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TFG's investment pays off

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Larry Claasen
Retail Writer

Clothing group TFG, whose brands include Foschini, American Swiss and Markham, went against the prevailing retail trend by producing strong results in a difficult economy.

The group pushed up turnover 19.6% to R34,1bn and increased net profit from R2.4bn to R2.63bn for the year to end-March. Although the biggest driver of its turnover growth was the first time inclusion of its UK and Australian acquisitions, its local operations managed to increase turnover from R20.9bn to R22.6bn.

TFG CEO Anthony Thunström said its local operations received a boost from its factories now having a link to its IT systems, which monitored store sales, enabling it to respond quicker to trending fashion.

Previously, it would take six to nine months for orders to arrive from the Far East, but with the connectivity to its factories, it could have trending products in stores in two weeks.

Thunström said its investment in these systems had seen it increase the number of units it produced from 5.8-million to 8.9-million, of which 60.5% were for its quick response manufacturing.

Although the group now sold more goods, by having the capacity to react to fashion trends and not having to wait months to see if a product would sell, it also managed to decrease the markdowns on products that were not selling.

Thunström said having proportionally less excess stock resulted in the gross margins for its South African operations rising from 47.8% to 48.2%. "This might seem like a small increase, but given the volumes involved, the impact is huge."

The performance of its local operations, along with the inclusion of its UK and Australian businesses, saw net profit surge from R1.89bn to R3.59bn. Group clothing turnover grew 23.7%, homeware and furniture increased by 8.4% and jewellery was up 5%. Despite the steep rise in earnings, Thunström did not foresee an improvement in any of the markets it operated in. "We expect trading conditions to remain subdued across our three business segments with macro factors creating uncertainty both in SA and the UK."

He said SA was particularly difficult, as an already high unemployment rate had increased and those who were still employed had to put up with fixed costs such as electricity and municipal rates rising faster than their salaries. "The last 12 months have been incredibly difficult. We have fewer people with money to spend, and they are not spending it."

The UK is also going through difficulty as a result of the economic uncertainty created by Brexit. The Australian retail sector was also expected to go through a difficult year, according to Deloitte Access Economics' latest quarterly.

It expected retail turnover growth to fall from 2.2% in calendar 2018 to 1.6% growth in 2019. TFG declared a final dividend of 450c per share, an increase of 7.1%.

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DEFYING DIFFICULT ECONOMY

THE FOSCHINI GROUP

Share price, daily close (cents)

THURSDAY's SHARE INFO

Close	High	% move	p:e	Dividend yield	Market cap.
17675	18043	0.82%	14.89	4.41%	R41.847bn

Graphic: RUBY-GAY MARTIN Source: BLOOMBERG