

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 THE 22 WEEKS ENDED 26 AUGUST 2023 AND TRADING STATEMENT FOR THE SIX MONTHS ENDING 30 SEPTEMBER 2023

#### SALIENT FEATURES

- Group retail turnover growth of 11,3% for the 22 weeks ended 26 August 2023 ('current period') compared to the 22 weeks ended 27 August 2022 ('prior period');
- TFG Africa recorded retail turnover growth of 16,1% (9,7% excluding Tapestry\*) and like-for-like retail turnover growth of 3,3%;
- Cash retail turnover growth for TFG Africa of 21,8%. Cash retail turnover now contributes 73,4% to total TFG Africa retail turnover and 82,0% to total Group retail turnover;
- TFG London's retail turnover declined 12,4% (GBP) off a high post COVID-19 base;
- TFG Australia's retail turnover declined 6,6% (AUD) off a post COVID-19 record prior period base; and
- Group online retail turnover grew a pleasing 23,2% during the current period with online retail turnover contributing 10,1% to total Group retail turnover compared to 9,1% in the prior period.

As previously reported on SENS, the results of TFG's international operations were positively impacted, in the prior period, by the inflated, post COVID-19 spending recovery and consequently earnings for the six months ended 30 September 2022 ('H1 FY2023') were unsustainably high. In the current period, their performance has returned to growing off pre COVID-19 levels. As a result of this, combined with the impact of high levels of load shedding that persists in disrupting operations in South Africa, especially during April, May and June 2023, earnings for the six months ending 30 September 2023 ('H1 FY2024') are expected to be 15% to 25% lower than H1 FY2023 earnings. For further detail, refer to the Trading Statement for the six months ending 30 September 2023 included at the end of this announcement.

#### OPERATING CONTEXT

The Group delivered steady operational progress during the current period despite a decline in retail turnover from the international business segments as explained above. TFG Africa's trading continues to be heavily impacted by load shedding in South Africa.

#### ESKOM LOAD SHEDDING

TFG Africa excluding Tapestry lost c.250,000 trading hours during the current period, 1,8 times more trading hours than the prior period due to the higher levels of load shedding experienced. During the current period, c.91,000 trading hours were lost in the Tapestry business.

As at 26 August 2023, 2,284 stores had back-up power, representing c.75% of TFG Africa's retail turnover (excluding Tapestry where we have recently installed back up power solutions). Persistent load shedding is expected to depress economic growth, prolonging the profound impacts on small business, employment, consumer spending, our local supply chain partners and ultimately the retail sector.

#### INTERNATIONAL OPERATIONS

As explained above, TFG London and TFG Australia's performance in the current period is set against an unsustainable prior period, due to the buoyant sales experienced in the post COVID-19 trading period. As a result of higher inflation and interest rates, consumers in both Australia and the United Kingdom remain under pressure which has adversely impacted both demand and consumer confidence in their respective core operating markets.

Consequently, and in line with previously advised expectations, the TFG London and TFG Australia business segments traded below prior period retail turnover levels in the current period. At a gross margin level, TFG London managed to maintain margins at prior period levels, whereas TFG Australia traded below prior period levels due to promotional activity.

#### TFG AFRICA PERFORMANCE UPDATE

In TFG Africa, a pleasing retail turnover growth of 16,1% was achieved during the current period and was driven largely by the clothing and homeware merchandise categories. Excluding Tapestry, TFG Africa achieved a retail turnover growth of 9,7%\*.

The growth 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	22 weeks ended 26 August 2023	Contribution to TFG Africa retail turnover
Clothing	11,8%	72,3%
Homeware	**77,2%	13,7%
Cosmetics	3,8%	2,6%
Jewellery	0,1%	3,5%
Cellphones	2,5%	7,9%
Total	16,1%	100,0%

\*\* 5,3% excluding Tapestry\*

Cash retail turnover for the current period grew by 21,8% compared to the prior period and contributed 73,4% to total TFG Africa retail turnover for the current period.

Credit retail turnover for the current period grew by 2,9% compared to the prior period. Average acceptance rates for new accounts at 17,4% for the current period, remained stable when compared to the second half of the prior financial year (17,0%).

Following the successful launch of TFG's new online platform, Bash, online retail turnover grew by a pleasing 34,0% during the current period (53,8% including Tapestry\*). Total online retail turnover now contributes 4,2% to total TFG Africa retail turnover (3,2% during the prior period).

TFG Africa traded out of 3,668 stores as at 26 August 2023, a net increase of 144 stores since 1 April 2023.

TFG Africa's gross margin is now tracking 3,3% behind the comparative prior year period as a result of exchange rate related inflation and increased promotional activity across the market.

The recent protracted taxi strike impacted trade within the Western Cape from 3 August to 10 August 2023. TFG Africa, excluding Tapestry, underperformed, the prior comparative period (3 August to 10 August 2022), by R11 million, and Tapestry underperformed by R9 million. The operational impact at key distribution centres was managed, however, once off additional costs were incurred to secure facilities and transport staff so that the impact on staff and customers could be minimized.

#### TFG LONDON PERFORMANCE UPDATE

In line with expectations, the retail turnover in TFG London contracted 12,4% on the prior period, whilst online retail turnover declined 2,7% (both in GBP currency). Management continues to focus on targeting gross margin expansion as tough local economic conditions continue to prevail.

Online retail turnover's contribution to total retail turnover increased from 36,8% in the prior period to 40,9% in the current period.

#### TFG AUSTRALIA PERFORMANCE UPDATE

TFG Australia experienced similar adverse economic pressures to that of TFG London during the current period and traded against the extremely high base in the prior period, which resulted from post COVID-19 pent up demand. As a result of more normalised demand, TFG Australia reflected a 6,6% decline in retail turnover during the current period (in AUD currency), which represents c. 35% growth on pre COVID-19 levels (year 2020).

Online retail turnover grew 1,5% during the current period, now contributing 6,0% to total retail turnover (5,5% during the prior period).

#### GROUP PERFORMANCE UPDATE

Despite a strong prior period performance and tough economic and operating conditions experienced both in South Africa and by our international business segments in the current period, the Group sustained pleasing retail turnover growth during the first 22 weeks of the 2024 financial year.

The retail turnover growth, compared to the same period in the previous financial year, in each of our business segments was as follows:

Business segment	22 weeks ended 26 August 2023	Contribution to Group retail turnover
TFG Africa (ZAR)	16,1%	67,5%
TFG Australia (ZAR)	1,7%	18,0%
TFG London (ZAR)	3,7%	14,5%
Group (ZAR)	***11,3%	100,0%

\*\*\* 7.2% excluding Tapestry\*

As part of our stated strategy to offer an improved online experience and offering, Group online retail turnover grew 23,2% during the current period, driven largely by the 53,8% growth in TFG Africa. The contribution from online retail turnover to total Group retail turnover for the current period was 10,1% (9,1% during the prior period).

Group capital expenditure of R809 million during the current period, was largely driven by the investment in stores, logistics and the Street Fever acquisition.

#### OUTLOOK

The growth outlook for the remainder of 2024 financial year, both globally and in South Africa, is likely to remain challenging. Disposable income and consumer confidence is only anticipated to recover in the second half of the 2024 financial year, with the anticipation of further reductions in inflation and as interest rates begin to decline.

The current period has seen TFG's operations in all territories dealing with challenging economic conditions, albeit at differing levels and for different reasons. Furthermore, all regions have had to deal with inventory bought-in for growth and at peak trading periods in the prior financial year. For TFG Africa, this resulted in a c.'300 bps' margin decline on the prior period, however closing stock balance was down c.4% year to date.

The operating environment remains challenging as we move into the second half of the 2024 financial year, including persistent and unpredictable load shedding in South Africa and the weaker ZAR exchange rate against major currencies. Retail turnover in H2 FY2024 is expected to grow on that achieved in H2 FY2023, especially in Q4 FY2024, as it will be against the softer base of Q4 FY2023. Further, gross margins in H2 FY2024 are expected to improve in all regions.

The outlook remains cautious, especially in the UK, with possible further softening in the coming months as many industries battle persistent inflation, higher energy costs and higher interest rates, which may have a negative impact on jobs and consumer confidence. It is expected that customers will continue to seek value, which could drive further promotional activity as the cost of living pressures continue throughout 2023.

We are cautiously optimistic that TFG Australia's consumer will remain resilient.

As previously communicated, the Group has, in response to the muted growth environment, adopted a conservative approach to its organic growth plans with less store openings expected in H2 FY2024 when compared to H2 FY2023. The Group will continue to focus on the consolidation of its world class assets to further improve its balance sheet strength and consequently the return to shareholders.

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

#### PRO FORMA FINANCIAL 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 27 August 2022 was removed as if the acquisition did not take place.

This pro forma financial 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 financial information.

The pro forma management account retail turnover numbers used were:

	22 weeks ended 26 August 2023	22 weeks ended 27 August 2022	Growth
	Rm	Rm	%
TFG Africa retail turnover	14 567,5	12 546,5	16,1

including Tapestry			
Less: Tapestry retail turnover#	(1 029,8)	(209,4)	391,7
TFG Africa retail turnover excluding Tapestry	13 537,7	12 337,1	9,7

	22 weeks ended 26 August 2023	22 weeks ended 27 August 2022	Growth
	Rm	Rm	%
TFG Africa Homeware retail turnover including Tapestry	1 994,8	1 126,0	77,2
Less: Tapestry retail turnover#	(1 029,8)	(209,4)	391,7
TFG Africa Homeware retail turnover excluding Tapestry	965,0	916,6	5,3

	22 weeks ended 26 August 2023	22 weeks ended 27 August 2022	Growth
	Rm	Rm	%
TFG Africa online retail turnover including Tapestry	615,6	400,2	53,8
Less: Tapestry online retail turnover#	(79,2)	(0,0)	100,0
TFG Africa online retail turnover excluding Tapestry	536,4	400,2	34,0

	22 weeks ended 26 August 2023	22 weeks ended 27 August 2022	Growth
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	Rm	Rm	%
Group retail turnover including Tapestry	21 589,3	19 389,3	11,3
Less: Tapestry retail turnover#	(1 029,8)	(209,4)	391,7
Group retail turnover excluding Tapestry	20 559,6	19 179,9	7,2

# 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.

#### TRADING STATEMENT FOR THE SIX MONTHS ENDING 30 SEPTEMBER 2023

In accordance with the JSE Limited Listings Requirements, shareholders are advised that earnings per share ('EPS') and headline earnings per share ('HEPS') for the six months ending 30 September 2023 compared to the six months ended 30 September 2022 are expected to be within the ranges reflected below:

	Reported	Expected	
	Six months ended 30 September 2022	Six months ending 30 September 2023	
	Cents	Cents	% decrease
Basic earnings per ordinary share	461,6	346,2 to 392,4	15,0 to 25,0
Basic headline earnings per ordinary share	464,6	348,5 to 394,9	15,0 to 25,0

The expected earnings ranges have been impacted, inter alia, by the following:

- The inflated post COVID-19 over performance by TFG London and TFG Australia in H1 FY2023 as mentioned above. As previously reported, TFG London's strong performance, particularly in Q1 of H1 FY2023, was driven by the post COVID-19 recovery as employers encouraged their staff to work more from the office and formal events resumed. Similarly, TFG Australia's strong performance in terms of both revenue and gross margins in H1 FY2023 was due to the post COVID-19 pent up demand following substantial closures and restrictions in Q2 FY2022;
- The increased levels of load shedding in South Africa has impacted TFG Africa's performance in H1 FY2024 and has led to the need to address

inventory levels purchased for growth in the 2023 financial year through increased and prolonged periods of promotional activity, which has negatively impacted on gross margins (c.300 bps);

- The impact of the higher interest rates and borrowings, following the prior year acquisition of Tapestry and accelerated new store roll-out. TFG Africa's net debt, however, has reduced by R743 million since 31 March 2023; and
- The impact of the weaker ZAR exchange rate and higher levels of inflation on the cost of doing business in H1 FY2024.

The information contained in this announcement, including forecast financial information, is the responsibility of the board of directors of TFG and has not been audited, reviewed or reported on by the Group's external auditors.

The Group's financial results for the six months ending 30 September 2023 will be released on SENS on or about 10 November 2023.

Cape Town  
5 September 2023

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