

Local TFG brand taken to Australia

TFG plans to introduce one of its own brands into the Australian market after [acquiring menswear company Retail Apparel Group](#) (RAG) earlier in 2017, says CEO Doug Murray.



Doug Murray

"We will look at bolting on one of our businesses from SA to them next year," Murray said, declining to name the brand but adding that "we're not lacking opportunities and ideas".

TFG was also looking at opportunities to acquire more businesses in the UK and Australia, Murray said.

There were "lots of opportunities" for takeovers in the UK. "We took over Whistles - and paid very little for that - 18 months ago, and that was in a loss situation and the team there have turned that around very successfully. It does give us confidence to look at other businesses and we obviously have been doing that."

TFG would consider acquiring "additive" bolt-on businesses in the UK or Australia "if it's at the right price".

On Thursday the group reported that turnover in the six months to end-September rose 9.2%, or 12.6% on constant currency terms, to R12.5bn. Headline earnings grew 5.6% to R1.1bn, excluding acquisition costs related to RAG. Shares in the company closed 2.8% up at R142.70.

"We're very happy with the six months. It's a very tough market out there and we're coming off a very high base," Murray said, adding that the group had expanded its gross margins in Africa.

This was thanks to "good product management". Further, TFG "has been very careful not to get caught up in the extremely high discounting and promotional activity that has gone on".

Damon Buss, equity analyst at Electus Fund Managers, said "it seems as though the dilution from the RAG acquisition hasn't been as significant as expected".

"Also, in the South African business, volume growth is coming through, while competitor Truworths just reported numbers showing they're still going backwards, so the relative result has also helped [TFG's share price]."

Buss added that while conditions appeared favourable for takeovers in the UK, given Brexit negotiations "the outcome is uncertain so it's risky at the same time".

"We would rather they bed down the UK and Australian businesses and trade through this difficult period in SA," said Buss. "TFG has a lot of costs they can take out of the business in SA, so we'd prefer a focus on that for now."

Buss expects "quite a tough Christmas" for retailers, partly because the consumer environment has deteriorated. Sales in 2016 were temporarily buoyed by SA's "first proper" Black Friday specials, though Christmas trading was disappointing and sales in January and February were "horrific".

TFG opened 144 outlets during the six-month period, with 74 in Africa " mostly SA. At the same time, 77 underperforming outlets were closed.

Source: Business Day

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