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")

SHORT-FORM ANNOUNCEMENT

Condensed consolidated financial statements for the year ended 31 March 2023, ordinary and preference share dividend declarations

SALIENT FEATURES:

- Robust growth in Group retail turnover up 19,4% to R51,8 billion with all territories achieving double-digit growth;
- Group revenue increases 19,4% to R55,1 billion (FY2022: R46,2 billion);
- Group online retail turnover growth of 6,6 % to R4,7 billion, contributing 9,1% to total Group retail turnover;
- Group gross margin contracts 60bps to 47,9% (FY2022: 48,5%);
- Trading expenses contained at 41,3% of retail turnover (FY2022: 41,4%);
- Operating profit before finance costs increases 12,4% to R5,4 billion;
- Profit after tax increases 4,0% to R3,0 billion;
- Basic earnings per share of 938,5 cents increases 4,1% (FY2022: 901,9 cents per share);
- Headline earnings per share of 968,9 cents decreases 4,0% (FY2022: 1 009,0 cents per share);
- Cash generation from operations of R7,1 billion (FY2022: R8,2 billion);
- Pre-IFRS 16 Net debt* of R7,1 billion (March 2022: R1,0 billion). Pre-IFRS 16 Net debt* to pre-IFRS 16 adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) ratio* increased to 1,2 (March 2022: 0,2) following the Tapestry acquisition and significant investment in a number of key strategic areas of the existing business to ensure strong future growth; and
- Final dividend declared of 150,0 cents per share, a decrease of 54,5%.

This short-form announcement is the responsibility of the Company's directors and is only a summary of the information in the full announcement and does not contain complete details. The reviewed provisional condensed consolidated financial statements for the year ended 31 March 2023 were approved by the Board of Directors on 8 June 2023 and the information in this announcement has been correctly extracted from the reviewed provisional condensed consolidated financial statements. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement, which has been published on the JSE Stock Exchange News Service ('SENS') and is available at:
https://senspdf.jse.co.za/documents/2023/JSE/ISSE/TFG/FY2023.pdf
and on the Company's website at
https://tfglimited.co.za/investor-information/financial-reports-and-presentations/.

Copies of the full announcement may also be requested by contacting the Company Secretary (company secretary@tfg.co.za) and are available for inspection at the Company's registered office at no charge, weekdays during office hours.

This short form announcement has not been reviewed or reported on by the Group's external auditors. The Group's auditors, Deloitte & Touche, have reviewed the full announcement and expressed an unmodified review conclusion thereon.

OPERATING CONTEXT

Resilient performance despite the macro economic headwinds and significant load shedding in South Africa

The Group delivered solid results for the financial year notwithstanding significant headwinds in the South African business mainly as a result of unprecedented load shedding especially during the last four months of the period. Trading performance was robust with all territories yielding double digit retail turnover growth.

LOAD SHEDDING

TFG Africa lost, conservatively, c.360,000 trading hours during the twelve months ended 31 March 2023 ("FY2023"). As previously reported, 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 significantly 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 operating costs and inventory provisioning which ultimately impacts on gross margins achieved.

The investment in alternative power, including battery back-up power, has partially mitigated the impact of recent load shedding, although the units 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 was not planned and increases the cost of doing business.

The elevated levels of load shedding commenced in the middle of the festive trading season resulting in reduced available trading hours during a key trading 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 c.10% on FY2022. Additionally, due to provisions and markdown taken to clear the inventory, the gross margins decreased 220bps in the TFG Africa business for FY2023 when compared to FY2022.

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

Consequently, group gross margin contracted 60bps as a result of not passing on all product cost inflation to customers in South Africa as well as proactive management of excess inventory due to load shedding. This was partially mitigated by the post recovery demand in the London and Australian businesses.

As previously announced on SENS on 1 August 2022, the Group acquired the share capital of Tapestry Home Brands Proprietary Limited ('Tapestry') for R2,2 billion. Tapestry is a prominent direct-to-consumer, vertically integrated designer, manufacturer and omnichannel cash retailer of home furnishings serving consumers' living and sleeping needs, targeting the middle to upper LSM markets. This acquisition entrenches TFG's leading market position in the homeware and furniture market segment.

In addition, TFG continued to invest to improve its logistics infrastructure, local manufacturing, ecommerce capabilities and its store network (new and revamped stores). A robust balance sheet position was maintained despite the acquisition of Tapestry, the strategic capital investments and higher levels of load shedding.

FINANCIAL PERFORMANCE

The Group's retail turnover grew 19,4% to R51,8 billion (15,2% excluding Tapestry*). Group cash retail turnover grew by 21,5% compared to FY2022, contributing R42,1 billion or 81,3% (FY2022: 79,9%) of total Group retail turnover. Group online retail turnover grew by 6,6% (FY 2022: 11,7%) to R4,7 billion for the 12-month period, contributing 9,1% (FY2022: 10,2%) to total Group retail turnover.

Gross margin for the Group contracted to 47,9% (March 2022: 48,5%) mainly as a result of prevailing conditions in South Africa, which experienced heightened consumer pressure, unprecedented load shedding and consequently surplus inventories causing a higher level of promotional activity which negatively impacted gross margin.

At year-end, trading expenses were at 41,3% of retail turnover (FY2022: 41,4%), despite significant investments in omnichannel, manufacturing and logistics costs, which in total amounted to c.R750 million.

Basic earnings per share increased by 4,1% and Headline earnings per share decreased by 4,0% with earnings in the prior year impacted by non-cash impairments.

STRONG STATEMENT OF FINANCIAL POSITION

The Group generated cash from operations of R7,1 billion for the year ended 31 March 2023 (FY2022: R8,2 billion) through robust trading performance and continued effective management of working capital.

The gross debtors book grew by 11,6% to R9,7 billion while credit turnover increased 11,0% on FY2022.

To further reinforce its balance sheet, the Group restructured its debt facilities at an Africa level, successfully securing R14,5 billion in facilities, which was an additional R2,8 billion and on more favourable lending terms.

At 31 March 2023, as a result of the R2,2 billion Tapestry acquisition, R3,0 billion in capital expenditure (March 2022: R1,6 billion), R1,6 billion in dividends paid (March 2022: R0,6 billion) and the movement in working capital; pre-IFRS 16 net debt* increased to R7,1 billion (March 2022: R1,0bn) with sufficient headroom available in unutilised facilities.

Group inventory holdings increased by 8 days, mainly due to load shedding in South Africa and post Covid-19 normalisation in trading conditions in other territories. c.83,7% of Group inventory is less than 27 weeks old.

The provision for inventory obsolescence, as a percentage of gross inventory was 11,1% at the end of FY2023 (FY2022: 11,0%).

SEGMENTAL PERFORMANCE UPDATE

TFG Africa's retail turnover growth/(decrease)(ZAR) when compared to the same period in the previous financial year in the respective merchandise categories was as follows:

Merchandise category	H1 2023 vs H1 2022 %	H2 2023 vs H2 2022 %	FY2023 vs FY2022 %	FY2023 Contribution to TFG Africa retail turnover
Clothing	16,5	11,6	13,8	72,9%
Homeware	56,9	114,3	89,7	12,0%
Cosmetics	5,8	(0,6)	2,2	2,8%
Jewellery	4,8	(3,5)	0,0	4,1%
Cellphones	0,2	2,2	1,3	8,2%
Total TFG Africa	16,9	17,4	17,2	100,0%

Cash retail turnover, contributing 72,7% to TFG Africa retail turnover, grew by 19,7% when compared to the same period in the previous financial year. Credit retail turnover grew by 11,0% for the year ended 31 March 2023.

TFG Australia's retail turnover grew by 29,8% (AUD) when compared to the same period in the previous financial year, and now contributes 18,2% (FY 2022: 15,8%) to Group retail turnover.

Retail turnover in TFG London grew 9,4% (GBP) when compared to the same period in the previous financial year, and now contributes 13,3% (Mar 2022: 14,4%) to Group retail turnover.

The retail turnover growth/(decrease) 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 vs H1 2022 %	H2 2023 vs H2 2022 %	FY2023 vs FY2022 %	FY2023 Contribution to Group retail turnover
TFG Africa (ZAR'm)	16,9	17,4	17,2	68,5%
TFG London (GBP'm)	21,2	(1,1)	9,4	13,3%
TFG Australia (AUD'm)	48,7	15,4	29,8	18,2%
Group (ZAR'm)	23,5	16,2	19,4	100,0%

STORE PORTFOLIO

As at 31 March 2023, the Group traded out of 4 697 (March 2022: 4 351) outlets across 23 countries. During the year, we added 169 outlets through the Tapestry acquisition, 381 new outlets were opened and 204 outlets were closed, with outlet movement in the respective business segments as follows:

Outlets	TFG Africa	TFG London	TFG Australia	Group

Opening balance as at 1 April 2022	3 087	688	576	4 351
Acquisition of Tapestry	169	0	0	169
New outlets	337	21	23	381
Closed outlets	(69)	(120)	(15)	(204)
Closing balance as at 31 March 2023	3 524	589	584	4 697

The Group continued its focus on space optimisation and the renegotiation of rentals. Since year end, the Group opened 39 new stores and added a further 99 stores to its South African footprint as a result of the Street Fever acquisition.

CREDIT

Given the strong cash turnover growth and the prevailing economic conditions we remain conservative with our credit lending criteria. Demand for TFG credit remains strong, while approval rates for new accounts decreased to c.19% as stringent approval criteria were maintained. During the year, the Group successfully implemented credit within the newly acquired Tapestry businesses. For the year ended 31 March 2023, credit retail turnover grew by 11,0% compared to the same period in the previous financial year (FY2022: 24,2%). Credit sales now contributes 27,3% (FY2022: 28,9%) to total TFG Africa retail turnover.

The retail net debtors' book of R7,7 billion increased by 10,5% year-on-year (FY2022: 5,7%). Customer payment behaviour remains better than expected, but the allowance for impairment ratio increased to 20,0% (March 2022: 19,1%) in line with prevailing and forecasted macro economic conditions.

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.

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

Shareholders of TFG are referred to the announcement released by the Company on SENS 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 ("the Transaction").

As further announced on SENS on 10 May 2023, all conditions precedent to the Transaction have either been fulfilled or waived as set out in the agreement, including obtaining the approval from the relevant competition authorities. Accordingly, the Transaction is unconditional in accordance with the terms of the agreement and was implemented with an effective date of 26 April 2023. The integration into Sneaker Factory has been seamless.

OUTLOOK

The year ahead is expected to remain challenging especially for the South African business where load shedding and increased consumer pressures are expected to deteriorate.

In light of the current load shedding and global uncertainties and despite the Group's high level of conviction around a number of clearly defined and identified growth levers and organic investment opportunities, the Group is adopting an appropriate prudent approach to its treatment of FY2024 as a year of consolidation with focus on improving operating leverage.

Operationally, considering the current macro economic 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. Maintaining operationally effective expense control remains a key lever as evidenced 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. Planned capital allocation for the year ahead has been revisited, and planned new store openings have been curtailed, resulting in our store capital expenditure likely to approximate half of what was incurred in FY2023. TFG's future brand and store roll-out pipeline remains as robust as ever, however, current market conditions require a slower execution timeline of this roll-out.

Trade since the year-end has been muted across all three of our trading territories. For the 2 month trading period to May 2023 (compared to the same period ending May 2022), TFG Africa had retail turnover growth of 15,4% (5,8% excluding Tapestry*), TFG London retail turnover declined 10,8% (GBP) whilst TFG Australia declined 4,9% (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.

Any reference to future outlook or prospects included in this announcement has not been reviewed or reported on by the Group's auditors.

The Supervisory Board thanks the management teams and employees of each of the business units for leading the Group through the challenging economic environments within which TFG operates.

RESULTS PRESENTATION WEBCAST

A live webcast of the result presentation will be broadcast at 10:00 am (SAS) on 09 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 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.

FINAL ORDINARY CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a final gross cash dividend of 150,0 cents (120,00000 cents net of dividend withholding tax) per ordinary share for the six-month period ended 31 March 2023. This equates to a dividend cover of 3x, which the Supervisory Board believes is appropriate, given both the high level of uncertainty in the global consumer environment as well as the significant level of investment in the business.

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 ordinary dividend will be as follows:

Publication of declaration data	Friday, 9 June 2023
Last day of trade to receive a dividend	Tuesday, 18 July 2023
Shares commence trading “ex” dividend	Wednesday, 19 July 2023
Record date	Friday, 21 July 2023
Payment date	Monday, 24 July 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 July 2023 and Friday, 21 July 2023, both days inclusive.

PREFERENCE CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a gross cash dividend (no. 173) of 3,25% or 6,5 cents (5,20000 cents net of dividend withholding tax) per preference share for the six-month period ending 30 September 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 preference dividend will be as follows:

Publication of declaration data	Friday, 9 June 2023
Last day of trade to receive a dividend	Tuesday, 12 September 2023
Shares commence trading “ex” dividend	Wednesday, 13 September 2023
Record date	Friday, 15 September 2023
Payment date	Monday, 18 September 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 September 2023 and Friday, 15 September 2023, both days inclusive.

* Non-IFRS measure – refer to note 2 of the reviewed provisional condensed consolidated financial statements for the year ended 31 March 2023.

Signed on behalf of the Supervisory Board.

M Lewis	A E Thunström
Chair	Chief Executive Officer

Cape Town
8 June 2023

Date of release on SENS: 9 June 2023

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

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1937/009504/06

Tax reference number:
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RAND MERCHANT BANK (A division of FirstRand Bank Limited)