

Energy crisis likely to hit TFG Africa sales by R1bn

By [Ngobile Dladla](#)

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Fashion and lifestyle retailer TFG said on Monday, 13 March that South Africa's rolling power outages are likely to have reduced the annual retail turnover of its African business by about R1bn.



Source: Reuters/Siphiwe Sibeko

Eskom is implementing the worst rolling blackouts on record, leaving households in the dark for up to 10 hours a day. While TFG has backup power in 70% of its South African stores, it lost about 345,000 trading hours in the 11 months ended 28 February, it said.

"The true impact, however, has been estimated at close to double this figure as customer demand is dampened by the associated disruption and inconvenience with reduced footfall observed before, during and immediately after load shedding (blackout) periods," the retailer added.

This has in turn reduced retail turnover growth for the 48 weeks ended 25 February to 11.4%. This excludes sales from recent acquisitions, it said.

Retailers must also decide whether to pass on the costs of backup energy to consumers or take a hit to their margins by absorbing them.



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Additional unbudgeted direct costs of about R65m have been incurred in respect of diesel, security and maintenance, while capital expenditure of about R220m has been spent to date on backup power solutions, TFG said. For the year ended March, an additional R30m will be spent to ensure that 80% of TFG Africa's stores have backup power over the next few months, it added.

TFG, which also sells upmarket homeware, said the resulting higher levels of inventory have also necessitated increased levels of stock provisioning, which would contribute to the "deterioration" of TFG Africa's gross margin compared to the previous financial year.

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