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TFG grabs bigger market share

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TFG grabs market share in a more cash-friendly climate

Cash sales surge 14% as retailer takes a cautious approach to consumer credit, while online turnover jumps 10%

Karl Gernetzky
Markets Writer

Clothing group TFG says cash turnover has grown solidly in the first 21 weeks of its 2020 financial year, but credit extension remained almost flat in Africa due to reduced consumer spending.

The group said growth in credit turnover was 0.9%, reflecting its prudent approach to credit extension, particularly in the current subdued trading environment and even more so now that the National Credit Amendment Bill was signed into law three weeks ago.

The bill will result in payments of overindebted consumers being suspended, in part or full, for as long as two years, or even cancelled if they remained financially distressed.

TFG's brands include American Swiss, Foschini and Markham. It also operates in Australia and London.

TFG's director for financial services, Jane Fischer, said the group believes that the debt intervention measures are unconstitutional.

This is in line with the position held by the National Clothing Retail Federation (NCRF), a body representing major clothing retailers, which made presentations to parliament during the development of the law.

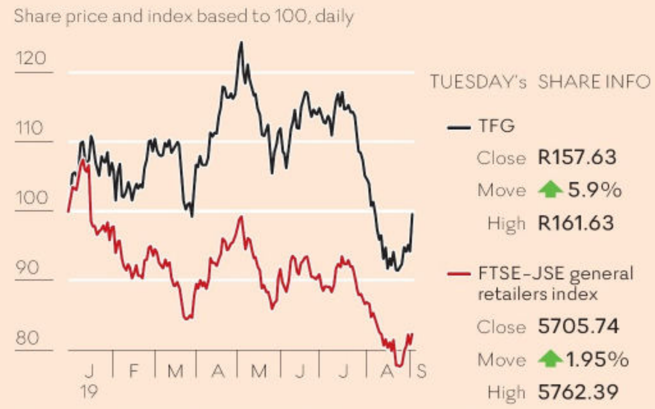
According to the NCRF, the act will not pass constitutional muster as it arbitrarily deprives credit providers of their right to property, in breach of the constitution, Fisher said.

"This deprivation of rights is arbitrary, as there are suitable and less restrictive means of assisting low-income consumers which have not been considered by the legislators."

TFG's cash sales surged 14.1%, which the retailer said represents significant growth in market share.

Foreign sales remained robust as well, with group turnover rising 8.1% over the period, TFG CEO Anthony Thunström said in a statement prepared for the group's annual general meeting.

DEBT-RELIEF BURDEN



Graphic: DOROTHY KGOSI Picture: BUSINESS DAY/FREDDY MAVUNDA Source: IRESS

Group online turnover jumped 9.9% over the period, now constituting 9.3% of total turnover. TFG Africa's online sales jumped 58.5% and those of TFG Australia were up 32.6%, while TFG London experienced a 1.5% decline.

Mergence Investment analyst Nolwandle Mthombeni said the results create the impression that TFG is dealing with a different consumer compared with Mr Price and Truworths.

"The comparable turnover growth is far above its peers, which is indicative of market share gains in SA," she said.

The debt-relief bill will disproportionately affect retailers, because in the lower-income market credit is limited to clothing, personal loans and furniture, Mthombeni said.

Unlike some of its retail peers, TFG has a much lower credit exposure and a higher proliferation of brands, which counts in its favour, said Cratos Wealth portfolio manager Ron Klipin. "Management has had a good record of delivery throughout the cycle," he said.

The outlook for all three business segments remains challenging, TFG said, with SA's position the most concerning. "In SA, the constrained economic environment persists, with continued fuel price increases, higher taxes and increasing unemployment all contributing to reduced consumer spending," Thunström said.

TFG started tightening credit criteria in the second half of 2018 as it was concerned by some early indicators of deteriorating consumer credit health, said Damon Buss, equity analyst at Electus Fund Managers. "Overall, the update is very solid given the weakness of the macro environment and results of competitors released recently."

TFG's share price rose 2.75% to R152.94 on Tuesday, with the retailer down 7.93% so far in 2019 versus a 21.64% slump for the JSE's general retailer index.

/With Lynley Donnelly

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