



**CLICKS GROUP**  
LIMITED

**ANNUAL GROUP RESULTS**  
for the year ended 31 August 2014

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Group turnover up  
**9.2%**

Diluted headline  
earnings per share up  
**12.9%**

Total dividend up  
**13.1%**

Return on equity up to  
**57.0%**



# FINANCIAL SUMMARY

		Year to 31 August 2014	Year to 31 August 2013	% change
<b>Consolidated statement of comprehensive income</b>				
Turnover	R'000	19 149 524	17 543 301	9.2%
Gross profit	R'000	4 123 365	3 782 531	9.0%
Total income	R'000	5 171 644	4 694 266	10.2%
Headline earnings	R'000	838 362	755 947	10.9%
Net interest charge	R'000	(40 660)	(46 369)	(12.3%)
<b>Consolidated statement of financial position</b>				
Equity	R'000	1 566 973	1 376 838	13.8%
Interest-bearing borrowings	R'000	–	344 355	(100.0%)
Total assets	R'000	6 192 257	5 444 778	13.7%
<b>Consolidated statement of cash flows</b>				
Net cash effects from operating activities	R'000	1 035 306	613 728	
Capital expenditure	R'000	336 854	309 886	8.7%
Depreciation and amortisation	R'000	229 703	210 105	9.3%
<b>Performance</b>				
Turnover growth	%	9.2	13.6	
Comparable stores turnover growth	%	6.3	5.8	
Gross profit growth	%	9.0	8.8	
Gross profit margin	%	21.5	21.6	
Total income growth	%	10.2	9.8	
Total income margin	%	27.0	26.8	
Operating margin	%	6.4	6.3	
Inventory days		64	59	
Current ratio	:1	1.0	1.0	
Return on total assets	%	14.4	14.8	
Return on shareholders' interest	%	57.0	55.5	
Shareholders' interest to total assets	%	25.3	25.3	
Interest-bearing debt to shareholders' interest at year-end	%	0.0	25.0	
Interest-bearing debt, including cash, to shareholders' interest at year-end	%	(12.5)	18.3	
<b>Statistics</b>				
Number of permanent employees		8 625	8 385	2.9%
Number of stores		632	607	4.1%
Weighted retail trading area	m <sup>2</sup>	251 730	242 070	4.0%
<b>Share statistics</b>				
Number of ordinary shares in issue (gross), excluding "A" shares	'000	246 138	268 323	(8.3%)
Number of ordinary shares in issue (net of treasury shares)	'000	242 260	246 880	(1.9%)
Weighted average number of shares in issue (net of treasury shares)	'000	245 364	250 297	(2.0%)
Weighted average diluted number of shares in issue (net of treasury shares)	'000	248 892	253 434	(1.8%)
Headline earnings per share – basic	cents	341.7	302.0	13.1%
– diluted	cents	336.8	298.3	12.9%
Dividend per share – interim	cents	53.5	48.5	10.3%
– final	cents	136.5	119.5	14.2%
Dividend cover	times	1.8	1.8	
Share price – closing	cents	6 915	5 483	26.1%
– high	cents	6 915	6 830	
– low	cents	5 381	5 269	
Net asset value per share	cents	647	558	15.9%
Net tangible asset value per share	cents	451	374	20.6%
Market capitalisation (gross)	R'000	17 020 443	14 712 150	15.7%
Market capitalisation (net of treasury shares)	R'000	16 752 279	13 536 430	23.8%
Price earnings ratio	times	20.5	18.4	
Volume of ordinary shares traded	'000	182 965	275 737	
Percentage of ordinary shares traded	%	74.6	110.2	
Free float	%	98.2	91.8	
Shareholders' return	cents	1 622	(99)	
Increase/(decrease) in share price	cents	1 432	(267)	
Dividend per share	cents	190	168	
<b>Other information</b>				
Inflation rate				
CPI	%	6.4	6.4	
Internal selling price inflation	%	3.2	2.6	
Interest rates				
Prime overdraft rate – closing	%	9.3	8.5	
– average	%	8.9	8.5	
FTSE/JSE Africa share indices				
All Share Index		50 959	42 228	20.7%
General Retailers Index		66 886	58 160	15.0%
Food and Drug Retailers Index		8 363	8 064	3.7%
Exchange rate				
Rand/US dollar – closing	R/US\$	10.65	10.34	3.0%
– average	R/US\$	10.50	9.15	14.8%



## COMMENTARY

### Overview

Clicks Group delivered a good trading performance in an environment of continued economic pressure and fragile consumer confidence. The brands have strengthened their market positions, supported by the comparative resilience of the health and beauty markets.

The group has remained highly cash-generative, invested a record R377 million in capital expenditure for future growth and returned over R700 million to shareholders in dividends and share buy-backs.

The group's sector-leading return on equity increased from 55.5% to 57.0%.

### Financial performance

Group turnover increased by 9.2% to R19.1 billion, with retail sales growing by 8.8% and UPD by 11.1%. Selling price inflation was contained to 3.2% for the period.

Total income increased by 10.2% and the total income margin expanded by 20 basis points to 27.0% through well-managed buying and promotional campaigns, and growth in private label sales in Clicks.

Operating expenses in retail were 10.1% higher due to the increased investment in stores and staff. Comparable retail cost growth was contained below sales growth at 5.0%. UPD expenses increased by 10.3%. Following the investment in wholesale automation and distribution warehouse capacity, cost growth moderated in the second half as expected and was contained at 8.4%.

Operating profit grew by 10.3% to R1.2 billion as the group operating margin increased by 10 basis points to 6.4%. Both retail and distribution businesses improved margin by 10 basis points.

Diluted headline earnings per share (HEPS) increased by 12.9% to 336.8 cents. The total dividend was increased by 13.1% to 190 cents per share, based on a dividend cover ratio of 1.8 times. Diluted HEPS has shown a compound annual growth rate of 15.2% since 2009, while dividends per share have increased at a compound rate of 17.7% over the same period.

Inventory days in stock moved from 59 to 64 days. Inventory levels were 17.5% higher at year-end as Clicks focused on increasing product availability and UPD increased stock levels ahead of the anticipated growth in its preferred supply chain partner contract.

Cash inflow from operations increased by R144 million to R1.5 billion. The group returned R714 million to shareholders through dividend payments and share buy-backs in line with the policy of returning surplus cash to shareholders.

### Trading performance

The Clicks chain increased sales by 9.3% following a stronger second half performance which saw sales grow by 10.6%. This was driven mainly by volume gains through an effective promotional strategy and price competitiveness. Clicks extended its store footprint to 464, with 339 dispensaries and 139 clinics. The Clicks ClubCard loyalty programme has grown active membership to 4.7 million.

The Body Shop posted an improved result for the second six months and increased turnover for the year by 8.5%. Musica grew sales by 1.4% and continued to gain share in all its product categories.

Turnover in UPD increased by 11.1%. UPD has grown its share of the private pharmaceutical wholesale market from 24.5% to



**4.7** million  
Clicks ClubCard  
active members

UPD market share  
increased to  
**25.2%**

25.2%. The expansion of the distribution facility in Johannesburg has increased warehouse capacity by 50%.

#### **Outlook**

The current consumer environment is not expected to change significantly in the year ahead.

The businesses will continue to focus on the effective delivery of their strategies. Clicks plans to expand its retail presence by opening 20 – 25 stores and pharmacies. UPD aims to gain further market share in pharmaceutical wholesale.

Management remains confident in the group's ability to continue to grow market share and generate cash. The board of directors have resolved to reduce the dividend cover to 1.7 times commencing with the 2015 interim dividend. Capital expenditure of R370 million has been committed for 2015, mainly for stores and pharmacies, and IT systems.

#### **Final dividend**

The board of directors have approved a final gross ordinary dividend of 136.5 cents per share (2013: 119.5 cents per share) and a 19.0 cents per ordinary "A" share (2013: 16.8 cents per share). The source of the dividend will be from distributable reserves and paid in cash.

#### **Additional information**

No Secondary Tax on Companies (STC) credits have been utilised as part of these declarations.

Dividends Tax (DT) amounting to 20.475 cents per ordinary share and 2.85 cents per ordinary "A" share will be withheld in terms of the Income Tax Act. Ordinary shareholders who are not exempt from DT will therefore receive a dividend of 116.025 cents net of DT and ordinary "A" shareholders will receive a dividend of 16.15 cents net of DT.

The company has 246 137 763 ordinary shares and 29 153 295 ordinary "A" shares in issue. Its income tax reference number is 9061/745/71/8.

Shareholders are advised of the following salient dates in respect of the final dividend:

Last day to trade "cum" the dividend	Friday, 16 January 2015
Shares trade "ex" the dividend	Monday, 19 January 2015
Record date	Friday, 23 January 2015
Payment to shareholders	Monday, 26 January 2015

Share certificates may not be dematerialised or rematerialised between Monday, 19 January 2015 and Friday, 23 January 2015, both days inclusive.

The board of directors have determined that dividend cheques amounting to R50.00 or less due to any ordinary shareholder will not be paid unless a written request to the contrary is delivered to the transfer secretaries, Computershare Investor Services Proprietary Limited, by no later than close of business on Friday, 16 January 2015, being the day the shares trade "cum" the dividend. Unpaid dividend cheques will be aggregated with other such amounts and donated to a charity to be nominated by the directors.

By order of the board

**David Janks**  
Company Secretary

23 October 2014

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Year to 31 August 2014	Year to 31 August 2013	% change
Revenue	20 203 300	18 460 571	
<b>Turnover</b>	<b>19 149 524</b>	17 543 301	9.2%
Cost of merchandise sold	(15 026 159)	(13 760 770)	9.2%
<b>Gross profit</b>	<b>4 123 365</b>	3 782 531	9.0%
Other income	1 048 279	911 735	15.0%
<b>Total income</b>	<b>5 171 644</b>	4 694 266	10.2%
Expenses	(3 953 943)	(3 590 481)	10.1%
Depreciation and amortisation	(219 871)	(200 398)	9.7%
Occupancy costs	(564 469)	(500 992)	12.7%
Employment costs	(2 033 605)	(1 790 649)	13.6%
Other costs	(1 135 998)	(1 098 442)	3.4%
<b>Operating profit</b>	<b>1 217 701</b>	1 103 785	10.3%
Profit/(loss) on disposal of property, plant and equipment	29 687	(7 854)	
<b>Profit before financing costs</b>	<b>1 247 388</b>	1 095 931	13.8%
Net financing costs	(40 660)	(46 369)	(12.3%)
Financial income	5 497	5 535	(0.7%)
Financial expense	(46 157)	(51 904)	(11.1%)
<b>Profit before taxation</b>	<b>1 206 728</b>	1 049 562	15.0%
Income tax expense	(341 883)	(298 873)	14.4%
<b>Profit for the year</b>	<b>864 845</b>	750 689	15.2%
<b>Other comprehensive (loss)/income:</b>			
Items that will not be subsequently reclassified to profit or loss	–	879	
Remeasurement of post-employment benefit obligations	–	1 221	
Deferred tax on remeasurement	–	(342)	
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign subsidiaries	(236)	2 009	
Cash flow hedges	(11 584)	9 952	
Change in fair value of effective portion	(16 087)	13 822	
Deferred tax on movement of effective portion	4 503	(3 870)	
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(11 820)</b>	12 840	
<b>Total comprehensive income for the year</b>	<b>853 025</b>	763 529	
<b>Profit attributable to:</b>			
Equity holders of the parent	864 612	750 292	
Non-controlling interest	233	397	
	<b>864 845</b>	750 689	
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent	852 792	763 132	
Non-controlling interest	233	397	
	<b>853 025</b>	763 529	
<b>Reconciliation of headline earnings</b>			
Total profit for the year attributable to equity holders of the parent	864 612	750 292	
Adjusted for:			
(Profit)/loss on disposal of property, plant and equipment	(26 250)	5 655	
<b>Headline earnings</b>	<b>838 362</b>	755 947	10.9%
Headline earnings per share (cents)			
– basic	341.7	302.0	13.1%
– diluted	336.8	298.3	12.9%
Earnings per share (cents)			
– basic	352.4	299.8	17.5%
– diluted	347.4	296.1	17.3%
Weighted average number of shares in issue (net of treasury shares, '000)	245 364	250 297	(2.0%)
Weighted average diluted number of shares in issue (net of treasury shares, '000)	248 892	253 434	(1.8%)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 31 August 2014	As at 31 August 2013
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1 771 636</b>	1 601 461
Property, plant and equipment	1 135 007	1 058 967
Intangible assets	371 623	349 018
Goodwill	103 510	103 510
Deferred tax assets	126 335	59 098
Loans receivable	12 540	12 105
Financial assets at fair value through profit or loss	22 621	18 763
<b>Current assets</b>	<b>4 420 621</b>	3 843 317
Inventories	2 614 196	2 225 372
Trade and other receivables	1 607 659	1 507 766
Cash and cash equivalents	195 631	92 166
Derivative financial assets	3 135	18 013
<b>Total assets</b>	<b>6 192 257</b>	5 444 778
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>1 566 973</b>	1 376 838
Share capital	2 754	2 976
Share premium	3 497	3 497
Share option reserve	135 091	79 549
Cash flow hedge reserve	1 958	13 542
Treasury shares	(237 863)	(954 553)
Non-distributable reserves	1 554	1 790
Distributable reserve	1 659 982	2 229 232
Equity attributable to equity holders of the parent	1 566 973	1 376 033
Non-controlling interest	–	805
<b>Non-current liabilities</b>	<b>286 465</b>	252 305
Employee benefits	115 336	91 489
Deferred tax liabilities	2 782	9 208
Operating lease liability	168 347	151 608
<b>Current liabilities</b>	<b>4 338 819</b>	3 815 635
Trade and other payables	4 041 261	3 255 567
Employee benefits	190 494	148 402
Provisions	9 882	6 596
Interest-bearing borrowings	–	344 355
Income tax payable	94 342	58 605
Derivative financial liabilities	2 840	2 110
<b>Total equity and liabilities</b>	<b>6 192 257</b>	5 444 778

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Number of shares '000	Share capital	Share premium
<b>Balance at 1 September 2012</b>	253 042	3 054	3 497
<b>Transactions with owners, recorded directly in equity</b>			
Dividends paid to shareholders	-	-	-
Withholding tax on dividend	-	-	-
Share-based payment reserve movement	-	-	-
Treasury shares cancelled and related costs	-	(78)	-
Net cost of own shares purchased	(6 162)	-	-
Treasury shares purchased	(6 187)	-	-
Disposal of treasury shares	25	-	-
<b>Total transactions with owners</b>	(6 162)	(78)	-
<b>Total comprehensive income for the year</b>	-	-	-
Profit for the year	-	-	-
Remeasurement of post-employment benefit obligations*	-	-	-
Cash flow hedge reserve	-	-	-
Exchange differences on translation of foreign subsidiaries	-	-	-
<b>Balance at 31 August 2013</b>	<b>246 880</b>	<b>2 976</b>	<b>3 497</b>
<b>Transactions with owners, recorded directly in equity</b>			
Dividends paid to shareholders	-	-	-
Acquisition of non-controlling interest	-	-	-
Share-based payment reserve movement	-	-	-
Treasury shares cancelled and related costs	-	(222)	-
Net cost of own shares purchased	(4 620)	-	-
<b>Total transactions with owners</b>	<b>(4 620)</b>	<b>(222)</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	-	-	-
Profit for the year	-	-	-
Cash flow hedge reserve	-	-	-
Exchange differences on translation of foreign subsidiaries	-	-	-
<b>Balance at 31 August 2014</b>	<b>242 260</b>	<b>2 754</b>	<b>3 497</b>

\* As a result of implementation of IAS 19 (Revised) – Employee Benefits.



Share option reserve	Treasury shares	Non-distributable reserve	Cash flow hedge reserve	Distributable reserve	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
55 905	(927 963)	(219)	3 590	2 210 632	1 348 496	408	1 348 904
-	-	-	-	(394 005)	(394 005)	-	(394 005)
-	-	-	-	(11 234)	(11 234)	-	(11 234)
23 644	-	-	-	-	23 644	-	23 644
-	327 318	-	-	(327 240)	-	-	-
-	(353 908)	-	-	(92)	(354 000)	-	(354 000)
-	(354 158)	-	-	-	(354 158)	-	(354 158)
-	250	-	-	(92)	158	-	158
23 644	(26 590)	-	-	(732 571)	(735 595)	-	(735 595)
-	-	2 009	9 952	751 171	763 132	397	763 529
-	-	-	-	750 292	750 292	397	750 689
-	-	-	-	879	879	-	879
-	-	-	9 952	-	9 952	-	9 952
-	-	2 009	-	-	2 009	-	2 009
<b>79 549</b>	<b>(954 553)</b>	<b>1 790</b>	<b>13 542</b>	<b>2 229 232</b>	<b>1 376 033</b>	<b>805</b>	<b>1 376 838</b>
-	-	-	-	(429 277)	(429 277)	-	(429 277)
-	-	-	-	273	273	(1 038)	(765)
55 542	-	-	-	-	55 542	-	55 542
-	1 001 836	-	-	(1 004 858)	(3 244)	-	(3 244)
-	(285 146)	-	-	-	(285 146)	-	(285 146)
55 542	716 690	-	-	(1 433 862)	(661 852)	(1 038)	(662 890)
-	-	(236)	(11 584)	864 612	852 792	233	853 025
-	-	-	-	864 612	864 612	233	864 845
-	-	-	(11 584)	-	(11 584)	-	(11 584)
-	-	(236)	-	-	(236)	-	(236)
<b>135 091</b>	<b>(237 863)</b>	<b>1 554</b>	<b>1 958</b>	<b>1 659 982</b>	<b>1 566 973</b>	<b>-</b>	<b>1 566 973</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Year to 31 August 2014	Year to 31 August 2013
<b>Cash effects from operating activities</b>		
Operating profit before working capital changes (refer note 1)	1 490 840	1 346 850
Working capital changes (refer note 2)	354 925	25 824
Cash generated by operations	1 845 765	1 372 674
Interest received	5 497	5 124
Interest paid	(36 475)	(41 418)
Taxation paid	(350 204)	(328 647)
Cash inflow from operating activities before dividends	1 464 583	1 007 733
Dividends paid to shareholders	(429 277)	(394 005)
Net cash effects from operating activities	1 035 306	613 728
<b>Cash effects from investing activities</b>		
Investment in property, plant and equipment and intangibles to maintain operations	(81 354)	(103 400)
Investment in property, plant and equipment and intangibles to expand operations	(255 500)	(206 486)
Proceeds from disposal of property, plant and equipment	38 193	885
(Increase)/decrease in loan receivables	(435)	4 510
Net cash effects from investing activities	(299 096)	(304 491)
<b>Cash effects from financing activities</b>		
Purchase of treasury shares	(285 146)	(354 158)
Share cancellation expenses	(3 244)	–
Proceeds from disposal of treasury shares	–	158
Interest-bearing borrowings (repaid)/raised	(344 355)	129 789
Net cash effects from financing activities	(632 745)	(224 211)
Net increase in cash and cash equivalents	103 465	85 026
Cash and cash equivalents at the beginning of the year	92 166	7 140
<b>Cash and cash equivalents at the end of the year</b>	<b>195 631</b>	<b>92 166</b>

## STORE FOOTPRINT

	Clicks	Musica	The Body Shop	GNC	Total retail
Number of stores at 31 August 2014	464	118	48	2	632
as at 31 August 2013	442	120	45	–	607
opened	27	3	3	2	35
closed	(5)	(5)	–	–	(10)
Number of pharmacies at 31 August 2014	339				339
as at 31 August 2013	331				331
new/converted	18				18
closed	(10)				(10)

## NOTES TO THE CASH FLOW STATEMENT

R'000	Year to 31 August 2014	Year to 31 August 2013
<b>Cash flow information</b>		
<b>1 Profit before working capital changes</b>		
Profit before tax	1 206 728	1 049 562
Adjustment for:		
Depreciation and amortisation	229 703	210 105
Operating lease accrual	16 739	10 551
(Profit)/loss on disposal of property, plant and equipment	(29 687)	7 854
Equity-settled share option costs	30 555	26 376
Net financing cost	40 660	46 369
Increase in financial assets at fair value through profit or loss	(3 858)	(3 967)
	<b>1 490 840</b>	<b>1 346 850</b>
<b>2 Working capital changes</b>		
Increase in inventories	(388 824)	(144 997)
Increase in trade and other receivables	(100 006)	(335 603)
Increase in trade and other payables	784 212	492 336
Increase in employee benefits	56 257	16 320
Increase/(decrease) in provisions	3 286	(2 232)
	<b>354 925</b>	<b>25 824</b>

## ANALYSIS OF SHAREHOLDERS

Fund managers managing 3% or more of the issued share capital:

Major fund managers	Percentage of shares		Geographic distribution of shareholders	Percentage of shares	
	Aug 2014	Aug 2013		Aug 2014	Aug 2013
Coronation Fund Managers (SA)	19.1%	7.7%			
Public Investment Corporation (SA)	13.4%	11.9%	South Africa and Africa	40.7%	35.9%
Fidelity Management & Research (US)/International (UK)	9.1%	6.1%	Offshore holdings	59.3%	64.1%
Aberdeen Asset Management (UK)	6.6%	7.0%	USA and Canada	38.3%	31.8%
GIC (Singapore)	4.1%	4.2%	Europe	9.1%	10.2%
Mondrian Investment Partners (UK)	3.9%	2.9%	Other countries	6.2%	9.0%
<i>Fund managers no longer managing over 3%:</i>			United Kingdom, Ireland and Channel Islands	5.7%	13.1%
Baillie Gifford & Co (UK)	2.7%	10.4%			
JP Morgan Asset Management (US, UK and Asia)	2.2%	5.3%			

## SEGMENTAL ANALYSIS

For the year to 31 August 2014  
R'000

		Retail	
		31 Aug 2014	31 Aug 2013
<b>Statement of financial position</b>			
Property, plant and equipment		916 616	862 958
Intangible assets		359 985	337 008
Goodwill		6 529	6 529
Inventories		1 799 242	1 613 406
Trade and other receivables		228 074	249 379
Cash and cash equivalents		172 117	120 597
Other assets		565 371	502 051
<b>Total assets</b>		<b>4 047 934</b>	<b>3 691 928</b>
Employee benefits – non-current		106 929	86 638
Operating lease liability		168 347	151 608
Trade and other payables		2 177 223	1 714 827
Employee benefits – current		171 598	128 664
Other liabilities		671 355	846 325
<b>Total liabilities</b>		<b>3 295 452</b>	<b>2 928 062</b>
<b>Net assets</b>		<b>752 482</b>	<b>763 866</b>
<b>Statement of comprehensive income</b>			
Turnover		13 369 083	12 292 106
Gross profit		3 961 682	3 623 003
Other income		551 302	472 714
Total income		4 512 984	4 095 717
Expenses		(3 512 865)	(3 189 186)
Operating profit		1 000 119	906 531
<b>Ratios</b>			
Increase in turnover	(%)	8.8	7.9
Selling price inflation	(%)	3.4	3.1
Comparable stores turnover growth	(%)	6.3	5.8
Gross profit margin	(%)	29.6	29.5
Total income margin	(%)	33.8	33.3
Operating expenses as a percentage of turnover	(%)	26.3	25.9
Increase in operating expenses	(%)	10.1	9.6
Increase in operating profit	(%)	10.3	6.3
Operating profit margin	(%)	7.5	7.4
Inventory days		70	68
Trade debtor days		7	9
Trade creditor days		51	51
Number of stores		632	607
as at 31 August 2013/2012		607	595
opened		35	30
closed		(10)	(18)
Number of pharmacies		339	331
as at 31 August 2013/2012		331	306
new/converted		18	26
closed		(10)	(1)
Total leased area		327 582	313 193
Weighted retail trading area	(m <sup>2</sup> )	251 730	242 070
Weighted annual sales per m <sup>2</sup>	(m <sup>2</sup> )	53 038	50 760
Number of permanent employees	(R)	8 089	7 868

Distribution		Intragroup elimination		Total operations	
31 Aug 2014	31 Aug 2013	31 Aug 2014	31 Aug 2013	31 Aug 2014	31 Aug 2013
218 391	196 009	-	-	1 135 007	1 058 967
11 638	12 010	-	-	371 623	349 018
96 981	96 981	-	-	103 510	103 510
825 163	618 797	(10 209)	(6 831)	2 614 196	2 225 372
1 752 422	1 587 825	(372 837)	(329 438)	1 607 659	1 507 766
23 514	44 214	-	(72 645)	195 631	92 166
564 138	358 942	(964 878)	(753 014)	164 631	107 979
3 492 247	2 914 778	(1 347 924)	(1 161 928)	6 192 257	5 444 778
8 407	4 851	-	-	115 336	91 489
-	-	-	-	168 347	151 608
2 236 853	1 872 366	(372 815)	(331 626)	4 041 261	3 255 567
18 896	19 738	-	-	190 494	148 402
403 391	398 020	(964 900)	(823 471)	109 846	420 874
2 667 547	2 294 975	(1 337 715)	(1 155 097)	4 625 284	4 067 940
824 700	619 803	(10 209)	(6 831)	1 566 973	1 376 838
8 563 104	7 710 270	(2 782 663)	(2 459 075)	19 149 524	17 543 301
165 061	157 221	(3 378)	2 307	4 123 365	3 782 531
563 582	497 921	(66 605)	(58 900)	1 048 279	911 735
728 643	655 142	(69 983)	(56 593)	5 171 644	4 694 266
(507 683)	(460 195)	66 605	58 900	(3 953 943)	(3 590 481)
220 960	194 947	(3 378)	2 307	1 217 701	1 103 785
11.1	22.8	13.2	10.0	9.2	13.6
3.0	1.8	-	-	3.2	2.6
-	-	-	-	6.3	5.8
1.9	2.0	-	-	21.5	21.6
8.5	8.5	-	-	27.0	26.8
5.9	6.0	-	-	20.6	20.5
10.3	14.3	-	-	10.1	10.1
13.3	24.2	-	-	10.3	9.1
2.6	2.5	-	-	6.4	6.3
36	30	-	-	64	59
60	62	-	-	44	48
79	72	-	-	68	64
-	-	-	-	632	607
-	-	-	-	607	595
-	-	-	-	35	30
-	-	-	-	(10)	(18)
-	-	-	-	339	331
-	-	-	-	331	306
-	-	-	-	18	26
-	-	-	-	(10)	(1)
-	-	-	-	327 582	313 193
-	-	-	-	251 730	242 070
-	-	-	-	53 038	50 760
536	517	-	-	8 625	8 385

## DEFINITIONS

### **Capital expenditure**

#### **Maintenance capital expenditure**

Capital expenditure incurred in replacing existing capital or capital expenditure with a return below the group's required return.

#### **Growth capital expenditure**

Capital expenditure that is not maintenance capital expenditure.

### **Cash flow**

#### **Financing activities**

Activities that result in changes to the capital and funding structure of the group.

#### **Investing activities**

Activities relating to the acquisition, holding and disposal of capital assets and long-term investments.

#### **Operating activities**

Activities that are not financing or investing activities that arise from the operations conducted by the group.

#### **Comparable stores turnover growth**

Turnover growth expressed as a percentage of growth for stores that have been operating for the full period during the current and previous financial years.

#### **Current ratio**

Current assets at year-end divided by current liabilities at year-end.

#### **Dividend cover**

Undiluted headline earnings per share for the year divided by the ordinary dividend per share for the year.

#### **Dividend per share**

Dividend per share is the actual interim cash dividend paid and the final cash dividend declared, expressed as cents per share.

#### **Earnings per share**

##### **Earnings per share**

Profit for the year divided by the weighted average number of shares in issue for the year.

##### **Diluted earnings per share**

Profit for the year divided by the weighted average diluted number of shares in issue for the year.

##### **Headline earnings per share**

Headline earnings divided by the weighted average number of shares in issue for the year.

##### **Diluted headline earnings per share**

Headline earnings divided by the weighted average diluted

number of shares in issue for the year.

#### **Effective tax rate**

The tax charge in the income statement as a percentage of profit before tax.

#### **Free float**

The number of ordinary shares that are freely tradable on the JSE Limited, excluding treasury shares and shares held by directors and employee share schemes.

#### **Gross profit margin**

Gross profit expressed as a percentage of turnover.

#### **Headline earnings**

Profit for the year adjusted for the after-tax effect of goodwill impairment and certain other capital items.

#### **IFRS**

International Financial Reporting Standards, as adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

Clicks Group's consolidated financial statements are prepared in accordance with IFRS.

#### **Interest-bearing debt, including cash, to shareholders' interest at year-end**

Interest-bearing debt (including bank overdraft), net of cash balances, at the end of the year divided by shareholders' interest at the end of the year.

#### **Inventory days**

Closing inventory at year-end divided by the cost of merchandise sold during the year, multiplied by 365 days.

#### **Issued shares**

Ordinary shares and unlisted "A" shares having a par value of one cent each in the authorised share capital of Clicks Group Limited.

#### **Market capitalisation**

The closing market price per share at year-end multiplied by the number of ordinary shares in issue at year-end.

#### **Net asset value per share**

Net assets at year-end divided by the number of ordinary shares in issue at year-end (net of treasury shares).

#### **Net tangible asset value per share**

Net assets at year-end, less intangible assets (such as

goodwill and trademarks), divided by the number of ordinary shares in issue at year-end (net of treasury shares).

#### **Operating profit**

Operating profit before financing costs, as reported in the group consolidated statement of comprehensive income, adjusted to exclude goodwill impairment, impairment of property, plant and equipment, profit on disposal of businesses and profit/loss on disposal of property, plant and equipment.

#### **Operating profit margin**

Operating profit expressed as a percentage of turnover.

#### **Percentage of ordinary shares traded**

The number of ordinary shares traded on the JSE Limited during the year as a percentage of the weighted average number of ordinary shares in issue (net of treasury shares).

#### **Price earnings ratio**

The closing market price per share at year-end divided by diluted headline earnings per share for the year.

#### **Return on shareholders' interest (ROE)**

Headline earnings expressed as a percentage of the average shareholders' interest for the year.

#### **Return on total assets (ROA)**

Headline earnings expressed as a percentage of the average total assets for the year.

#### **Return on net assets (RONA)**

Operating profit as defined for RONA divided by average net assets for the year as defined for RONA.

Operating profit as defined for RONA is the reported operating profit for the group inclusive of capital gains and losses relating to continuing operations of the business and excluding the employee short-term bonus.

Net assets as defined for RONA are the average assets less liabilities for the year excluding taxation and financial-related assets and liabilities (cash, overdrafts, loans receivable, interest-bearing borrowings, deferred tax and taxation payable).

### **Segmental reporting**

The group has two reportable segments, being the retail division and the distribution division.

### **Selling price inflation**

The change in the weighted average selling price of a sample of products for the year relative to the previous year expressed as a percentage of the weighted average selling price of the same sample of products for the previous year. Only products sold in both the current and previous years are included in the sample.

### **Shareholders' interest**

Share capital and share premium (reduced by the cost of treasury shares) and other reserves comprising equity.

### **Shareholders' interest to total assets**

The shareholders' interest divided by the total assets at the year-end.

### **Total income**

Gross profit plus other income.

### **Total income margin**

Total income expressed as a percentage of turnover.

### **Trade creditor days**

Closing trade creditors at year-end (adjusted to exclude VAT) divided by the cost of merchandise sold during the year, multiplied by 365 days.

### **Trade debtor days**

Closing trade debtors at year-end (adjusted to exclude VAT) divided by sales for the year, multiplied by 365 days.

### **Treasury shares**

Issued shares in Clicks Group Limited held by a group company in terms of an approved share repurchase programme, the New Clicks Holdings Share Trust and the Clicks Group Employee Share Ownership Trust.

### **Weighted average number of shares**

The number of ordinary shares in issue, increased by shares issued during the year and reduced by treasury shares purchased or shares cancelled during the year, weighted on a time basis for the period during which they have participated in the income of the group.

### **Weighted average diluted number of shares**

The weighted average number of ordinary shares adjusted for the effects of all dilutive potential shares.



## PRESENTATION OUTLINE

- Review of the year
- Financial results
- Trading performance
- Outlook
- Questions





### REVIEW OF THE YEAR

- Good trading performance
  - Brands demonstrating competitive advantage
  - Strengthening market position
- Supported by resilience of the health and beauty markets
- Strong cash generation
- Record investment for growth
- R714m returned to shareholders
- Diluted headline earnings per share up 12.9%





## FINANCIAL RESULTS

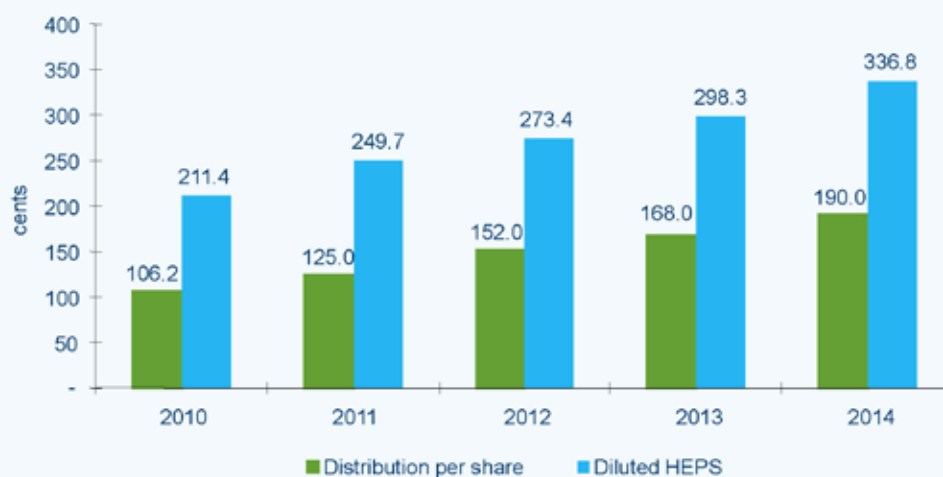
MICHAEL FLEMING

### FINANCIAL HIGHLIGHTS

- Group turnover up **9.2%**
  - Retail turnover up **8.8%**
  - Distribution turnover up **11.1%**
  - Selling price inflation contained at **3.2%**
- Operating margin up from 6.3% to **6.4%**
- Diluted HEPS up **12.9%** to 336.8 cps
- Cash generated by operations **R1.5 billion**
- Total dividend of 190 cps, up **13.1%**
- Return on equity up from 55.5% to **57.0%**

CLICKS GROUP ANNUAL RESULTS 2014 6

## SUSTAINED FINANCIAL PERFORMANCE



- 5-year CAGR in diluted HEPS of **15.2%** and DPS of **17.7%**

CLICKS GROUP ANNUAL RESULTS 2014 7

## TURNOVER

R' m	2014	2013	% change	% same store growth	% inflation
Clicks	12 346	11 293	9.3	6.5	3.1
Musica	874	862	1.4	3.8	6.0
The Body Shop	149	137	8.5	6.0	7.6
<b>Total retail</b>	<b>13 369</b>	<b>12 292</b>	<b>8.8</b>	<b>6.3</b>	<b>3.4</b>
UPD	8 563	7 710	11.1		3.0
Intragroup turnover	(2 783)	(2 459)	13.2		
<b>Total group</b>	<b>19 149</b>	<b>17 543</b>	<b>9.2</b>		<b>3.2</b>

- Continued volume growth in Clicks
- UPD benefited from growth in preferred supplier contracts

CLICKS GROUP ANNUAL RESULTS 2014 8

## TOTAL INCOME

	2014 R' m	2013 R' m	% change	2014 % margin	2013 % margin
Retail	4 513	4 096	10.2	33.8	33.3
Distribution	729	655	11.2	8.5	8.5
Intragroup	(70)	(57)			
<b>Total group</b>	<b>5 172</b>	<b>4 694</b>	<b>10.2</b>	<b>27.0</b>	<b>26.8</b>

- Well managed buying and promotional activity in Clicks
- Growth in private label
- Impact of business mix in UPD offset by SEP trading gain

CLICKS GROUP ANNUAL RESULTS 2014 9

## OPERATING EXPENDITURE - RETAIL

R' m	2014	2013	% change
Depreciation and amortisation	195	181	7.4
Occupancy costs	560	495	13.1
Employment costs	1 828	1 606	13.9
Other operating costs	930	907	2.5
<b>Total retail costs</b>	<b>3 513</b>	<b>3 189</b>	<b>10.1</b>

- Continuing investment in stores and staff
- Pharmacy professional costs up 11.6%
- Comparable retail costs up 5.0%

CLICKS GROUP ANNUAL RESULTS 2014 10

## OPERATING EXPENDITURE - DISTRIBUTION

R' m	2014	2013	% change
Depreciation and amortisation	25	19	31.4
Occupancy costs	6	7	(19.7)
Employment costs	205	185	11.1
Other operating costs	272	249	9.0
<b>Total distribution costs</b>	<b>508</b>	<b>460</b>	<b>10.3</b>

- Investment in wholesale automation and distribution capacity
- H2 costs up 8.4% (H1: 12.6%)

CLICKS GROUP ANNUAL RESULTS 2014 11

## OPERATING PROFIT

	2014 R' m	2013 R' m	% change	2014 % margin	2013 % margin
Retail	1 000	907	10.3	7.5	7.4
Distribution	221	195	13.3	2.6	2.5
Intragroup	(3)	2			
<b>Total group</b>	<b>1 218</b>	<b>1 104</b>	<b>10.3</b>	<b>6.4</b>	<b>6.3</b>

CLICKS GROUP ANNUAL RESULTS 2014 12

## INVENTORY

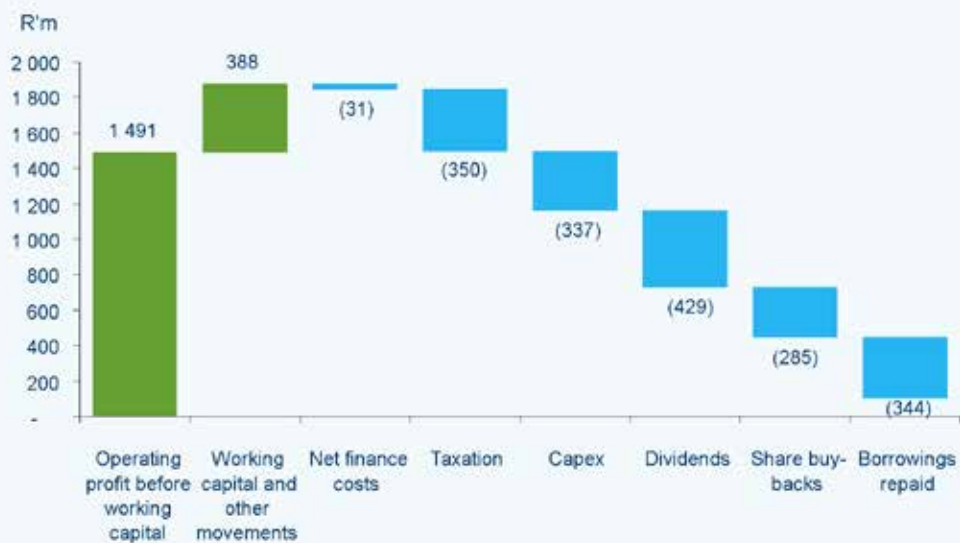
	<u>Days in stock*</u>		<u>Inventory (R' m)</u>		
	2014	2013	2014	2013	% change
Retail	70	68	1 799	1 613	11.5
Distribution	36	30	825	619	33.3
Intragroup inventory			(10)	(7)	
<b>Total group</b>	<b>64</b>	<b>59</b>	<b>2 614</b>	<b>2 225</b>	<b>17.5</b>

- Primary focus in retail has been on availability
- UPD stock impacted by growth in preferred supply contract

\* At cost price

CLICKS GROUP ANNUAL RESULTS 2014 13

## CASH MANAGEMENT



CLICKS GROUP ANNUAL RESULTS 2014 14

## CAPITAL MANAGEMENT

- Group will remain cash generative
- Investing in the business – R370m capex planned in FY2015
  - R215m stores
  - R85m IT systems
  - R29m UPD
  - R41m other
- Return balance of cash to shareholders
  - Continued share buy-backs
  - Dividend cover lowered to 1.7 times from FY2015

CLICKS GROUP ANNUAL RESULTS 2014 15

## MEDIUM-TERM FINANCIAL TARGETS

	2014 – 2016 target	Achieved in 2014	2015 – 2017 target
ROE (%)	50 – 60	57.0	50 – 60
ROA (%)	14 – 18	14.4	14 – 18
Inventory days	55 – 60	64	55 – 60
Group operating margin (%)	6.0 – 7.0	6.4	6.0 – 7.0
Retail	7.0 – 8.0	7.5	7.0 – 8.0
Distribution	2.2 – 2.7	2.6	2.0 – 2.5*

\* Excluding any SEP trading gains

CLICKS GROUP ANNUAL RESULTS 2014 16



## TRADING PERFORMANCE


DAVID KNEALE

## SALES PERFORMANCE


	% change	% contribution
Pharmacy	12.9	26.8
Front shop health	12.8	22.5
Beauty and personal care	8.5	32.1
General merchandise	2.2	18.6
<b>Total turnover</b>	<b>9.3</b>	<b>100.0</b>

- Strong second half performance, driven by volume gains achieved through:
  - Fewer, bigger, better promotions
  - Increased price competitiveness

## PHARMACY



- Continued switch to generics +18.9%
  - 42.6% of sales
- Self-medication trend continues
  - OTC medicines +17.3%
- Total volume growth +10.3%
- Entrenching medical aid partnerships
- Pharmacy staff turnover down from 28% to 24%
- Market share




%	2014	2013
Retail pharmacy*	18.3	17.6


\* Per IMS

CLICKS GROUP ANNUAL RESULTS 2014 19

## FRONT SHOP HEALTH



- Good growth in front shop medicines and chemist goods +12.1%
  - Benefiting from more space and wider ranges
- Tougher market for vitamins and supplements +7.8%
  - Better H2 performance
- Strong growth in baby +20.1%
- Market share



%	2014	2013
Front shop health**	29.2	29.2
Baby**	9.7	8.8

\*\* Per AC Nielsen (repeated)

CLICKS GROUP ANNUAL RESULTS 2014 20



## BEAUTY AND PERSONAL CARE



- Highly competitive markets
- Cosmetics and fragrance have performed well
  - Colour cosmetics +8.7% (+12.2% in H2)
  - Fragrance +7.2% (+16.9% in H2)
- Skin and hair impacted by lack of innovation
  - Reasonable growth in skincare +8.8%
  - Slower growth in haircare +4.1% - volume share up
- Market share



%	2014	2013
Skincare**	26.0	26.5
Haircare**	25.1	25.2

\*\* Per AC Nielsen (restated)

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## GENERAL MERCHANDISE



- Long-term non-core categories -9.5%
- Core categories performed well
  - Confectionery +5.2% – up 8.5% in H2
  - Kitchen +13.0%
  - Electrical +8.1% – volume growth of 12.8%
- Market share



%	2014	2013
Small household appliances***	18.6	18.1

\*\*\* Per GfK (restated)

CLICKS GROUP ANNUAL RESULTS 2014 22

## STORES AND CUSTOMERS



- Continuing to extend the store footprint
  - Opened net 22 stores, 8 pharmacies and 17 clinics
  - 339 dispensaries and 139 clinics in 464 stores
- Private label increased to 19.0% from 18.5% of sales
  - Front shop at 24.7%
- ClubCard membership now 4.7m
  - 75.7% of sales
- Rated 1st in health and beauty\*

\* Per TNS Brand Tracker



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**GNC**  
LIVE WELL



**M**  
**MUSICA**  
A WORLD AWAITS



## PERFORMANCE

**GNC**  
LIVE WELL

- Largest global specialty health and wellness retailer
- Vitamins, supplements, sports nutrition and slimming products
- Launched in South Africa in February 2014
- Products in 64 Clicks stores and 2 standalone stores at August
- Still in the investment phase
  - Marketing and expanding product range
  - Extending footprint in Clicks and standalone stores



CLICKS GROUP ANNUAL RESULTS 2014 25

## PERFORMANCE


THE BODY SHOP.

- Customer resistance to higher pricing
- Better H2 performance
- Remains a strong gifting brand with a loyal customer base
  - Gifting sales +20.4%
  - 157 000 "Love Your Body" members
- Continuing to expand footprint
  - Capsules in 68 Clicks stores and 11 store-in-store concepts
  - 48 standalone stores - 3 new stores in FY2014 and 3 new stores in FY2015




CLICKS GROUP ANNUAL RESULTS 2014 26

PERFORMANCE



	% change	% contribution	Market share*	
			2014	2013
CDs	(7.2)	40.7	<b>50.9%</b>	46.1%
DVDs	4.5	28.1	<b>34.6%</b>	29.4%
Gaming	9.8	15.7	<b>10.4%</b>	9.2%
Technology	12.9	15.5		

- **Market share growth continues in all categories**
  - Benefiting from improved availability and closure of competitors
- **Continued good growth in technology**
- **Opened 3 stores and closed 5 in FY2014**
  - 4 new stores and 5 closures planned in FY2015



\* Per Aquidneck/GfK (restated)

CLICKS GROUP ANNUAL RESULTS 2014 27



## TURNOVER



	% change	% contribution
Clicks	12.8	32.3
Hospitals	10.6	25.6
Independent pharmacy	(0.6)	16.0
Other channels	17.7	26.1
Total turnover	11.1	100.0

- Volume growth of 9.0%
- Generics +19.6%

CLICKS GROUP ANNUAL RESULTS 2014 29

## PERFORMANCE



- Total turnover managed up 10.2% to R12.5 billion
- Wholesale market share increased from 24.5% to 25.2%\*
- Continued margin pressure from growth in generics
  - Generics now 41.6% of turnover
- Completed automation of wholesale DC at Lea Glen
- Bulk distribution capacity expanded by 50%
  - Expect good growth in preferred supplier contract

\* MAT per IMS (restated)

CLICKS GROUP ANNUAL RESULTS 2014 30



### OUTLOOK

- Businesses focused on delivery of their strategies
- Clicks
  - Expand store footprint – 20-25 new stores and pharmacies per year
  - Entrench leadership position in pharmacy
  - Deepen customer loyalty through ClubCard and private label
  - Maintain strong value proposition through price and promotion
- UPD
  - Grow share in wholesale
  - Compete for new distribution contracts
  - Continue to seek operational efficiencies

## OUTLOOK

- Consumer environment unchanged
- Expect Christmas trading to be tough
- Confident of group's ability to
  - Grow market share
  - Generate cash



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THANK YOU

**DISCLAIMER**

Clicks Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this presentation, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.

Forward-looking statements are not statements of fact, but statements by the management of Clicks Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this presentation include, but are not limited to: changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic business and market conditions; changes in the domestic regulatory and legislative environments; changes to domestic operational, social, economic and political risks; and the effects of both current and future litigation.

Clicks Group does not undertake to update any forward-looking statements contained in this presentation and does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.

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## CONTACT DETAILS

**Registered address:** Cnr Searle and Pontac Streets, Cape Town 8001. PO Box 5142, Cape Town 8000

**Directors:** DM Nurek\* (Chairman), F Abrahams\*, JA Bester\*, BD Engelbrecht, M Fleming (Chief Financial Officer), F Jakoet\*, DA Kneale# (Chief Executive Officer), NS Matlala\*, M Rosen\*, KDM Warburton^

\* Independent non-executive # British ^ Appointed 18 February 2014

**Company secretary:** DW Janks

**Transfer secretaries:** Computershare Investor Services Proprietary Limited  
70 Marshall Street, Johannesburg 2001. PO Box 61051, Marshalltown 2107

**Sponsor:** Investec Bank Limited

**Registration number:** 1996/000645/06      **Income tax number:** 9061/745/71/8

**Share code:** CLS      **ISIN:** ZAE000134854      **CUSIP:** 18682W205

### Tier 1 Investor Relations:

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