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TFG.J - Half Year 2020 Foschini Group Ltd Earnings Presentation

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PRESENTATION

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Good afternoon, everyone. Welcome to our interim results presentation. It's a welcome to everybody but a special welcome and acknowledgment to our Chairman, Michael Lewis, who's with us, together with a number of our non-exec directors. Our presentation, as you'll see, probably looks a little bit different to presentations we've delivered in the past. And I think when you walked into the entrance hall, you would have seen some holograms, you would have seen some evidence -- or some of the digital transformation initiatives that we've been talking about for a while, together with some of our lovely products.

The numbers, I think you've probably all seen, we've put a SENS announcement out. You've got the booklets that have got the detail in it. We'll certainly go through the numbers this afternoon. The presentation will probably be about 15 minutes longer than it normally is. And the reason for that is we really do want to give you a bit more insight in terms of our assessment of the retail environment, where it is at the moment, where it's moving to. And most importantly, what TFG is doing strategically to make sure that we remain ahead of the curve.

See, this is why you always test your equipment first. Okay. In terms of the team presenting. There are no changes there. It's going to be myself, Bongiwe and Jane. In terms of the agenda and what we want to cover, we're starting with operating context, that's really an environment that we find ourselves in. We won't spend too much time talking around the economy, it is what it is, but really more around what's happening in retail, what's changing. I think the next item, point number 2, is why we stand out. That's really the part, I think we're going to want to spend a bit more time on, and that's the part where we talk about our response to the changes in the retail environment.

Bongiwe is going to go through a lot of the financial metrics in a lot of details. She is also going to talk about our business optimization project, which I think is one of the standout parts of the 6 months performance. We haven't gone into much detail on that. In the past, we've just mentioned that it's taking place. You'll get a lot more color, I think, coming through that part of the presentation.

Jane, as always, will deal with all things credit in terms of credit turnover growth to book, the credit environment, where legislation is going. And then I'll conclude at the end really with just our view in terms of where we are at the moment, how we see the rest of the year, perhaps developing and retail moving forward.

In terms of our performance, you would have seen that we achieved turnover growth of 6.5%. That was at a group level. And there are obviously various components to that turnover growth. The ones I'd just like to stress and emphasize are, I think, the very strong like-for-like sales growth that we achieved in both South Africa and in Australia, 6.1% and 4.6%, and that was against total turnover growth in those 2 territories of 11.1% and 6.4%. The like-for-like growth, I think, would be the envy of many of our competitors' total growth. So we're extremely happy with that. And those have been achieved through a lot of the initiatives that I'll get into later on in the presentation.

The other number I'd just like to stress and emphasize is the online turnover growth. It might look like a small number at 4.3%. But again, when you unpack that, it's got some significant moving parts to it. You'll see that we had significant online turnover growth in Africa, up 52%; and in Australia, up 37%.

The London number at minus 5.5% might look odd because the U.K. is very online in terms of its shopping overall. That number is a bit misleading, and it takes into account the fact that House of Fraser is pretty much closed down. It's online. We had a big exposure to that. If you adjust for that, our online turnover growth in the U.K. was actually slightly positive at 0.3%. So just to explain the differential there.

I think the more important conclusion that comes out of it, though, this is the first time since we bought into the U.K. businesses that we started perhaps to see a stabilization in terms of the total online contribution. We've seen very rapid migration to online over the last couple of years. We've been ahead of the curve with that, but it has come with cost implications, you sometimes having to exit leases early, you've got to write-off capital tied up in some of those stores if you do close early. We always thought that it could get to mid to high 30%, so the kind of 35% to 40% of total turnover. It now seems to be stabilizing at close to 34%. So it's probably slowing down. But again, with online in the U.K., it might be too soon to judge that, but it's probably what we'd conclude at this point.

The other point, I think we are very happy with was the ability to maintain gross margin in the group at a time when it is really unprecedented discounting in all of our territories, but particularly in South Africa. And we've spoken about this in the past, it really started in South Africa at the end of Black Friday last year, it really hasn't slowed down. I think there's still a lot of stock in the market at the moment that wasn't liquidated in November and December last year, together with what just hasn't sold through in the current season. So to be able to maintain gross margin other than some product mix and currency issues, I think we are very pleased about. The missing piece between the gross margin and the earnings per share growth is obviously the expenses. I'm not going to go into that. Bongiwe will deal with that in a lot of detail. But I think fair to say that you don't do this kind of turnover growth and translate it into a respectable earnings per share growth unless you've got the expense control and a very, very tight discipline, which I think is, again, is a standout for the 6 months.

That resulted overall in the headline earnings growth of 3.1%, HEPS growth of 3%, and we grew our dividends by 1.5%. The 1.5%, we've always been conservative at the first half, we'd like to have a bit of room to move for the second half. So it's not unusual that it's below the headline earnings growth. And as we did say in our outlook, I think the outlook in South Africa, in particular, is uncertain at the moment for a variety of factors, I'll get on to.

Moving away from earnings and looking at the balance sheet, an area that we've had increased focus on over the last couple of years, very, very pleased with the cash flow conversion of 91.4%. That's significantly up about 16% up on where we were at this time last year. And clearly, cash flow, I think, in today's environment, particularly in retail is, a, it's telling, but, b, it's critically important.

Our debt-to-equity ratio, if you exclude the impact of IFRS 16, the [lease] statement, which Bongiwe will also unpack for us, has decreased, as we said it would. We were at 65% this time last year, that's dropped to 60% and it's unwinding just through the cash generation, as we expected, and barring any other corporate activity, we would expect this to continue to decline at similar rates going forward.

And then just to highlight, and we'll go into more detail again in the presentation, we've got a 91 -- or 92% increase in investment in technology and this doesn't come as a cost to the group as a whole, it's largely a reallocation of CapEx that we would have spent on physical stores. And again, it very much reflects the change in strategy as we recognize that omnichannel and digital become critical initiatives for retail going forward.

Having said that, we won't talk too much about the macro environment, it kind of feels like an area that you can hide behind. We don't like to do that. The macro is pretty much what it is. It's up to us to trade better than anybody else in it. I think we also have to be realistic in terms of what we see in South Africa, the U.K. and Australia to differing degrees.

In South Africa, from a macro point of view, it's quite hard to find good news at the moment. GDP, when we prepared these slides about 10 days ago, it was still forecast to grow at 1% for the year. That's now dropped to 0.5%, you would have seen over the last couple of days. And quite frankly, I think 0.5% of this rate is probably on the optimistic side.

Business confidence is at a 20-year low, and unemployment is, I guess, the only word is embarrassing and tragic, at 29.1%. And remembering, again, that's the most narrow definition, real unemployment in South Africa is probably around 40% and that reflects our customer base. So it's real.

The net result of all of those factors is that consumer confidence is, again, pretty much a record low in the last 20 years and continues to drop. And then the latest Bureau for Economic Research data on retail sales and volumes has also been steeply negative and again, not unexpected.

Let's really just put it into graphical format so you can see how the Consumer Confidence Index and the Business Confidence Index have both declined from 2010 and 2007. This was when President Ramaphosa was elected. But in general, the trend has been steeply negative, as you can see on both of them.

In terms of London and Australia. The good news is Brexit has to resolve itself at some point. The bad news is every time you think it will, it doesn't quite. It looks like we might have an election on the 12th of December, or it should be one. I guess, statistically, the good news, if you want the upside with the glass half full is the longer it carries on, eventually, they've got to come to a conclusion. I think our genuine feeling is that almost any Brexit solution that gives some degree of certainty is better than where we've been for quite a while. We've scenario-planned every impact that could come out of different Brexit options, impacts on the exchange rate, customs, duties, employment visas, et cetera. We're as prepared as we possibly can be. We just don't know which way it will play out. And as I said, I think the consumer confidence angle is probably the most important for us.

Moving across to Australia, the -- sorry, I should just mention, the department stores. The department stores around the world but again, particularly in the U.K., and partly as a result of the general economic and retail malaise, are definitely challenged. There continues to be a real factor. We're limiting our exposure from a risk point of view and the debtors' point of view to the department stores to the absolute maximum that we are able to. We're diversifying away from being overly reliant on them. They have traditionally been about 1/3 of our turnover. We're at a stage at the moment in the U.K. where we're actually starting to open physical stand-alone stores again, and that's mainly because we can get those on turnover and new rentals. So there's no downside to that really at all.

Moving across to Australia, never thought outside us, but boringly benign, I guess, is probably the right description. And given the first 2, not too unhappy with that. On the positive side, which is really the most important indicator for us, unemployment is almost opposite to South Africa. It's at the record low at minus -- it's kind of 4%, 4-and-a-bit percent. And as long as our customers are employed in Australia, they tend to carry on spending. There was fear of a housing bubble in Australia, prices have corrected a bit. They're starting to creep up again, but I don't think there's anything to be overly concerned about. And our business has continued to thrive there.

In terms of the overall retail environment, and this is what we're just seeing around the world. And I think the -- we're actually quite fortunate that we've got a big exposure offshore. A lot of the trends that I'm talking to here really are global. There are things that have already manifested in perhaps more First World markets. We're seeing some evidence of them coming into South Africa already. The reality with retail, though, is that it follows a pretty much a similar cycle all around the world. It's more a matter of timing than anything else.

So for us, I guess, the big plays going forward are going to be around data. It's all-around knowing your customer, knowing their preferences and being able to personalize offers for them. It's all about consumers being particularly price-savvy at the moment but that doesn't necessarily mean that they want the cheapest item, but they want what they perceive to be value for money, particularly relevant in South Africa at the moment as times have got tougher and as confidence has gone away.

Technology, I think, has become the new currency within retail. In the past, it was all about the product and the stores and the location and a bit of other stuff. Technology is now first and foremost top of everything we think about in retail. I'll unpack that in terms of our response to it in quite a lot of detail.

Having said all of that, we still believe that stores are relevant, and they have a place, particularly, in South Africa where we have a mall culture. Having said that, you can't leave stores to exist the way that we were 5 years ago. You need stores that are going to differentiate, that will pull customers in from your competitor stores. I guess, it broadly falls under the term experiential retail. We're doing a lot of that. We've opened some unbelievable concept stores in Sandton and Fourways recently. I'll show you some photos of them just now.

And the results have been staggering in terms of the increase in turnover that we've had. Those become a proof of concept, and we then take those concepts and bring them down the chain, not necessarily with all the bells and whistles. You can't do that across 2,500 stores but it certainly gets customers across the threshold.

And then I think the last 2 are perhaps trends that, up until fairly recently, we would have thought it would be more European, more First World, more developed world concepts. They're certainly starting to gain traction in South Africa now. The first one is really around social consciousness, I guess, is probably the broader concept here. It's about people wanting, consumers increasingly wanting to know the providence of the product that they're buying, where it came from, what environmental impact it had, how much water was used to wash your denims. What pollution was caused in terms of shipping clothing from China to South Africa. That's becoming an increasing trend. It's not at the same levels as Northern Europe yet but play this forward a couple of years, I think it's going to be a very real factor here.

And the second one, I think we're probably a little bit more familiar with is just the power of social media. It's becoming both with click-through shopping like with Instagram but also just in terms of brand building and brand awareness. Again, it's becoming the new marketing. The old traditional marketing is pretty much over. It's all about who you can reach and influence and we're doing a lot in that space as well.

In terms of our response, and this is just at a very high level. I'll go into more detail in the future slides. In terms of data and data analytics, we've been building up a significantly strongly experienced data analytics team. We've got over 50 data analysts employed at TFG in South Africa alone. We've spoken about the cost of those people when you look at employment plus growth over the last couple of years. And the good news is they're now kind of in the base, the team helps with rewards. It helps with credit. It helps with value-added services, increasingly helping with merchandise and any number of big decisions that we make in the group, it all comes down to the data and how you use it.

In terms of pricing, I'm going to show you a very interesting piece of market research in one of the following slides. I think it's fair to say that we've recognized that the price-savvy consumer in South Africa or price savviness or value for money perception in South Africa was going to become increasingly important. If you go back over the last 4 or 5 years, we've been very conscious around our price inflation in this country. We've been steeply negative for most of that period, we've been well below our peer group. The result of that is that our products have become perceived as being more and more value for money. It doesn't mean cheap, it doesn't mean nasty. It just means perceived to be more value for money. And the market research I'll share in a second just shows where that sits.

Technology and digital transformation. We're going to talk at length about that in the next couple of slides. I think it's fair to say that if you'd listened to our last couple of presentations, you know that we've been talking about this and doing a lot in the space for quite some time. This isn't an aha moment for us where we're suddenly waking up and saying, let's do something in digital. Very much part of our DNA and what we've been about for a while.

Experiential retail. I've already mentioned this. This is around making sure that the stores that you do open are different, can attract a customer, give you increased dwell time in the stores.

Local manufacturing is something you've also heard us speak a lot about, particularly in respect to quick response manufacturing. Up until now, we haven't really shared a lot of the metrics in terms of the competitive advantage that it gives you. I think we've probably been hiding our light under a bushel a little bit, maybe a little bit shy to share that advantage. We'll get in some of the detail in terms of what that means from a numbers point of view later on in the presentation.

There is another element that's very relevant though in South Africa, and that really is around localization and job creation. We were at the Presidential Investment Council yesterday and as TFG committed another ZAR 1 billion to capital investment in this area over the next 5 years. We are able to do that not purely wearing a social hat, we are able to do it because the numbers back it up, which, again, I'll show in a moment.

Going hand-in-hand with that is investment in social spend. It's kind of your license to operate your social compact in South Africa. And we're seeing increased spending and importance on meaningful interventions, particularly around job creation and training and making sure people can be absorbed into TFG once they have the training.

And then the last 2 really talk to understanding your customer and listening to them. We've put in processes, right across our group in South Africa, where we can measure customer perception of their experience in our stores, the brand, the product, the pricing, the service. What we've added to that fairly recently is voice of employee, and that really means taking a similar view but from your employees. They are the people who are in the stores, interacting with customers. They're the people who actually are frontline, and they've got very, very valuable insights, which then feeds back into our whole circle of information.

I said I'll talk about perceived value for money. It looks like a complicated graph, but it's actually relatively simple. If you look at -- these are just a handful of our brands. When you put more on, it just gets too cluttered, and I'm really just trying to show the point here. If you take a look at, for example, let's take Sportscene in the black. And the further across on this axis to the left you are, the more expensive you are relative to the market in absolute item per price. So in other words, that would indicate that Sportscene is an expensive store. If you think about it logically, that makes sense. We sell absolutely the latest, top of the range imported Nike, [adi], the stuff that's just dropped, the stuff you can't buy anywhere else. That's fine. But what's really more important is how your customers perceive Sportscene. And as you can see, that's right across to the right. And as you move further right with the green, it's talking about a better perception of value for money. And this was based on market research across several thousand of our customers. We completed that a couple of months ago, and every single one of our brands, not just the ones that we've got here, the perceived value for money is to the right of the actual price pointing. And that really goes, I think, to the strategy of making sure that you're perceived to be offering value for money to your customer.

We did that with all of our competitors overlay, by the way, but we felt it wouldn't be appropriate to show it. So we just put our own ones up there.

This, again, is a complex slide. It's just talking about our view on digital transformation. Typically, when we talk about digital transformation, everybody leaps to online shopping. Online shopping is an important component of digital transformation, but it is really just one component. And I'll unpack a bit around online shopping later on in the presentation. But the point of this slide is just really to emphasize the point that for us, digital transformation is effectively digitalizing our entire retail business model. So it's everything we do in our head office. It's the use of chatbots when you apply for credit in Jane's area. It's how you actually run and operate your store portfolio. It's how you do your merchandising and your planning.

The retail model has been relatively set in its ways for a long period of time. We're now entering a period where digital transformation is hitting almost every single part of your business. You are either on the wave or ahead of it or you get left behind. And that's really what the slide indicates. I think the -- just the one point I'd like to emphasize here and pick up is what becomes critical is having an attitude that embraces innovation and technology and digital disruption within your group.

Now if you listen to everything I said about retail, not necessarily having moved along as quickly as other sectors, that's not something you would naturally assume. This is something that you have to create. In our world, this means partnering with startups, buying startups in some cases. We should have a CIO, who should be here today. Unfortunately, he is not, he is sitting in India with one of our other board members, looking at a number of startups that we're going to partner with. So it's that kind of forward-looking view that becomes important.

Just to share some of the broader digital transformation projects that we're undertaking at the moment, and you would have seen some of the holograms as you came in. Fernando, thanks for doing that. It's a wonderful job you brought it to life for us. The first is RFID, I've mentioned this before, I just wanted to give you an update. We've got over 1,200 of our stores now fully on RFID. We're running this across all of our brands. For anyone who missed the previous presentation and isn't familiar with it, that's radio frequency, identity tags on each one of our garments or the stock items that we sell.

What it allows us to do, in essence, is pretty close to 100% stock accuracy in our store stock. Traditionally, in South Africa, whenever that was measured, that would sit at about 65% to 70% accuracy. The difference between that and 100% mark not sounds that huge. When you're trying to sell or find a size extra-small yellow T-shirt with a collar, it makes all the difference. We are the first retailer in South Africa to roll this out en masse. We're not the only retailer globally. If you take a look at the Inditex Group, Zara, they rolled this out a couple of years ago. The case studies on the Internet are freely available. They've had huge success with it. What it means, for example, is you can do a stock take in an average-sized TFG store in about 30 minutes. In the past, that used to take several hours. The net result of that is we now can count stock once a week if we want to. If we think there's shrinkage in a store, you can count it daily. That used to be counted twice a year.

The other reason that's really, really important and it leads on to the next slide, is if you want to be able to fulfill online sales from your stores, you have to know with virtually 100% accuracy what's in that store before you accept the order. Otherwise, you just end up with failed orders, canceled orders and very, very unhappy customers.

Again, without RFID, you can't really do that. I've had a lot of questions over the last 6 months around, is this a cost-saving initiative. It's not really. I guess, it does save some of the stocktake costs but this is really around making sure that you don't miss a sale. I mentioned earlier on that we're very proud of our same-store sales. This is one of the features that feeds into the growth of that same-store sales.

As I mentioned, OneStock, this -- we've just finished a proof-of-concept on OneStock. It is quite a change in the way that stores actually operate. You know I'll new store is almost is a dispatch point as opposed to purely a store where people walk in and buy what's on the shelves. If an online customer goes on to one of our sites, in the past, they probably would have been successful, 50% or 60% of the time in terms of finding the size, the color the SKU that they wanted. And the reason for that is in online environment within a traditional brick-and-mortar retailer, only a certain amount of stock is typically set aside for online sales. It's physically put into a separate DC that sells out and doesn't get replenished. It kind of means that you're losing 40% to 50% of online sales you could be making. Again, I mentioned that we're fortunate that we've got an international footprint and exposure.

Our U.K. stores are now trading at 33% online [effective as] about 2 years ago. It's been unbelievably successful for them.

Our proof-of-concept was rolled out several months ago across 30 of our stores, mainly in Sports and Markham and the uptick in our online successful conversions and turnover has been phenomenal. It's caused us to revise how we think online is going to grow in South Africa. It's that big a game-changer.

The question is where to from here. I'd love to just click my fingers and roll it out across all the stores tomorrow. As I said, it has a huge change management piece that goes with it, together with the technology. But certainly, once we get through this busy Black Friday and Christmas season, we're going to be running it aggressively across the group.

Talking about how we actually run stores. This goes to the piece I touched on earlier, the conversion counters in our stores, the piece that's really important is then linking that to workforce planning, and that allows us to calculate exactly how many stock should be in our stores at any point in time. Again, not quite as simple as it sounds. You've got to make sure that people are contracted on flexible labor contracts. We're well down the path in terms of getting that ratio right, and we're pushing ahead with this quite quickly now. Again, this is something that gives you a better customer experience, and it drives same-store sales, again, contributing to the positive same-store sales that we spoke about earlier on.

Yoobic, again, is a great example of an area of retail that you wouldn't really think should be touched by technology or would be or is obvious to be. When you've got 2,500 stores across the country, from one side of places you wouldn't know where necessarily to find on the map to the other side of the country to make sure that your store windows, your visual merchandising, any special offers or promotions are all executed to a similar spec at a similar time, particularly if you've got a deadline or Black Friday offer or something coming up at the moment, prior to Yoobic, it would have been almost impossible and was a bit hit or miss.

You end up with ranks of people having to drive around looking at stores, area managers, manually doing a whole lot of stuff, which basically has now been replaced by a mobile app. It's got a workflow management system and one person can now handle 2 to 3x the number of stores they would have had to worry about in the past. It's got lots of other implications in terms of training material and other ways of making the stores more efficient, but this has been a game-changer for the guys actually in the trenches at the moment.

Having said that, e-commerce and omni wasn't the beginning end of digital transformation, just a couple of interesting steps in terms of what we're seeing. We've seen a marked increase in terms of click-and-collect, so you order online and instead of having it delivered to you actually choose to go into a store to collect. Clearly, from our perspective, the higher we can get those numbers the better.

First of all, it means less fulfillment cost because it's really sitting in the store. You're not paying a courier to take it to anyone. But secondly, if you get your staff properly motivated, every one of those people walking in is an opportunity to upsell or sell something else. We're at 32% of online sales being collected in stores in South Africa. That's increased markedly over the last 6 months with a lot of effort. 30% in Australia and 19% in London. I guess if the weather is miserable nobody wants to walk down to the store and get wet and cold. I don't know but that's -- those are the numbers we see there.

Ideally, we'd like to get certainly Australia and Africa up to around about 50%. That's a kind of short-term target. And that's got a lot of advantages.

I spoke about the importance of social media. We're now sitting at 9.1 million active social media followers for TFG globally. It's a big number and doing a lot to grow it. We're also looking -- when you talk about users, it's all about actually new users, you don't want to be selling to the same people, cannibalizing your existing store sales all the time. This is clearly also linked to the size of your base, so the smaller your base, you'd expect the growth to be in new users to be bigger, 43% in Africa but still respectable 11% and 13% in Australia and London, respectively.

Mobile is definitely where online is happening. Again, no surprises there. Australia will ahead at 68% but effectively above 50% throughout. And then just as a final touchpoint, looking at our TFG South Africa sales, 70% of our online sales at the moment are 2 existing account holders. The flip side of that is 30% or not, and that's the 30%, we really need to concentrate on. Those are typically new customers, people who haven't shopped with us online before, and that's what we want to grow so that they don't cannibalize our existing sales.

I mentioned experiential retail and what we're doing in our stores. Some of you I know have already been to see these stores. And I don't think any photos can do them justice. So if you are at Sandton, and if you get a chance to have a look at the new Sportscene store, we've got -- in that store, we've got about 2,100 square meter store, it's got a DJ booth. You can go in there and sit with your favorite rap artist and create a record and be coached, order a track. It's got a tattoo parlor. Nobody believes me, but there actually are real tattoos, they're not little things that you wash off afterwards, you will need your parents' consent if you're a youngster. James, don't get any ideas, I can see you smiling. We've got a basketball court where you can go and have professional basketball coaching. You can chat to your mates. You can do whatever you want, check out their latest sneakers. And we've got a collab with the sneaker laundry where you can have your sneakers tightly refurbished, not just cleaned, new soles, new laces, et cetera.

You sit back and you say, well, why would you do that at an expensive retail space like Sandton? The reality is the store is flooded when the rest of Sandton isn't. The people who come into the store, bring their mates, their Instagram, their social media, everything that they're trying on and seeing there. Their dwell times, you'll have people sitting here for 3 or 4 hours. That is what is going to make physical box retailing work in the future.

Now you're not going to go and replicate that everywhere. You're not going to put a DJ booth in every one. It creates a halo effect for the brand, people talk about it, they associate with it. It's kind of free marketing in a way. And some of those things, we will trickle down to other Sportscene stores.

If we then look at Foschini, not to be outdone, they've just done a new concept store in Fourways, it's absolutely outstanding. There's Candi & Co, there's a full beauty nail bar at the back, and we've got collaborations with a number of South African clothing designers, Burgundy Fly is an outstanding example of that. It's been in the press recently. The turnover growth since we opened the new store has been unbelievable. We haven't seen that in Foschini in years. We opened as much scaled-down vision afterwards in Midlands Mall and [that shopped a lot out] as well. Now we typically see where we roll out new concept stores and increase in turnover in excess of 30%. That's kind of the target you're looking for.

In terms of brand equity. I think we've spoken a lot in the past about us being a specialty retailer. That really infers having some very, very focused by nature, niche brands, things that apply or are attractive to a specific customer set. You then expect us to have a lot of brand equity. We don't normally brag about this kind of stuff. Every year, the various awards for the top brands in South Africa, whether it's [The Silhouette] or the Sunday Times. The good news is, as has been in the past, almost every one of our brands is #1, 2 or 3 and normally #1 or 2 in their category in terms of brand recognition. So those are almost just examples, not really with dwelling on.

I think just to go back to social conscience, two that I'm particularly proud of are these 2. We've just been voted the Best South African Employer Brand in the country across all categories, not just in retail, and we were one of only 5 South African companies out of 7,000 in the world to make it into the top 100 Diversity & Inclusion Index. When we were presenting that to our management team this afternoon in the head office, I said just look to your left and you're right to look around the room, and you'll kind of understand why we're there. So it's a great position to be in, in terms of just social consciousness and where we need to be.

In terms of supply chain, I promised I'd share a little bit of hard numbers as opposed to just the well-to-do list. This is the first time we're sharing this, but we share it because we know it's not the concept that's important. For how you do it, that becomes important. If you take a look at where we manufacture on a quick-response basis. And for us, that means less than 42 days lead time, the other advantages are, we have 31 days inventory advantage. In other words, your stock days decrease by 31 days compared to long lead time, nonquick response. Our markdowns are running at 11% less if it's done on a quick-response basis and our sales clearance is 10% higher. You put those together in a retail environment they're all game-changers. And they fundamentally change the profitability on -- almost on an item-by-item basis compared to long lead time. This doesn't, for one second, suggest that everything should be locally manufactured or everything locally manufactured should be quick response. There are many lines that you're going to produce 12 months of the year. They're aseasonal, there's no advantage. And if you take a look at the proportion of their contribution at the moment, they're currently sitting at 11.7%. Quick response is 11.7% of our total units sold in South Africa across all clothing. That's up from 8.7% last year. If you look at that as a proportion, though, of our own manufactured units, it's about double that. So it'd be sitting at about 23%.

I think the message in all of this is we've seen great success. It's still a small portion of our total sales. That's one of the reasons we've been able to maintain our gross margin at a time when others haven't. So as we continue to invest in this area and grow in this area, I think there's a lot of value to be unlocked.

Then, just a little bit about TFG and a little bit of a historic look just to almost highlight how quickly we've moved in a lot of these areas over the last couple of years. Just looking at where we stand at the moment. The starting point is we were listed in 1941. And there used to be a time when it was a virtue to have been listed for that long. If you look at how long a Fortune 500 company lasts, you sit back and say, well, you wouldn't want to brag about that. And I'd agree, except for the bottom 2 points, and that is really our culture is around constant innovation and investing through the cycle. We've spoken a lot about that in the past. We get a lot of criticism at times why are you spending CapEx, why are you investing in data analysts, what's the point of doing a [charity], now you should be conserving every last cent that you can. And the answer is yes, you can do that, but it will catch up with you in a couple of years' time.

And every single decision that we make, and hopefully, some of those examples illustrated that, these are all things that have got a 5- to 7-year runway. It's not something to pull back costs over the next 12 months.

And I think we're very proud of the fact we got it to the JSE Top 40 index. I think that's just a reflection of our size and scale that we've achieved. And then in terms of results, just to remind everyone, we've got a 5-year turnover CAGR of 18.3%, HEPS of 5.5% and a dividend growth of 5% over that period.

Just to illustrate this a little bit more geographic -- sorry, visually. And if you go back to September 2014 and compare that to where we are now in September 2019. We've gone from 2,200 outlets to 4,066. Our turnover for the half year has grown from ZAR 7.3 billion to just under ZAR 17 billion. Headline earnings per share and dividend per share have moved in a very similar line, as you'd expect, to the turnover number of stores. And if you look at our share price, which is the gray line here, the growth in our share price since 2014, other than for one short period, has largely outstripped the General Retailers Index growth in South Africa over that period of time.

Just looking at how some of the absolute numbers have changed over the history of TFG. In '99, we had 7 brands with 1,000 stores. As I said, it's now 27 brands, with 4,066 outlets. We call them outlets now because it includes concessions. We've gone from being 71% store credit in 2006 and only 29% cash to being 27% store credit and 73% cash. That's a fundamental change in our business model. That is not because Jane wasn't doing a good job in extending credit. It was a very conscious decision to go and look for businesses that were more cash-reliant and particularly, with our offshore expansion, those businesses are essentially 100% cash, no credit at all. Credit is still important to us but we don't want to be over-reliant.

From a CapEx point of view, in 2008, we were spending only about 20% of our CapEx on digital and IT. In case anybody says, well, 70% and 20% don't give you a 100% that's because other 10% would have been warehousing, distribution, et cetera. If you play that forward to now, 35% of our total CapEx goes into digital and IT. And as I said, this is largely a reallocation of what would have been spent on stores as opposed to our growth in absolute terms. And looking forward, you can expect that to continue to shift in that direction.

Just going back to our merchandise categories. In 2014, which is literally 5 years ago, clothing was 67% of our total. And the rest of the categories made up the rest. Play it forward to 2019, clothing has grown to 83%. Again, not by accident, clothing is our DNA, it's what we understand, based out of all of our categories, and it's one of our most-rewarding and high-margin businesses. And this really reflects our international expansion, almost all of which has been clothing related.

From a geographic perspective, we were 100% Africa in 2014. Play forward to now, 22% in the U.K., 16% out of our Australian business and only 62% out of Africa.

And then finally, just in terms of channels, we were in 2014, 100% bricks. It's hard to believe. It feels like that couldn't be the case we were. Five years later, we are now 9% online as a group, 91% bricks and it's changing rapidly.

So just, again, summing up TFG, what we are about here we are. We're very much a specialty retailer, it's about those individual brands, it's about the focus on individual groups of customers, marketing to them, understanding them, giving them what they want. We're the opposite end of the spectrum, to the big boxes to the department stores. We believe that, that model is fundamentally over. We've been very thoughtful and determined in terms of diversification.

Fashion and lifestyle retail, by definition, is risky. And it is just of very nature. What we've tried to do is derisk this business as far as humanly possible. We've derisked it from a cash credit perspective, as we've shown, derisked it from a geographic exposure perspective, the sales channel perspective and the merchandise category perspective. And I think going forward, you should expect more of the same. Believe we are within -- certainly within South Africa, at the forefront of digital transformation and experiential retail. I think in the U.K., we're at the forefront of digital as well. And in Australia, we're well advanced of both.

Our focus on local manufacturing, particularly the quick response manufacturing gives us a competitive advantage. That is going to continue to expand and be more and more important to us going forward. And thankfully, as a result of all of this, we've been able to reward our shareholders, I think, well over the last couple of years.

Bongiwe, if you'd like to take us through the detail.

Bongiwe Ntuli - *The Foschini Group Limited - CFO, Member of Operating Board & Executive Director*

Thanks, Anthony. I think Anthony has given us great analysis and painted a picture of where TFG is at and you've seen really all the numbers as we released the results already this morning. So I'll be quite brief and maybe focus on how I'd like to highlight to allow time for questions in the end.

It certainly has been exciting and challenging 6 months to the end of September with a lot of changes, obviously, on the accounting side and I think also on the legislative side. Almost in every country of operation, we're dealing with a lot of complexities and obviously, thanks to our capable teams on the ground and who deal with all of this day-to-day. Maybe closer to home on the legislative side is a debt intervention bill, which was signed by the President in August, and Jane will take you through that in detail when she presents on credit. But that also has a direct impact operationally for us in terms of being tight on credit. You saw our credit growth muted or at minus 0.5%. But what is encouraging is the continuous increase in our cash turnover sales. Again, I'll touch on that when I speak to Africa turnover. Interesting times indeed.

And on the accounting side, IFRS side, as if IFRS 9 was not enough, we then have had to retrospectively adopt IFRS 16, which has kept my team there at the back quite busy for the past few months. And I think all of you already know IFRS 16, you've sat through a couple of these in the past few months, especially from the retail sector. And I think everyone has spoken about the impact for them and how it affects them. So I won't bore you with an accounting lecture on IFRS, however all I'll just highlight is the impact of this standard on TFG, which I think we've always said to a couple of you who we've met in the past few months that on the income statement side, it actually has minimal impact on TFG profit and at the same time, also on our operating model because I think we've always looked at a model where -- while this is short term, and we have put an ability to exit them with no guarantees given to landlords when we exit and in recent months, again, because of economic conditions and because of our strong property teams, I think, in each of our countries of operation, we have actually gone for last 10 of our leases, still in the U.K. when Ben was with us at year-end. He spoke of average leases of about 2.5 years, 2.3 years. We've continued on the target in 2020 financial year and have achieved lease rates of an average of 1.8 years.

In Africa, I think we've got leases running on average in 5 years. I'll show you actually our lease profile in the next slide. You will see most of our leases for Africa and Australia, sit -- I hope I pressed the right, okay, yes -- of most of our leases for Africa and Australia sit in this band, whereas most of the U.K. actually sit in this band, which is very -- a good place to be at, especially in light of IFRS. And obviously, concession and turnover-based leases that excluded from the statement as they have got no balance sheet impacts, no income statement impacts, that's treated as normal operating leases.

Just taking you through quickly our balance sheet. What has impacted on us? So the income statement, as I said, almost a negligible impact. On the balance sheet side, when we restated the prior financial year, we took on additional assets of obviously [fictitious] asset of ZAR 6.9 billion, which relates to average life of the lease remaining and at the same time, a corresponding liability of about ZAR 7.8 billion, and then some tax movements. I think that's a nice waterfall that takes you through the balance then that sits as our operating equity or NAV at the start of the year, which decreased by ZAR 248 million, which is the net impact of all of this. I'll take you through our ratios, how all of this impacts our financial ratios or our key metrics later on in the presentation.

On the debt-equity side, obviously, we're tracking very nicely on actual cash debt reduction. We reported, I think, at half year or previously at this time last year, our debt to equity ratio was sitting at 66%. And at the end of September, our debt to equity ratio was at 60% I think, as Anthony already has said. But again, post-IFRS, that goes up to 120% and we expect the number to hover around that on a consistent basis year-on-year, obviously, as long as we continue to structure our portfolio and operate the same way we operate and obviously, the true underlying debt that existed. We hopefully continue to decrease debt as we generate cash flow via our international operations and pay down debt.

I'll take you through our debt, how it's moved in the past period. On the debt side, I won't spend a lot of time on that, like I said. And our debt -- lease debt decreased to ZAR 7.8 billion. And then obviously, restated our liabilities is that opening liabilities up to ZAR 15.9 billion from ZAR 8.1 billion. And then at the end of this 6 months, they're sitting at ZAR 16.9 billion.

Maybe what I did not highlight is that our actual true debt or normal debt only grew at ZAR 394 million in the first 6 months. That has been an analyst question actually, while sitting down, asking why our debt from half year -- from year-end, we reported, I think, 56% debt-equity ratio and why it goes up to 60% now, but it's because, obviously, we pay a lot of dividends in the first half of the year, we pay a lot of our tax expenditure in the first half of the year, and that normalizes back to hopefully even less than 56% by the end of the year 2020 financial year. You'll see when we report at the end of the current financial year.

Income statement impact, as I've said, is almost negligible. You see the lease reversals from our -- sorry, prior operating leases and then our depreciation reversals, and then the net impact of all of this is about ZAR 4 million or ZAR 3 million in the income statement in the financial year, which I think is different to a lot of what has been reported by several parties or retailers over -- in the past few months.

So the long and short really for this -- on this section is that IFRS 16 has not had much impact on us on the financial side, but obviously on the balance sheet side.

If we then look at -- to financial performance, it's a nice picture. This is Gift of the Givers, these are the blankets. All our trainees, when they join our stitch factories, they have to sew a blanket and then we give all those blankets away whenever there's disaster and any relief required through a Gift of the Givers, just for information.

Our numbers as reported, turnover growth of 6.5%. We see coming off a very high base last year at this time when we reported our half year. We report a RAG and I think the turnover at RAG acquisition and we're reporting 28.5% growth in turnover. Obviously, this year, we had no acquisitions and coming off a high base, it's quite pleasing to report 6.5%. I think underneath to how this turnover is divided, which I obviously take you through as well as we deal with each segment later on.

Our gross margin's maintained at 53.2%, again, very pleasing. I'll give a slide on the gross margins of each of our operating regions. EBIT margins as well maintained at 13.7% and HEPS growth of 3% and obviously, headline earnings per share, as you already are aware of 3.1%. And very pleasing EBITDA margins of 25%. Very pleasing. I'll take you through in a little bit of detail on this.

These are detailed summarized, obviously, income statement, but the whole -- the numbers I'd like to focus on really is our interest income, which remains at the same levels and in line and grew in line with our book growth. And then our trading expenses, Jane will speak to the net bad debt and see there was a question as well on net bad debt. Jane will speak to that. I think our trading expense is very encouraging that they continually are dropping. Previously, were 46.3% of our turnover, coming off nicely to 45.4% of turnover. That's all the back office optimization work, computers and engineering work we've been doing, which I'll take you through in a little bit of detail later on. But again, it's yielding the right and keeping our profit after tax at growth or contribution to turnover and -- at the same levels as prior period.

Again, finance cost, maybe let me touch on finance cost. True finance cost or actual debt finance costs have come off nicely and reduced over the period. Again, they were 4.1% in the prior period, this is after IFRS 16, are still 4.1% of turnover last year. Current year coming down off nicely as well, 3.8%. Of this, I think ZAR 350 million is true interest finance charges. I think we've got it in the detailed appendixes, and then ZAR 250 million of this is through IFRS -- is IFRS interest. I'll speak more on trading costs and, et cetera, later on.

Revenue breakdown, just to show our revenues from retail, 6.5%. I just want to highlight the VAS income. Been a very challenging 6 months, however, this number is reported, is not actually -- it reflects the change in accounting policy. Previously, we included some captive income and net of interest and tax on this line. And in the current financial year, we decided we would -- permission of our auditors, to change that and reallocate it so the 17.4% reduction as reported is obviously not a true reflection of VAS performance. VAS actual income is up, I think, 1.9% and at [456] in the current financial year. I'll give -- we'll give more clarity as well in the detailed -- as on that.

If we look at segments, then Africa, which obviously remains our largest segment, turnover growth of 6.4%. It's in a very challenging environment, talked about product price inflation, which obviously remain contained. And of this, as I've already mentioned, a lot of it is cash sales growth and less credit sales growth.

All our brands actually have reported increasingly growth in and as for the slide, it summarizes per brand. And then what is also pleasing is the growth in EBITDA. Previously, with such low turnover growth, this number would have actually maybe been flat growth on last year, but because of a lot of cost control, we remain focused on this and EBITDA-only reduction or growth of 3.7%, which is pleasing in this environment.

And the loss, this obviously comes from the type of products that we've got. We sell a lot of cell phones, higher or less margin goods and then up which dilutes the apparel margins that we achieve.

London, very great performance. If you exclude House of Fraser flat reported numbers, flat on last year. However, if we exclude House of Fraser the impact of House of Fraser decline have not collapsed. I think I'd say safe to say decline. Our growth in turnover is 3.6%, which I think is very good in an environment like the U.K. where I think you're all aware of what's been happening there.

Gross margins, I think, maintained. It's very good at 61%, 62%. And again, it's because of the contribution of some of the wholesales mix of our turnover. EBITDA, what is more encouraging because of there was back-office optimization wherein we started on about 9, 10 months ago. And actually, EBITDA grew more than turnover to -- by 0.7%. Again, I speak on the optimization about that the U.K. team has embarked on and will be actually completing. And this just involves moving all brands into one platform.

We've bought 3 brands, stand-alone businesses. And over the past few months we've restructured to have one back-office function. So which means one finance head, one HR head, one marketing head. And it all has yielded a massive savings of about GBP 4 million. I think I spoke to [it is here] and the U.K. And you can see the -- how they already leverage and they are achieving because of all of those initiatives.

Australia continues to be outstanding story. We see growth and growing above most of our peers in Australia. If you exclude the impact of G-Star, our actual RAG turnover grew 15.3%. And again, very pleasing in a market that a lot would have read that is also under pressure.

EBITDA, Australia has always been encouraging in the fact that their leverage continues to grow ahead of sales or ahead of turnover growth. Again, massive cost forecast. I'll talk about store costs and occupancy costs that we've achieved in the past period. A lot of effort to ensure that the cost base is kept minimal and would convert as much of our turnover to EBIT as possible.

Just to touch also on gross margins, up and again, it's because of less discounting, less promotional activity, more full-price sales, which I think is, again, very pleasing and talks to the great management team we have in place there.

During the year, we also launched new concessions. I think the learnings from the group, having our U.K. teams and our Australian teams work together. They saw the concession model in the U.K. and then have since deployed that in Australia and by the half end of the first financial year, half year, we actually had opened 15 concessions in the department store called Myer's in Australia, which is very profitable, and I think we'll continue to roll out more of those in Australia. This just talks to learnings between having businesses in different countries and working together as a team.

We also launched 2 -- opened 14 stores in New Zealand. Again, we see there is an area of growth for us. And launched, actually, 2 huge concept stores in New Zealand, which are also doing very well.

So Australia, great story, and we continue to invest in digital platforms there, and people, and I think we believe online sales is an area of great -- of great growth for us, especially for our brands like Johnny Bigg and Rockwear.

And I think in summary, if you look at group turnover by geography, I think we've talked to a lot of these numbers, but this slide sort of summarizes very nicely for us, especially on the merchandise categories. And as you can see our cellphone growth, our Jewelry division grew 6.4% in turnover. And I think Cosmetics probably is the only one that has remained flat year-on-year.

Margins by how our margin breakdown, 53.2%. Still, Africa, a great contributor to the margins. And but you can see the growth in Australia. And then London remaining fairly flat during the period. I'll then move on to expenses. I'm sure most of you will wonder what this is. This is Michael Jordan's sneaker and his basketball number, #23.

Africa, we forecast a lot on store portfolios. And as we've said previously, we continue to look at our stores and rationalize our space, improve our trading densities, which I think in the past -- in the previous period, in the reported period, was 6.8% up on prior year and it's because -- that means for our space with any more turnover, each square meter of space.

In Africa, we closed about 85 stores, but at the same time, opened 36 stores in the U.K. remain flat, again, opened more new stores and all turnover lease space or large portfolio of this turnover-based [rent-outs] and closed 34 nonperforming stores. In Australia, I think we've spoken about the expansion, the 15 Myer concession, the 14 New Zealand, new stores, and then closed a few stores, nonperforming stores.

If you look at our store occupancy costs, which I think is a very great slide. We've achieved only 3.9% increase in our store costs. Again, that talks to our average. Leases previously would have gone up by 5%, 6%, 8%, even in the past. This number has continuously gone down over the years, due to a lot of effort from our property team.

We also achieved massive negative rental revisions for Africa, and running around 15%. And if you remember, even last year, we reported a similar, which is particularly pleasing, a lot of effort on these, and we continue to drive this down.

U.K. as well on a local currency basis achieved as -- reduced their overstock cost by 6.1%. And while overstock portfolio has remained flat in Australia, despite the number of new openings, their store cost at local currency level only increased by 6.2% and also achieved negative rental revisions similar levels as Africa, double digit, above 10%. We continue to focus on this, and hopefully, deliver even more by year-end.

Consequently, also depreciation and because of store closures and less stock cost has reduced as a percentage of turnover, reducing -- I'm sorry, reducing nicely to 2.4% from the previous 2.6%. And for TFG Africa, a lot of this depreciation relates to IT, obviously, projects. We capitalize the project and then depreciated over a 7-year period. And as those projects come through, they are more depreciated. And we're finding because of that our depreciation mix has changed, it's more IT rather than store CapEx than in the past.

And if we just look at TFG London, our depreciation has reduced actually by 6.3%, same as well as Australia. Again, because of a lot of work done to reduce the cost, lease costs.

Employee costs remain in line with inflation. Our employee cost only went up by 6%, and largely also at store level where we employed more staff to service our customers and the head office cost were kept at about 5% increase on last year.

TFG London costs have remained fairly flat and again, I think that talks to the optimization work that was performed in the past few months, and hopefully, will finish by the end of this year as the team moves to one accounting platform or one system platform. And we expect further cost reduction there.

Australia cost appear up 13.6%, just to unpack this number a little bit. This has increased because, obviously, we've employed more people, and we've increased our number of stores, while at the same time, because of our investment in digital transformation, we've employed resources to drive our online strategy. And also as we roll out the American Swiss brand in Australia, or test our American Swiss brand in Australia, we employed a head of American Swiss and for some staff to support that expansion strategy. It remains at test phase and we'll see -- and watch it over the next few months or few years. But again, group turnover -- employee cost dependent of group turnover, remaining fairly flat on last year.

Other expenses, which is then the remainder of every other expense besides the ones I've touched on. Again, dropping nicely as a percentage of turnover to 13.9%. And these expenses, again, most of them relate to our IT forecast, to our data analytics team, rather than actual head office staff. In some of our areas of operation like the U.K. you can see massive cost control, with costs reducing by 5% on last year. In Australia as mentioned, in line with our growth and business expansion. Our costs are up 12.6%. However, you can see the leverage still expanding.

If I then talk a little bit about our cost initiatives over the past few months. I think TFG has been on this drive for a while. But at the start of this year, when I joined, one of my KPIs was obviously to drive this even harder or further. And it's all really about instead of a quick cost cuts/cost exercise, but it's rather to focus on all the technology that is deployed and fully optimize it over the years. So in the -- we don't call it a cost-saving projects, but rather a big back-office optimization project.

We're in line with our digital transformation strategy. We look at all the systems that we have implemented as any other large business, you put on systems and still keep on the number of same people and you run processes similar -- in parallel. We then look at all what you've employed and rather use effectively the resources to support stores and take them from the back office, which, in some areas, has led to some headcount reductions.

I'll talk to a little bit of what we've done on the HR side, which is one of the projects that you've -- optimization streams that we are running. And also just to highlight, the project is fore focused not only on cost, operating margin expansion is obviously key focus, but also on driving ROCE improvement. And that talks to our working capital management, our inventory holdings. Our inventory holdings have always been higher than competition and will remain so as well because, obviously, the mix of products that we have -- we carry branded goods. We carry jewelry with very, very low stock turns. Whereas most of our -- if you compare to our other retailers, they don't carry those portfolios.

So we'll always be above others. However, we've realized that it's an area that we can improve on. I think we spoke of the quick response to supply chain optimization that Anthony spoke to. And then, obviously, good cost discipline with all the technology that you have and RFID one stock that allows for stock accuracy. The confidence is building with the merchandisers to obviously shop less use -- I mean buy less, use AI to drive the next bulk orders, et cetera, and encourage the businesses to effectively manage working capital.

Our target on this over the next few years is to reduce this by probably another 20, 30 days. And hopefully -- we've already reported 8 days reduction last year. And hopefully, we'll repeat -- we'll report similar levels in -- at the end of the current financial year.

And this also, again, talks to how our free cash flow continues to improve the cost of debt. This all has a very rippled effect on a whole lot of other things or other metrics.

On the areas impacted on the operational cost of the operating model is our finance, which I'll talk to a little bit, procurement initiatives. Again, it talks to the power of leveraging of the TFG brand, a lot of procurement is done in the brand's stand-alone, a very federated model, and we're trying to pull some of that non-merchandise spend to the center, and is already see driving a lot of -- I think last year, we already took about ZAR 100 million in cost through that through clever procurement. I think the previous year, another ZAR 90 million, I think we still have a lot of runway, and we will have great targets for the team that have employed the right resources, new resources to drive this fully for TFG.

If you can visualize what we're trying to achieve and hopefully this graph gives it justice, is the first few years, obviously, of this is all really investment and which mitigates, which obviously, you don't see the cost saving immediately, but at the same time, you don't see our cost rising because it's a matter of reallocation, of course. So income statement is hardly impacted by any of the programs we're running. The investment we're doing, potentially, any retrenchments that we have hedged, Section 189s that we've deployed. And hopefully, in the next 2 to 3 years, we'll start to see some expanded marginal EBITDA, further improvement as we deliver cost savings. We talk of ZAR 300 million. I've got firm belief that we can achieve even more than this over the next 2 years.

And on the HR work stream, just to give you some color. We looked at our HR teams. We look at the systems that we deployed over the past 3 years. We deployed SAP HCM, a world-class system, but kept numbers the same. And I think in the past year, we've looked at how we rationalize that and has had to reduce the headcount, obviously, with any of these programs.

That invariably happens by about [100,010] people and implement a new operating model. We just expect just from that one stream, ZAR 90 million steady-state savings for the next few years.

And that's been done with no disruption to business. And as I said, it's all back office, and it's just all about deploying the right resources in the right area and fully optimizing the technology we have deployed. We see -- we expect to see similar in all the other [ForEx streams] that we are at the detailed design [Phase 4].

Going into the balance sheet, what I just want to highlight, you've all seen the numbers. They're out on [sense]. And this morning, it's just the impact, obviously, of IFRS 16 on our ROCE, how it just reduces it slightly to 16.6%, but I think greater is the debt-to-equity ratio goes up to 120.1%. Our banks, obviously, have showed us that look at the underlying business more than the actual IFRS -- post IFRS ratios.

This is a very interesting slide and talks to how TFG over a period has performed against peers. And our debt/equity ratios, if you look at from 2014, obviously, debt shot up in 2015 with the RAG and U.K. expansion, but look at how nicely our ratios have improved in the past 5 years, while probably our competition, if you look, have remained volatile. And then you can see how everyone -- I did not say much about how everyone is reporting balance sheet debt increasingly in the past few months, while ours is going down.

If you look at the return on any invested capital for TFG, we led peers significantly in 2014, proudly and [prior]. And you can see how nicely the line has been closing over the past few years and actually in line or even beating our peers.

If you look at the return on equity, same story as well. Peers reported higher return on equity than us, say, 5 years ago, and you look over the past 5 years, how we have remained -- began to improve and are actually outperforming our peers. Again, let's talk to our strategy, our diversified portfolio, and hence, we are confident and I think Anthony will speak to that when he speaks outlook.

I can talk of a lot of metrics, but these are just a few that we chose. Trading densities as well. Our -- as I mentioned earlier on, continue to improve and have shown improvement over the past 5 years.

Free cash flow, very nice slide, just shows how we convert growth of 96 -- sorry, ZAR 96 billion at the start of the year -- ZAR 96 million, to about ZAR 1.12 billion as of the current period, and that's because of tight working capital management. And obviously, strong cash generation by our brands. Great area of focus for us.

And this is also just to qualify despite all the CapEx investment in digital transformation, this is post all of that. And you can see how our store CapEx, maintenance CapEx has reduced over the period. I think the orders has gone flat.

This is CapEx. You can see how our expansion CapEx continues to increase in line with all our digital transformation plans and growth strategies and how our maintenance CapEx, which is largest store CapEx, has reduced, and by nature as well, we're spending more on IT CapEx than store CapEx. You can see how we've increased from 20% of CapEx last year to 34% this year. And also by segment, we continue to invest in Africa, where, obviously, most of our turnover comes from and similar levels of CapEx or flat CapEx in stores for Australia and the U.K.

On our dividend side, just I think we've spoken to the dividend that we are distributed. But again, if you compare us to our peers over the past few years, if you look at our HEPS growth and our dividend per share growth, is always tracked similarly. And you can see how, again, we've continually outperformed our peers in terms of dividend growth and in terms of HEPS growth.

I think that's -- it's, for me, I think, also, what I wanted to highlight, we've always been a little bit conservative in the first half with our distributions. And obviously, while our headline earnings grew 3.1%, we're only declaring a dividend growth of -- or dividend per share growth of 1.5%. That has always been what we've done. And then in the second half, we reassess it and hopefully, catch up and be in line with them. Again, depends on acquisitions, depends on potential investment we want to do. But yes, that is a very nice story.

And that's it for me. I'll hand over to Jane.

J. Fisher - *The Foschini Group Limited - Group Director of Financial Services & Member of Operating Board*

This time of year, we're always so focused on the numbers and making sure that we've got everything right, that I don't often get involved in the visuals. But what I like to see here is group marketing obviously think that working in credit is all sunshine and lollipops. And I'm glad we make it look so easy.

Anyway. So let's go into our numbers. Look -- not the dividends, wrong way. Sorry. Okay. So you would have seen this week that the TransUnion Consumer Credit Index was just released. Now we've had 3 consecutive quarters where we've showed that credit index below 50%, which has been saying that the consumer health of the credit customers for the industry is in distress.

So when the index came out literally this week, and we saw it jump up to 54%, and we were like, wow, that was a little bit unexpected. What's going on? Now there are 4 levers that are in this index. You've got household cash flow; you've got the cost of debt; you've got distressed borrowing; I always miss one of them; and accounts in default. The most important one.

Household cash flow is not getting any better, okay? People don't have more money in their pockets. If you look at the cost of debt, that's not really changing. So the thing that's moved this index is a percentage of accounts that are in default. But if you actually look at that statistic in more detail, what you actually see is the absolute number of defaults has actually increased, but because there's been credit extension in the market, which has grown at 7%, when you do the percentage, it looks like the percent of accounts in default has actually improved. And that's the biggest reason why that index has jumped up.

And I just want to say, I want to issue some caution. I want to see how this actually play out. I think a lot of that growth is in the unsecured personal loan space.

So before we start saying everything is getting better, let's just see a couple more quarters yet. Because if you look at some of the macroeconomic factors that impact our base, such as unemployment or food or petrol prices, none of those are getting any better. So need to remain cautious and conservative for the time being.

Credit growth. We've purposely constrained it given this tough environment. Now last year, of course, we won the POI court case in March. So we saw the flood of applications come in last year. And of course, this year, it's normalized. So your applications are only up about 7% for the same time period.

We did tighten up ahead of the curve last year when I spoke to you at our year-end results. I said, in August last year, we were tightening up because some of the trends were a little bit worrying. We were concerned. So we tightened up before they hit us, which meant we dropped our accept rate down to about 36%. And we've kept it there, and we've kept it there for this first half of the year as well.

Now of course, if you've got a lower accept rate, you're bound to be constrained in your credit sales growth. And for this first half this year, it's slightly negative at 0.5%. Given you've got cash growth of 12%, do you know what I mean, I don't need to take any risks in my portfolio. I don't need to go to the credit turnover when you've got cash growth that strong, stay conservative, and keep things safe, unlike England in the World Cup final.

But now, of course, you'll see the gross debt book has grown to 7.3%. That's a year-on-year growth. That's predominantly because of my H2 credit turnover growth that I had last year of 7.3%. So that's in the base, which increases my debtors' book.

But given my turnover is only negative 0.5% this first half year, I expect that to remain constrained, that debtors' book will actually decrease towards the end of this year, okay? It will still grow, but it won't grow as much as 7.3%, I don't think.

So how's the book looking? I think the quality of the book is within our management's expectations. If you look at our buying positions or how many customers can go into our stores, buy our magazines, our insurance products. That's at 82%, okay? It's roughly at the same position as our year-end number as at end of March. The write-off growth is 20%, okay? And you might be concerned about that.

And Jane, you've just said the management took your book as okay, so why are you saying that 20% is okay? That's more a result of the portfolio shifts given POI wasn't in. Then it was in, and then it wasn't in. So you've got all these swings in your portfolio, okay? What you really need to look at and just to tell you that the underlying trends are stable. And to try and illustrate that, I actually show you, for the first time, net bad debt write-offs or growth, less my recoveries as a percentage of my credit transactions. And at 8.6%, I'm saying it's stable, look where we were this time last year at 8.1%.

So I'm trying to illustrate here that the underlying trends or quality of the business that we're writing is stable. Yes. There is some distress, okay? But overall, that quality is stable there and being well managed.

Now my recoveries' year-on-year growth here is negative 9.5%. Recoveries includes my debt sales, okay? Now given I've had 2 years of subdued write-offs because I wasn't writing business at a high rate when the POI was in. So of course, I didn't get the write-off either, I now don't have as much debt to sell, okay. But the underlying recoveries yields, about what I get, are still stable. This is just a debt sale.

Now there is some nervousness in the market about debt sales and the prices and debt intervention. And we did get a slightly lower price, okay, as a result. But the main reason is the quantum of debt that was for sale. We do expect the prices to normalize once the nervousness is out, okay? And the recoveries will be back on track.

And then my impairments is growing 12.7% at the year-end, 12.6% in line. And if you actually then have a look at my impairments as my percentage of my debtors' book, I'm 19.7%. At year-end, I think, I was 19.6%. So everything is all in line still there or thereabouts.

So you take your write-off, take your recoveries, take your provision movement, it gives you net bad debt. Now take that as a percentage of my debtors' book, it's 11.7%. It's slightly up, but that's because my write-off is slightly up, and my recoveries is slightly behind. More to do with those portfolio shifts that are going on and not a reflection of the quality of the book.

So EBIT growth. Well, our income growth here, you can see I've got 13.6%. We are still growing our book. We are getting the account growth. Our active base is still growing. We did, of course, have the interest rate increase last year, which helps that. Of course, the interest rate decrease that I've just had in July this year will now take my income growth down again, okay, and you'll see that in the year-end numbers. So that 13.6% will soften following up my year-end because of that rate decrease.

Net bad debt, as I explained on the previous page, has grown by 19.8%. But if you look at it as a percent of credit transactions, I'm stable. And then my credit costs, 5.8%, in line with inflation, and that's despite investing more money in collections to manage the quality of the debtor's book and to make sure it's okay, but I've offset it with improvements in new accounts and customer services. We have a bot called TOBi. You can now go into our various stores, you can scan a QR code to open up a credit account. Not in all our stores. It's only been trialed in FIX at the moment, but we're doing -- digital transformation is real throughout the organization, and that's helping us control our costs as well.

Pull it all together, EBIT growth, 9.5%. Of course, the funding costs aren't in there, but I do want to say that EBIT growth of 9.5% for year-end, it will be softer than that, okay, because that income growth won't be to the same rate. And that's credit.

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Thank you, Jane. Okay.

In terms of outlook, we're almost at the end, guys. Looking at the big picture, the consumer, do we expect any major changes in terms of sentiment or direction of travel? I think the answer is no. I think the consumer remains under pressure, particularly in South Africa and in the U.K., for all the reasons I gave in the introduction. Yes, don't want to get carried away on that side.

We've said, as Jane has just gone some detail on, that we are committed to responsible credit extension on the current environment. We've got an uncertain legislative landscape. We've got the risk of a credit downgrade. A credit downgrade implies 2 things. One is an interest rate spike. We just don't know how big, how much is priced in. And secondly, a weakening rand, which implies greater inflation, which puts your consumer under more pressure. Now is not the time to be taking undue credit risk. We don't need to buy turnover on credit, and we are not going to.

I think if you listened to all of the strategies and everything we're doing in the group earlier on, hopefully you've got the sense, certainly, that we have -- that we are doing absolutely everything we can to continue to hold our position and, in fact, to continue to take market share in all 3 of our territories. I think the business optimization that Bongiwe took us through in some detail this afternoon, together with what I shared on digital transformation, I think the points around those 2 is that a year, 2, 3 years ago, we were talking about these. There were new things. There were things that hadn't landed. There were things that required a cultural shift in some cases. Where we stand today, both of those are now firmly embedded in the way we do business. They are part of our everyday life. And I think it's a great position to be able to say that.

Just on a macro level, as we've said, we really do like our positioning as a specialty retailer. We are averse to big-box department, store-type retailing. I don't think that trend is going to change either. In essence, I think we've got a very well-defined strategy. We've tried to share as much of that with you as possible this afternoon. And we think it does position us well for the future.

In terms of the more immediate outlook, and I'm talking about the balance of the current financial year, I think the general retail outlook in South Africa and in the U.K. remains challenging. And I don't think that there is necessarily upside anytime soon. TFG Australia, I think the environment there, as I said earlier on, is a lot more benign. I think we'll continue to trade as we have.

Just the only portion, and this was what we put in our outlook statement today, has to be around South Africa. We are now in an environment with no economic growth whatsoever. Unemployment continues to grow. And as I said earlier on, those are our customers. And we are dealing with the speculation of a possible credit downgrade.

Having said all of that, our full year is kind of more or less made or broken by the period that we trade from now through to the end of Christmas. Black Friday becomes increasingly important. That morphs not into Black Friday anymore, but really from the period of Black Friday all the way through to Christmas. We're very well-positioned. We've planned for Black Friday, but the next couple of months really are the great determinant.

That brings to a close our presentation. Very happy to take any questions.

QUESTIONS AND ANSWERS

Unidentified Analyst

Anthony, looking at the South African results, I guess, the thing that stands out for me, apart from a number of -- you've performed very well on almost every metric I can think of in South Africa. The one metric that stands out for me is the 20% year-on-year increase in the bad debt write-off. And it's not the bad debt provision really. It's the write-off.

Jane gave an explanation about why that doesn't seem to be too much of a problem. I didn't quite understand what that was about.

I mean it feels like to me 20% is a big number. And if it wasn't for that, South Africa would have shown pretty healthy operating profit growth. So perhaps, if we can delve into that number, exactly why is it going up? And what do you think the outlook on a full year basis is, please? I think this is mainly for Jane.

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

I'm sorry. Jane gave and then finished -- she gave the very summarized vision just because we are trying to get through the presentation, but I think you can go into a little bit more detail?

J. Fisher - *The Foschini Group Limited - Group Director of Financial Services & Member of Operating Board*

Absolutely. So it's more a case of subdued write-off last year, the year before. So when you look at year-on-year growth in absolute terms as a quantum, that's what gives rise to the increase more than anything else. So we don't have -- in the last couple of years, we haven't had a steady-state portfolio.

Typically, I would run -- before POI was coming in, I would have a write-off growth that I would typically tell you should lag your back -- book growth because you always have a lag effect, 18 months, et cetera, before your peak write-offs come through.

The problem when you have something like POI coming in -- and you're certainly not writing all this business and then 18 months later, of course, your absolute write-off is then down as well, okay? You have 2 years of that. Then, of course, you don't need POI anymore, so now you start writing. You've got almost -- and I used this analogy before...

Unidentified Analyst

What do you mean by POI?

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Proof of income.

J. Fisher - *The Foschini Group Limited - Group Director of Financial Services & Member of Operating Board*

Proof of income. Sorry, the proof of income, because proof of income radically changed our portfolio and how we did business and how we were able to write business and it radically changed what we could accept as credit turnover. Demand went right down when proof of income was a legislative requirement. And of course, we did go to court to say we don't believe that proof of income is the right thing for South Africa because we are largely an informally employed nation. And proof of income is -- when you have it in England and the other places, that's because it's largely formally employed, so you have all the documentation.

So of course, when we won the court case and we said proof of income is not the right thing to be having for South Africa, that changed, again, how we write business. So you have a big swing in your portfolio.

And effectively, I was using the analogy earlier about you have a pig in a snake to get through now, okay? So the snake has swallowed the pig, have grown, and now you've got to get it out again. So I'm going to have a one-off movement in this financial year, okay, and then I will normalize again. But what you need to -- what you're trying to get to is, well, is your underlying quality okay? If you believe me about the pig in the snake, then you can kind of like, okay, well, how am I assured that everything is okay?

And that's why I've showed you as a percentage of credit transactions because that talks about, well, how much business am I doing. Therefore, if I use write-off as a percentage of how much business I'm doing, and that looks stable, then it's okay.

You also say, well, what does it mean for year-end? Year-end, of course, always looks slightly worse than right now, okay? So I will have, by seasonality, a higher write-off at my year-end than I will have right now. Always the case, okay? So that will go out slightly again, okay? Then I'm through it. And then when I come back in H1 next year, I'll be talking to you about single-digit write-off growth. Just putting it out there.

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Yes, assuming no credit downgrade.

J. Fisher - *The Foschini Group Limited - Group Director of Financial Services & Member of Operating Board*

Assuming no credit -- all things being equal.

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Yes.

J. Fisher - *The Foschini Group Limited - Group Director of Financial Services & Member of Operating Board*

Does that answer the question? You can say no.

Unidentified Analyst

So you're saying the write-off growth is going to be higher at...

J. Fisher - *The Foschini Group Limited - Group Director of Financial Services & Member of Operating Board*

Year-end.

Unidentified Analyst

Year-end. Do you mean we get the absolute number? What do you mean...

J. Fisher - *The Foschini Group Limited - Group Director of Financial Services & Member of Operating Board*

The growth.

Unidentified Analyst

The -- you mean the absolute growth?

J. Fisher - *The Foschini Group Limited - Group Director of Financial Services & Member of Operating Board*

Yes.

Unidentified Analyst

Or do you mean write-off as a percentage of book?

J. Fisher - *The Foschini Group Limited - Group Director of Financial Services & Member of Operating Board*

So the absolute growth, okay, will be higher because that's what goes through my income statement.

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Yes.

Unidentified Analyst

Then the 20%...

J. Fisher - *The Foschini Group Limited - Group Director of Financial Services & Member of Operating Board*

Yes.

Unidentified Analyst

So that's going to be a number -- it will be a number north of 20%?

J. Fisher - *The Foschini Group Limited - Group Director of Financial Services & Member of Operating Board*

Yes.

Unidentified Analyst

On a full year basis?

J. Fisher - *The Foschini Group Limited - Group Director of Financial Services & Member of Operating Board*

Yes.

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Okay. And while people are thinking of questions, Bongiwe, I think you can probably take this one.

Are you comfortable with all of your stock turns? Or do you still think there's area for improvement?

Bongiwe Ntuli - *The Foschini Group Limited - CFO, Member of Operating Board & Executive Director*

Sorry. Great. I think I tried to answer that during the presentation. Our stock turns, as I talked about, 183 days in stock that we had and we reported at the end of the last financial year. For some of our categories of merchandise like the jewelry and all of that, they will all always have low stock turns. And I think actually if we analyze ourselves and benchmark ourselves against a world benchmark or world standard, we're actually turning much higher than them. But on some of the local and the -- so not local but the apparel and merchandise, I think we've got room to improve them, and that talks to our supply chain, our quick response and our -- all the digital transformation initiatives that I said we have put in stocks.

And so there is nothing, when we analyze performance or inventory, where you see that customer actually walked out of the store because the merchandise appeared unavailable yet it's sitting in a shelf somewhere or it's sitting in the DC somewhere. So RFID, OneStock, that's addressing that, and as we roll that further I've got every belief and, like I said, over with -- also combined with Project Win that is really focused on this because it's no use fixing the stores but then your buyers, your merchandise are still -- continue the same way that they've always done business, so as they also will start leveraging of data and we use our analytics team with that, AI is more predictive and more real-time ordering and supply chain processes, I have got no doubt that we can reduce this further.

Hence, I talked about a further reduction by the end of this financial year as well by probably another 9 to 10 days, and again, probably further. Over the next 3 years, I think we will see that reduce.

But for some categories of merchandise like on sports, to open that [stands] in Sportscence, for example, we would have bought -- you don't go to Nike and say I want 3,000 pairs of Jordan Nike sneakers next week. You actually participate in a buying program. So ahead of your whole store opening, you already have bought the stock because day 1, you have to have all pairs, all sizes, everything on the shop floor. So you order way in advance, you build your store and stop -- start trickling in ahead of your store opening. And then obviously, you open, but you need to reorder immediately as well. So it's a different operating model.

And I think we'll always have lower stock turns -- or higher stock balances, not lower stock turn, higher stock turns but high balances of inventory there. But in apparel, in ladies' wear, in men's wear, we are focusing on that. And I think we'll see those numbers improve, which is actually a large proportion of our merchandise anyway. I hope that answers the question.

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Perfect answer. I'll just add to that. I mean, even in something like jewelry, which inherently has a lower stock turn, we've got definite plans to improve even the jewelry stock turn. And again, it's technology, it's RFID, it's OneStock. It's making sure the stores don't need to duplicate what every other store in the nearby vicinity holds. Yes?

Unidentified Analyst

(inaudible)

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Which one?

Unidentified Analyst

(inaudible)

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

The stock?

Unidentified Analyst

(inaudible)

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

You quoted a number which...

Bongiwe Ntuli - *The Foschini Group Limited - CFO, Member of Operating Board & Executive Director*

We can further reduce it by 30 days as top of an 8-day reduction last year. I'm talking about potential of a 10-day reduction end of this year. And I think in the next 2 years, definitely, I'm being conservative on that 8-day reduction.

Unidentified Analyst

(inaudible)

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Yes. I'd rather look at the 2- to 3-year.

Bongiwe Ntuli - *The Foschini Group Limited - CFO, Member of Operating Board & Executive Director*

Yes.

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

And the reason for that is you get fluctuations based on trade.

Bongiwe Ntuli - *The Foschini Group Limited - CFO, Member of Operating Board & Executive Director*

And do the deadline.

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Yes, a good Christmas season, that's great. You have a slightly softer one that's going to tick up for those.

Unidentified Analyst

Sorry, Anthony. Just a follow-up question on that. Just in terms of RFID and also OneStock, where are you in the journey in terms of rolling that out? I know that a lot of that's happened in this half, but maybe in terms of numbers or percentage of stock holding? And how does that roll out over the next 2 years?

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Yes. So RFID is the foundation. We are actually ahead of schedule and under budget, both of which are a great position to be in. We are over -- just over 50% of our stores are fully RFID-ed 100%. The balance will land conservatively in the next 14 or 15 months, and then all of our stores in South Africa will be 100%. And already, I mean, I was at one of our manufacturers a couple of weeks ago. The labels are sitting there. The RFID tags are sitting with all our local manufacturers if they're locally produced.

The OneStock is a longer process. And the reason for that is, as I said, one, it's a technology solution. So we have a technology solution, but to do it across 2,500 stores, you need more of an enterprise solution. We're in the final phases of procuring that. The bigger time today is really around changing the way that the stores actually operate, so again, the complexity that you're now introducing to a store environment, you've got to have staff who are properly trained to operate a OneStock system. That's quite quick to teach. We've already overcome that on the proof of concept.

The bigger piece is around making sure they essentially can perform as an online DC. We've got -- we started off with -- and yes, I don't think great performance, but the first 30 stores who rolled out, it took about 8 weeks to get them to the level that we're now comfortable, and that's why we're confident to stand here today and say it's ready to roll. But OneStock -- and OneStock probably won't go across all the store portfolio. We will do it -- you really select your big hub stores in certain areas. And in essence, what that is giving you is a whole lot of many DCs is a simple way to look at it.

Stephen J. Carrott - *JP Morgan Chase & Co, Research Division - South African Retail Analyst*

Anthony, it's Stephen again. If I look at your Africas sales numbers reported for the 6 months, it looks like there was a bit of a slowdown in sales in the 6th month of the period versus your previously reported 5 land sales. I guess, you've had another month's trading since -- of October since then.

Your outlook statement sounded very cautious about South Africa. If you had to take September -- and we need to be very careful obviously about month-by-month trading because it's very choppy. If you take September and October together, are you worried that your general sales trend for the second half of the year is potentially slowing?

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

So I think there are 2 elements to it. One is we're off an increasingly high base. So there's a base effect underlying all of us. And if you look back to the growth we enjoyed Black Friday to Christmas last year, it was so far ahead of the market, it was almost ridiculous. So we're up against that. And that was the one point we were making.

The second point that we were making is we do believe the consumer position has deteriorated. And we -- to your point, you're 100% right. We have seen a gradual slowdown over the last couple of months. I could talk about the last week sales with a very different view, but for exactly the reason you spoke about in terms of one swallow doesn't make a summer, we actually can't really reflect on that. We just got to look at the gradual trend over the period.

We're issuing a word of caution not because the bottom has fallen out of anything, but because, A, gradual decline; B, high base; and C, if you look at the macro and every consumer index point or data point you can look at, it's kind of hard to see the things that are improving. It's going to really come down to how we trade over the next couple of months.

Bongiwe Ntuli - *The Foschini Group Limited - CFO, Member of Operating Board & Executive Director*

And maybe just to put it -- also add to that, a lot of promotional activity, which lasted much longer, past winter, past July while -- which obviously led to a shift in sales, while we were also not on promotion, and a lot of promotional activity via competition...

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

Yes. Good point. Well, that's why we've managed to retain our gross margin, yes.

Bongiwe Ntuli - *The Foschini Group Limited - CFO, Member of Operating Board & Executive Director*

That's why we managed to maintain our gross margins. We did not go into heavy promotional right through to end of September.

As new season started, we introduced fresh merchandise in our store, but a lot of our competition are still on sale to drive sale signs out there. And obviously, that will result in a little bit of a slowdown in sales, just to also give some color.

Anthony E. Thunström - *The Foschini Group Limited - CEO, Member of Operating Board & Executive Director*

All right, guys. If there are no other questions, thanks very much. Apologies for the longer presentation. Hopefully, you find it useful. Thanks.
