



ANNUAL RESULTS
FOR THE YEAR ENDED 31 AUGUST 2018

CLICKS GROUP
LIMITED

PRESENTATION OUTLINE

- Review of the year
- Financial results
- Trading performance
- Strategy & outlook
- Questions



beauty



REVIEW OF THE YEAR

DAVID KNEALE



REVIEW OF THE YEAR

- Increasingly challenging conditions in second half
 - Consumers under further pressure
 - Very low selling price inflation
 - Lower incidence of colds & flu
- Clicks accelerated volume growth, opened 41 stores and increased market shares
- UPD maintained margin despite low SEP increase, gained new distribution contracts and grew market share

REVIEW OF THE YEAR (CONTINUED)

- Investment in people
 - R1.3 billion paid out to beneficiaries of BBBEE share scheme
 - Company-funded health insurance extended to all employees
 - Recognised as Top Employer in retail sector*
- Another record year of
 - Capital investment in stores, supply chain and IT
 - Cash generation
- Entered JSE Top 40 Index in June 2018

* Per Top Employers Institute



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FINANCIAL RESULTS

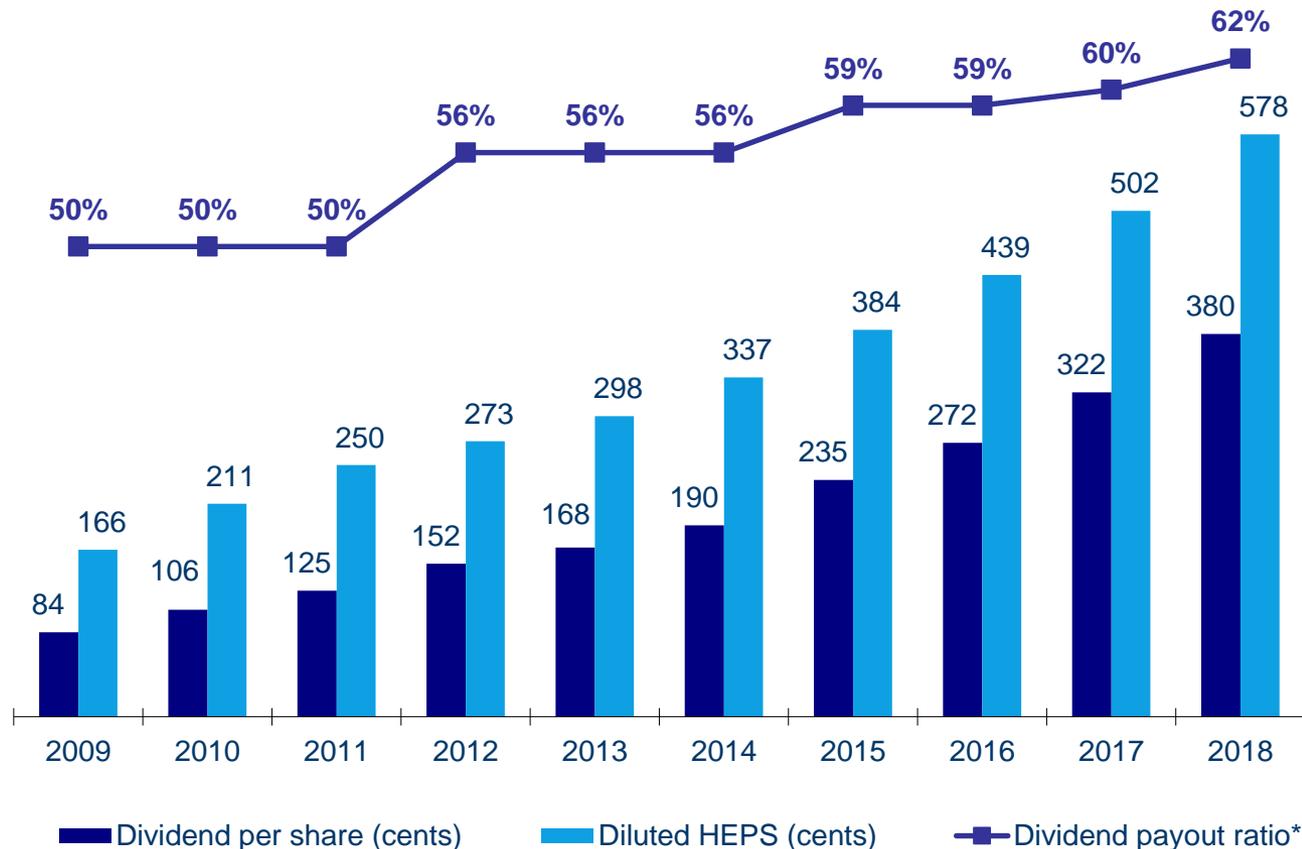
MICHAEL FLEMING



FINANCIAL HIGHLIGHTS

- Group turnover up **9.1%**
 - Health & Beauty turnover up **11.7%**
 - UPD reported turnover up **8.4%**
- Operating margin up from 6.8% to **7.0%**
- Diluted HEPS up **15.1%** to 578.0 cps
- Cash generated by operations **R2.5 billion**
- Total dividend of 380 cps, up **18.0%**
 - 62% dividend payout ratio
- Return on equity of **38.2%**

SUSTAINED FINANCIAL PERFORMANCE



10-year CAGRs

Diluted HEPS: **16.0%**

Dividend per share: **20.1%**

Total shareholder return^{**}: **32.5%**

* Based on HEPS

** Based on reinvestment of dividends paid and the closing share price

TURNOVER

R'm	2018	2017	% change	% same stores growth	% inflation
Retail	21 063	19 015	10.8	5.5	1.4
Health & Beauty			11.7		
Musica			(8.4)		
Distribution	13 376	12 334	8.4		2.9
Intragroup turnover	(5 199)	(4 540)			
Total group	29 240	26 809	9.1		1.9

- Good volume growth in health and beauty brands
- Strong H2 for UPD

TOTAL INCOME

	2018 R'm	2017 R'm	% change	2018 % margin	2017 % margin
Retail	7 079	6 357	11.4	33.6	33.4
Distribution	982	910	7.9	7.3	7.4
Intragroup	(167)	(120)			
Total group	7 894	7 147	10.5	27.0	26.7

- UPD impacted by low SEP increase (1.26% in Mar 2018 vs 7.5% in Mar 2017)
- Group benefiting from stronger retail growth

OPERATING EXPENDITURE - RETAIL

R'm	2018	2017	% change
Depreciation and amortisation	285	252	13.0
Occupancy costs	926	793	16.8
Employment costs	2 853	2 622	8.8
Other operating costs	1 311	1 204	8.9
Total retail costs	5 375	4 871	10.3
% of turnover	25.5%	25.6%	

- Comparable retail costs up **5.1%**
- Depreciation and occupancy costs driven by higher number of new stores and pharmacies

OPERATING EXPENDITURE - DISTRIBUTION

R'm	2018	2017	% change
Depreciation and amortisation	35	31	12.8
Occupancy costs	3	3	2.9
Employment costs	242	224	8.2
Other operating costs	339	323	4.8
Total distribution costs	619	581	6.5

- Investment in onboarding new distribution clients in H2

OPERATING PROFIT

	2018 R'm	2017 R'm	% change	2018 % margin	2017 % margin
Retail	1 705	1 486	14.7	8.1	7.8
Distribution	362	329	10.2	2.7	2.7
Intragroup	(25)	(1)			
Total group	2 042	1 814	12.6	7.0	6.8

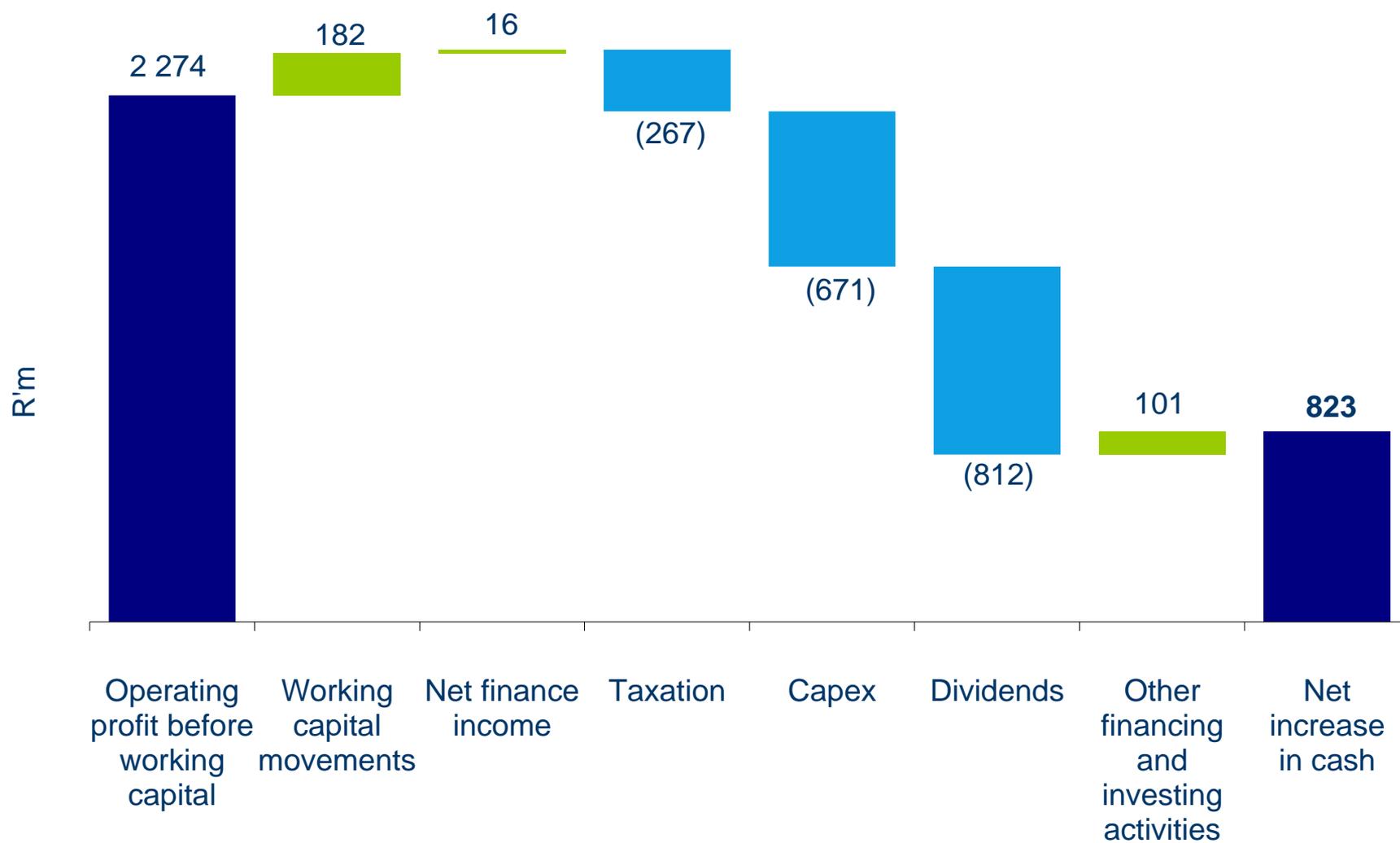
- Musica profit R19m lower
- Both divisions benefiting from increased scale

INVENTORY

	<u>Days in stock</u>		<u>Inventory (R'm)</u>		
	2018	2017	2018	2017	% change
Retail	71	69	2 927	2 531	15.6
Distribution	38	38	1 367	1 264	8.2
Intragroup inventory			(67)	(41)	
Total group	67	65	4 227	3 754	12.6

- Net working capital days improved from 37 to 36 days

CASH MANAGEMENT



CAPITAL EXPENDITURE

- R700m capex planned for FY2019
 - R371m on stores, including:
 - 25 – 30 new Clicks stores
 - 30 – 35 new pharmacies
 - 60 store refurbishments
 - R329m on infrastructure, including:
 - Clicks Centurion DC expansion (2nd phase)
 - R77m on UPD
- Capex of R650m – R700m p.a. over the next three years

MEDIUM-TERM FINANCIAL TARGETS

	Achieved in FY2018	Medium- term target
ROE (%)	38.2	50 – 60
ROA (%)	13.9	14 – 18
Net working capital days	36	33 – 38
Group operating margin (%)	7.0	6.5 – 7.5
Retail	8.1	7.5 – 8.5
Distribution	2.7	2.5 – 3.0
Dividend payout ratio (%)	62	60 – 65

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Many more offers include

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Oral-B
LISTERINE

TRADING PERFORMANCE

DAVID KNEALE



HEALTH & BEAUTY SALES PERFORMANCE

	% change	% contribution
Pharmacy	13.2	30.8
Front shop health	14.1	23.3
Beauty and personal care	7.6	30.2
General merchandise	13.1	15.7
Total turnover	11.7	100.0

- Comparable stores turnover +6.2%
 - Inflation only 1.1%
 - Volume growth of 5.1%

MARKET SHARE GAINS



%	Aug 2018	Aug 2017
Health		
Retail pharmacy*	23.3	22.1
Front shop health**	30.8	30.0
Baby**	15.1	13.7
Beauty		
Skincare**	36.1	36.0
Haircare**	28.2	26.7
General merchandise		
Small electrical appliances***	17.9	17.4

* Per IQVIA (Private Retail Pharmacy S1-6) ** Per AC Nielsen (restated) *** Per GfK (restated)

■ Maintaining value

- Price competitive with all national retailers
- Promotional sales +14.7% to 35.0% of turnover

■ Differentiating our product offer

- Private label maintained at 22% of sales (front shop 28.2%, pharmacy 5.6%)
- Over 700 new SKUs
- Sorbet cosmetics successfully launched – rolling out to a further 60 stores in FY2019

Clicks price index* vs:

Retailer A	99.8%
Retailer B	94.8%
Retailer C	97.8%
Retailer D	91.8%

* Excluding 3 for 2 promotions



REVIEW OF THE YEAR (CONTINUED)

- Engaging customers
 - 7.8m active ClubCard members, 77.2% of sales
 - Clicks app downloaded by over 250 000 customers
- Improving customer care
 - R102m invested in training
 - Pharmacy staff turnover down to 15%
- Extending convenience
 - 663 Clicks stores with 510 pharmacies
 - 71 SA stores still to get a pharmacy
 - Online sales equivalent to a medium-sized store

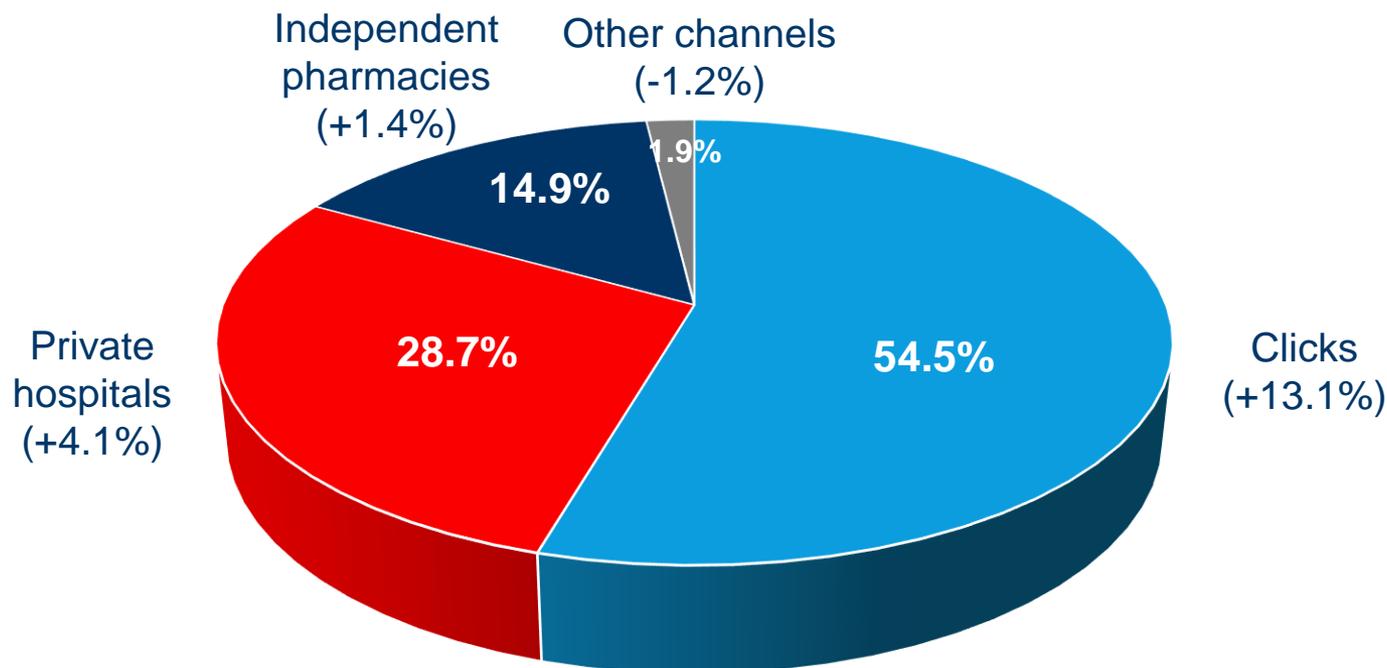


50th BIRTHDAY CELEBRATIONS





FINE WHOLESALE TURNOVER



- Wholesale turnover up 8.2%
- Wholesale market share up from 25.6% to 26.0%*

* MAT per IQVIA



- Generic medicines +13.2% (69% of volume)
- Lower incidence of colds & flu
- Business managed efficiently
 - Inventory management
 - Labour productivity
 - Transport optimisation
- Total managed turnover +8.9% to R17.9bn
 - 23 distribution clients – 1 more started in October





STRATEGY & OUTLOOK

VIKESH RAMSUNDER



STRATEGIC FOCUS

- Group strategy remains unchanged
- Retail focus will be on delivering:

Convenience	Goal of 900 Clicks stores in South Africa
Differentiation	25 - 30% share for private label and exclusive brands
Personalisation	Leveraging customer loyalty through ClubCard

- Further capacity to grow UPD
- Continued investment in supply chain, IT and people

OUTLOOK FOR FY2019

- Consumer environment will remain challenging
 - Confident of sustaining volumes
- Selling price inflation to stay low at least for H1
 - 2019 SEP increase likely to be only slightly higher than 2018
- Health & beauty markets and business model are resilient
- Strong leadership team in place
- Confident of the group's continuing ability to deliver

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