16,5%	11,6%
Homeware	119,9%	15,9%	56,9%	114,3%
Cosmetics	(1,3%)	2,9%	5,8%	(0,6%)
Jewellery	(6,8%)	4,2%	4,8%	(3,5%)
Cellphones	0,4%	10,1%	0,2%	2,2%
Total TFG Africa	15,6%	100,0%	16,9%	17,4%

Merchandise category	FY2023 vs. FY2022	FY2023 contribution to TFG Africa retail turnover
Clothing	13,8%	72,9%
Homeware	89,7%	12,0%
Cosmetics	2,2%	2,8%
Jewellery	0,0%	4,1%
Cellphones	1,3%	8,2%
Total TFG Africa	17,2%	100,0%

Cash retail turnover for Q4 FY2023 grew 17,8% compared to the same quarter in FY2022, ahead of credit retail turnover growth, and contributed 74,5% to total TFG Africa retail turnover for the period. For the twelve months ended 31 March 2023 cash retail turnover grew 19,7% compared to the same period in FY2022 and contributed 72,7% to total TFG Africa retail turnover for the period.

Credit retail turnover for Q4 FY2023 grew by 9,6% compared to the same quarter in FY2022. For the twelve months ended 31 March 2023 credit retail turnover grew by 11,0% compared to the same period in FY2022. Average acceptance rates for new accounts remained conservative at 19% for the twelve months ended 31 March 2023 (FY2022: 25%) and limited the increase in bad debts.

Online retail turnover for Q4 FY2023 grew by 44,9% compared to the same quarter in FY2022, as retailers and shopping centres continue to grapple with constant electricity supply disruptions and customers turn to ecommerce channels and our recently launched BASH platform. Online retail turnover contributed 4,0% of total TFG Africa retail turnover for Q4 FY2023 (Q4 FY2022: 3,2%). For the twelve months ended 31 March 2023, online retail turnover grew 33,2% and contributed 3,5% to total TFG Africa retail turnover (FY2022: 3,1%).

TFG LONDON PERFORMANCE UPDATE

TFG London's retail turnover performance for Q4 FY2023 was off a high base. Performance in the comparative period last year was exceptional (end of the autumn/winter season) as the UK fully came out of COVID-19 conditions and

performance was boosted by a heightened level of social occasions and back to work shopping, which necessitated the restocking of wardrobes. Pleasingly, in line with their repositioned business model, gross margins were preserved and this, coupled with effective cost management, resulted in a strong bottom line.

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

	Q4 FY2023 vs. Q4 FY2022	H1 FY2023 vs. H1 FY2022	H2 FY2023 vs. H2 FY2022	FY2023 vs. FY2022
Retail turnover growth - GBP denominated	(5,2%)	21,2%	(1,1%)	9,4%

The contribution from online retail turnover for the quarter was at 49,6% (Q4 FY2022:45,8%).

TFG AUSTRALIA PERFORMANCE UPDATE

TFG Australia continued to deliver growth in retail turnover during Q4 FY2023, notwithstanding the more normalised base for the same period in FY2022.

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

	Q4 FY2023 vs. Q4 FY2022	H1 FY2023 vs. H1 FY2022	H2 FY2023 vs. H2 FY2022	FY2023 vs. FY2022
Retail turnover growth - AUD denominated	6,7%	48,7%	15,4%	29,8%

Online retail turnover for Q4 FY2023 was down 4,8% compared to the same quarter in FY2022, contributing 6,4% to total TFG Australia retail turnover for the quarter (Q4 FY2022: 7,2%). Prior period online retail turnover was bolstered by shoppers during lock-down, prior to them returning to stores during this period.

GROUP PERFORMANCE UPDATE

Despite tougher trading conditions across all regions, the Group sustained pleasing retail turnover growth into Q4 FY2023, delivering retail turnover growth of 14,3% compared to a very strong base during 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	Q4 FY2023 Vs. Q4 FY2022	Q4 FY2023 contribution to Group Retail Turnover	H1 FY2023 vs. H1 FY2022	H2 FY2023 vs. H2 FY2022
TFG Africa (ZAR)	15,6%	68,7%	16,9%	17,4%
TFG Australia (ZAR)	20,7%	17,4%	56,5%	23,1%
TFG London (ZAR)	1,7%	13,9%	20,3%	1,7%
Group (ZAR)	14,3%	100,0%	23,5%	16,2%

Business segment	FY2023 vs. FY2022	FY2023 contribution to Group Retail Turnover
TFG Africa (ZAR)	17,2%	68,5%
TFG Australia (ZAR)	37,4%	18,2%
TFG London (ZAR)	10,3%	13,3%
Group (ZAR)	19,4%	100,0%

Group online retail turnover has seen an uptick in Q4 FY2023 with growth of 17,7% compared to the same period last year, driven largely by the TFG Africa business segment, which benefitted from the effects of the Tapestry acquisition and the recent launch of BASH. The contribution from online retail turnover to total retail turnover for the quarter was 10,8% (Q4 FY2022: 10,5%). For the twelve months ended 31 March 2023, Group online retail turnover grew 6,9% (FY2022: 11,7%) and contributed 9,1% (FY2022: 10,2%) to total Group retail turnover and continues to be the area of strategic focus for the group.

UPDATE ON THE ACQUISITION OF STREET FEVER – FULFILMENT OF CONDITIONS PRECEDENT

Shareholders of TFG ("Shareholders") are referred to the announcement released by the Company on the JSE Stock Exchange News Service on 23 January 2023 advising that the Group, through its value athletic and leisure footwear retail brand, Sneaker Factory, had entered into an agreement to acquire Street Fever, an independent retailer of affordable branded footwear and apparel ("Transaction").

Shareholders are hereby notified that all conditions precedent to the Transaction have either been fulfilled or waived as set out in the agreement, it being noted that the approval from the relevant competition authorities was obtained. Accordingly, the Transaction is now unconditional in accordance with the terms of the agreement and was implemented with an effective date of 26 April 2023. The integration has been quick and seamless.

OUTLOOK : CONSOLIDATION PHASE AND DEFENDING GROSS MARGIN

TFG has endeavoured to mitigate as much of the load shedding challenges it has to deal with on a daily basis. The year ahead, however, is expected to remain challenging especially for the South African business where load shedding and increasing consumer pressure are expected to worsen.

Despite the Group's high level of conviction around a number of clearly defined and identified growth levers and organic investment opportunities, the Group, in light of the current load shedding and global economic uncertainties, is adopting a very prudent approach and treating FY2024 as a year of consolidation and focusing on improving operating leverage.

Operationally, considering the current macroeconomic conditions and the likelihood of continued high levels of load shedding, there will be a continued focus on controlling inventory purchases so as to defend gross profit margins and reduce the absorption of working capital, with FY2024 inventory purchases expected to be below those of FY2023 on a like-for-like-basis. Expense control is also a key lever and during the second half of FY2023, support and administration expenses of approximately R220 million were frozen. Similar cost savings initiatives are planned for the year ahead. We also revisited our planned capital allocation for the year ahead, and have curtailed our planned new store openings, with the result

that our store capital expenditure is likely to approximate half of what we spent in FY2023. TFG's future brand and store roll-out pipeline remains as robust as ever, however, current market conditions require a slower execution of this roll-out.

Trade since the year-end has been muted across all three of our trading territories. For the trading month of April 2023 (compared to April 2022), TFG Africa had retail turnover growth of 12,5% (3,2% excluding Tapestry*), TFG London had negative retail turnover growth of 14,3% (GBP) and TFG Australia had negative retail turnover growth of 3,6% (AUD. Both TFG London and TFG Australia are up against a very high base in the comparative period which was driven by a post COVID-19 heightened demand for occasionwear and back to work shopping as mentioned in the previous paragraphs.

ANNUAL FINANCIAL RESULTS

Shareholders are advised that the Group expects to release its annual financial results for the 12 months ended 31 March 2023 on SENS on Friday, 9 June 2023.

A live webcast of the annual financial results presentation will be broadcast at 10:00 am (SAS) on Friday, 9 June 2023. A registration link for the webcast will be available on the Company's website at www.tfglimited.co.za. The slides for the annual financial 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 the same day.

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

** Stage 5 Load shedding = up to 8 hours of no electricity a day & Stage 6 Load shedding = up to 9,5 hours of no electricity a day.

PROFORMA 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 31 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:

	Q4 FY2023	Q4 FY2022	Growth
	Rm	Rm	%
TFG Africa retail turnover including Tapestry	7 197,7	6 225,7	15,6

Less: Tapestry retail turnover#	600,2	-	-
TFG Africa retail turnover excluding Tapestry	6 597,5	6 225,7	6,0

	Q4 FY2023	Q4 FY2022	Growth
	Rm	Rm	%
TFG Africa Homeware retail turnover including Tapestry	1 143,7	520,0	119,9
Less: Tapestry retail turnover#	600,2	-	-
TFG Africa Homeware retail turnover excluding Tapestry	543,5	520,0	4,5

	April 2023 trading month	April 2022 trading month	Growth
	Rm	Rm	%
TFG Africa retail turnover including Tapestry	3 497,8	3 109,4	12,5
Less: Tapestry retail turnover#	288,2	-	-
TFG Africa retail turnover excluding Tapestry	3 209,6	3 109,4	3,2

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 2023.

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

Cape Town
10 May 2023

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