

THE FOSCHINI GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1937/009504/06)
Share code: TFG
ISIN: ZAE000148466
Preference share code: TFGP
ISIN: ZAE000148516
("TFG" or "the Company" and together with its affiliates "the Group")

SUMMARY OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2023, ORDINARY AND PREFERENCE DIVIDENDS DECLARATIONS

HIGHLIGHTS

- Record Group revenue up 12,9% to R28,4 billion
- Group retail turnover up 12,4% to R26,4 billion
- TFG Africa retail turnover up 17,3% (11,9% excluding Tapestry*)
- Group online retail turnover up 23,9% to R2,6 billion, contributing 9,8% to total Group retail turnover, the growth largely attributable to strong growth in South Africa
- Strong cash retail turnover growth of 14,6%, contributing 82,0% to total Group retail turnover
- Gross profit up 7,7% to R12,5 billion
- Operating profit before finance costs up 0,8% to R2,6 billion
- Headline earnings down 14,9% to R1,3 billion
- Basic earnings per share down 16,2% to 386,8 cents per share (Sept 2022: 461,6 cents per share)
- Headline earnings per share down 15,3% to 393,6 cents per share (Sept 2022: 464,6 cents per share)
- Cash generated from operations of R4,3 billion
- Interim dividend declared of 150,0 cents per share (Sept 2022: 170,0 cents per share)

COMMENTARY

EFFECTIVE INVENTORY MANAGEMENT AND COST CONTROL ACROSS THE GROUP

The Group delivered a pleasing operational performance during the six months ended 30 September 2023 ('current period' or 'H1'2024') despite tough trading conditions and a comparative high base for the six months ended 30 September 2022 ('prior period' or 'H1'2023').

Performance in the current period was impacted by challenging trading conditions in all three territories, occasioned by rising interest rates, high inflation and, in South Africa specifically, taxi strikes and flooding in the Western Cape, as well as sustained levels of load shedding across all provinces.

Group retail turnover grew by 12,4%, supported by the continued expansion of our footprint and brand portfolio, and further growth in online retail turnover in South Africa.

The strong trade during the current period, along with continued focus on resetting the cost base, enabled growth of 0,8% in operating profit before finance costs. This mitigated the Group's headline earnings per share decline to 15,3% when compared to the prior period (being at the lower end of the expected 15,0% to 25,0% range in our trading statement guidance released on SENS on 5 September 2023).

OPERATING CONTEXT

TFG AFRICA

In TFG Africa our performance showed resilience despite higher unemployment rates, reduced consumer confidence and increased levels of load shedding, which resulted in c. 287 000 lost trading hours during H1'2024.

Retail turnover growth of 17,3% was driven largely by the clothing and homeware merchandise categories, with jewellery and cosmetics lower due to the discretionary nature of these merchandise categories. Excluding Tapestry, which was acquired with effect from 1 August 2022, the segment grew 11.9%* on H1'2023.

As previously announced on SENS on 5 September 2023 in our trading update for the 22 weeks ended 26 August 2023, the increased frequency and extent of load shedding since December 2022 required significant inventory clearance throughout H1'2024, impacting gross margin, but positioning the brands well going into H2'2024.

INTERNATIONAL OPERATIONS

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 communicated expectations, both the TFG London and TFG Australia business segments traded in the current period below prior period retail turnover levels. 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 additional promotional activity.

FINANCIAL PERFORMANCE

The Group achieved record retail turnover of R26,4 billion, which was 12,4% ahead of the prior period, despite tough trading conditions across all three business segments.

Cash retail turnover increased by 14,6% compared to the prior period and now contributes 82,0% to total Group retail turnover. Credit retail turnover grew by 3,5% with credit extension still subject to stringent acceptance criteria.

Online retail turnover increased by 23,9% and now contributes 9,8% to total Group retail turnover. Our continued focus on diversification of brands and omnichannel retailing resulted in outlet retail turnover growth of 11,3% over the same period.

Growth in each of the merchandise categories was as follows:

Merchandise category	H1'2024 retail turnover growth	H1'2024 contribution to total retail turnover
Clothing	9,5%	81,0%
Homeware	62,8%	9,3%
Cosmetics	4,5%	1,8%
Jewellery	1,8%	2,5%
Cellphones	5,1%	5,4%
Total Group	12,4%	100,0%

The Group increased gross profit by 7,7% to R12,5 billion despite having had to deal with increased inventory purchased for growth in all territories and consequent increased promotional activity. Further, due to the continued consumer pressure, especially in Africa, the Group chose to absorb cost inflation and undertook additional promotional activity to successfully manage inventory and increase market share gains.

The focus on cost control initiatives and the reduction of the cost base continued during the current period, with savings realised across a number of ongoing business optimisation projects. Consequently, trading expenses as a percentage of Group retail turnover improved to 41,9% from 42,3% in the prior period.

Finance costs for the current period increased to R0,9 billion, driven by heightened interest rates in South Africa and the United Kingdom.

Basic earnings per ordinary share and headline earnings per ordinary share decreased by 16,2% and 15,3%, respectively.

An interim dividend of 150,0 cents per share has been declared (Sept 2022: 170,0 cents per share).

FINANCIAL POSITION

The Group generated R4,3 billion in cash from operations which was used to fund strategic investments and growth and to pay down interest-bearing debt.

SEGMENTAL PERFORMANCE

Retail turnover growth, when compared to the prior period, in each of our business segments in local currency was as follows:

Business segment	H1'2024 growth in retail turnover (LC)	H1'2024 contribution to Group retail turnover (ZAR)
TFG Africa (ZAR)	17,3%	68,5%
TFG London (GBP)	-10,5%	14,1%
TFG Australia (AUD)	-7,2%	17,4%
Group (ZAR)	12,4%	100,0%

Segmental retail turnover growth and contributions for our online and outlet channels were as follows:

Business segment	H1'2024 Online retail turnover growth	H1'2024 Online contribution to segment retail turnover	H1'2024 Outlet retail turnover growth	H1'2024 Outlet contribution to segment retail turnover
TFG Africa (ZAR)	56,5%	4,1%	16,0%	95,9%
TFG London (GBP)	-2,8%	40,8%	-15,2%	59,2%
TFG Australia (AUD)	0,1%	7,0%	-7,7%	93,0%
Group (ZAR)	23,9%	9,8%	11,3%	90,2%

CREDIT

The average new account acceptance rates for the current period of 17,4% were stable when compared to the second half of the prior financial year and will remain conservative under the prevailing constrained economic conditions. As a result, credit retail turnover year on year growth for H1'2024 was 3,5% compared to 15,8% for H1'2023.

The retail net debtors' book increased by 1,7% from 31 March 2023 to R7,9 billion as at 30 September 2023. The allowance for impairment as a percentage of the debtors' book reduced to 19,3% (March 2023: 20,0%) due to the improvement in the quality of the book.

This position was supported by robust payment behaviour as cash collected for the current period exceeded that of the prior period.

STORE PORTFOLIO

At 30 September 2023, the Group traded out of 4 805 outlets across 23 countries. Expansion of outlets continued during the current period with the opening of 199 outlets, while 91 outlets were closed, which includes 30 concessions in TFG London.

The outlet movement in the respective business segments was as follows:

Outlets	TFG Africa	TFG London	TFG Australia	Group
Opening balance at 1 April 2023	3 524	589	584	4 697
New outlets	168	12	19	199
Closed outlets	(48)	(37)	(6)	(91)
Closing balance at 30 September 2023	3 644	564	597	4 805

ACQUISITION OF STREET FEVER

As announced on SENS on 23 January 2023 (and further on 10 May 2023 and 9 June 2023), the Group, through its value athletic and leisure footwear retail brand, Sneaker Factory, acquired Street Fever, an independent retailer of affordable branded footwear and apparel, with effect from 26 April 2023. The integration of the 91 Street Fever outlets into Sneaker Factory has been seamless and this has allowed us to quickly scale our Sneaker Factory business to 219 stores.

OUTLOOK

The Group continues to demonstrate its operating and financial strengths and agility and is well positioned to navigate through tough economic conditions and stretched consumer wallets in all territories in which we operate. Trading conditions and consumer confidence are likely to remain under pressure, exacerbated by the sustained high interest rates and inflation across the three territories and ongoing load shedding in South Africa.

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.

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 Africa.

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.

Consistent with prior years, the second half of the Group's financial year is heavily dependent on Black Friday and Christmas trade, which will largely determine performance for the full year.

Any forecast financial information contained herein has not been reviewed or reported on by the Group's external auditors.

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

PRO FORMA FINANCIAL INFORMATION

Pro forma management account information for Tapestry is 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 30 September 2023 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:

	6 months ended 30 September 2023	6 months ended 30 September 2022	Growth
	Rm	Rm	%
TFG Africa retail turnover including Tapestry	18 092,1	15 427,2	17,3
Less: Tapestry retail turnover#	(1 282,3)	(408,9)	213,6
TFG Africa retail turnover excluding Tapestry	16 809,8	15 018,3	11,9

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 2023.

RESULTS PRESENTATION WEBCAST

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

INTERIM ORDINARY CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared an interim gross cash dividend of 150,0 cents (120,00000 cents net of dividend withholding tax) per ordinary share for the six-month period ended 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 ordinary share capital at the declaration date is 331 027 300 ordinary shares.

The salient dates for the dividend will be as follows:

Publication of declaration data	Friday, 10 November 2023
Last day of trade to receive a dividend	Tuesday, 2 January 2024
Shares commence trading "ex" dividend	Wednesday, 3 January 2024
Record date	Friday, 5 January 2024
Payment date	Monday, 8 January 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 January 2024 and Friday, 5 January 2024, both days inclusive.

PREFERENCE CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a gross preference dividend (no. 174) of 3,25% or 6,5 cents per share (5,20000 cents net of dividend withholding tax) per preference share for the six-month period ending 31 March 2024.

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 preference share capital at the declaration date is 200 000 preference shares.

The salient dates for the dividend will be as follows:

Publication of declaration data	Friday, 10 November 2023
Last day of trade to receive a dividend	Tuesday, 5 March 2024
Shares commence trading "ex" dividend	Wednesday, 6 March 2024
Record date	Friday, 8 March 2024
Payment date	Monday, 11 March 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 March 2024 and Friday, 8 March 2024, both days inclusive.

Signed on behalf of the Supervisory Board.

M Lewis
Chairman

A E Thunström
Chief Executive Officer

Cape Town
10 November 2023

ABOUT THIS ANNOUNCEMENT

Statement and availability

This results announcement is the responsibility of the Company's directors and is only a summary of the information contained in the full unaudited interim condensed consolidated results. The unaudited interim condensed consolidated results were approved by the Board of Directors on 10 November 2023 and the information in this announcement has been correctly extracted from the unaudited interim condensed consolidated results. As this announcement does not contain full details, any investment decisions by investors and/or shareholders should be based on consideration of the unaudited interim condensed consolidated results, which are available through the JSE cloudlink: <https://senspdf.jse.co.za/documents/2023/JSE/ISSE/TFG/Int2023.pdf> and on the Company's website at: <https://tfglimited.co.za/investor-information/financial-reports-and-presentations/>.

DIRECTORATE AND STATUTORY INFORMATION

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, J N Potgieter, N V Simamane, R Stein

Executive Directors:

A E Thunström, B Ntuli

Company Secretary:

D van Rooyen

Registration number:

1937/009504/06

Tax reference number:

9925/133/71/3P

Registered office:

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Transfer secretaries:

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Sponsor:

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Visit our website at <http://www.tfglimited.co.za>