



CLICKS

CLICKS GROUP

LIMITED

ANNUAL RESULTS FOR THE
YEAR ENDED 31 AUGUST 2014

PRESENTATION OUTLINE

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





REVIEW OF THE YEAR

DAVID KNEALE

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%



Sorbet
get that feeling

AFRICA'S N°1
SALON BRAND

Sorbet
get that feeling
SPO
INDULG
CRÈM
BATH

Sorbet
get that feeling
SPO
PURE
FOAM
BATH

R39

Sorbet
get that feeling
FIRMING
BODY
WASH
AGE-CONTROL

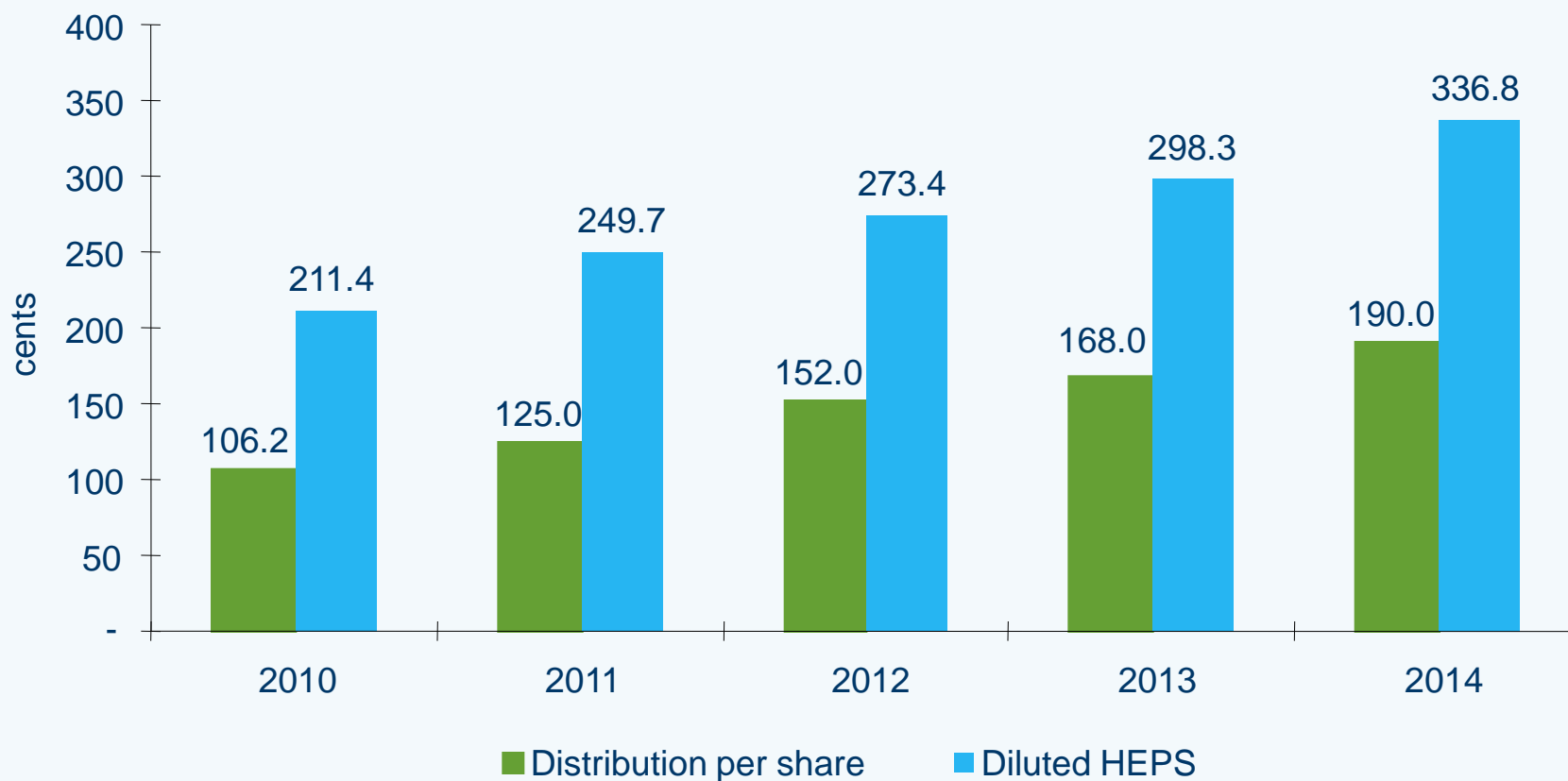
FINANCIAL RESULTS

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%**

SUSTAINED FINANCIAL PERFORMANCE



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

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
Total retail	13 369	12 292	8.8	6.3	3.4
UPD	8 563	7 710	11.1		3.0
Intragroup turnover	(2 783)	(2 459)	13.2		
Total group	19 149	17 543	9.2		3.2

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

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)			
Total group	5 172	4 694	10.2	27.0	26.8

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

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
Total retail costs	3 513	3 189	10.1

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

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
Total distribution costs	508	460	10.3

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

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			
Total group	1 218	1 104	10.3	6.4	6.3

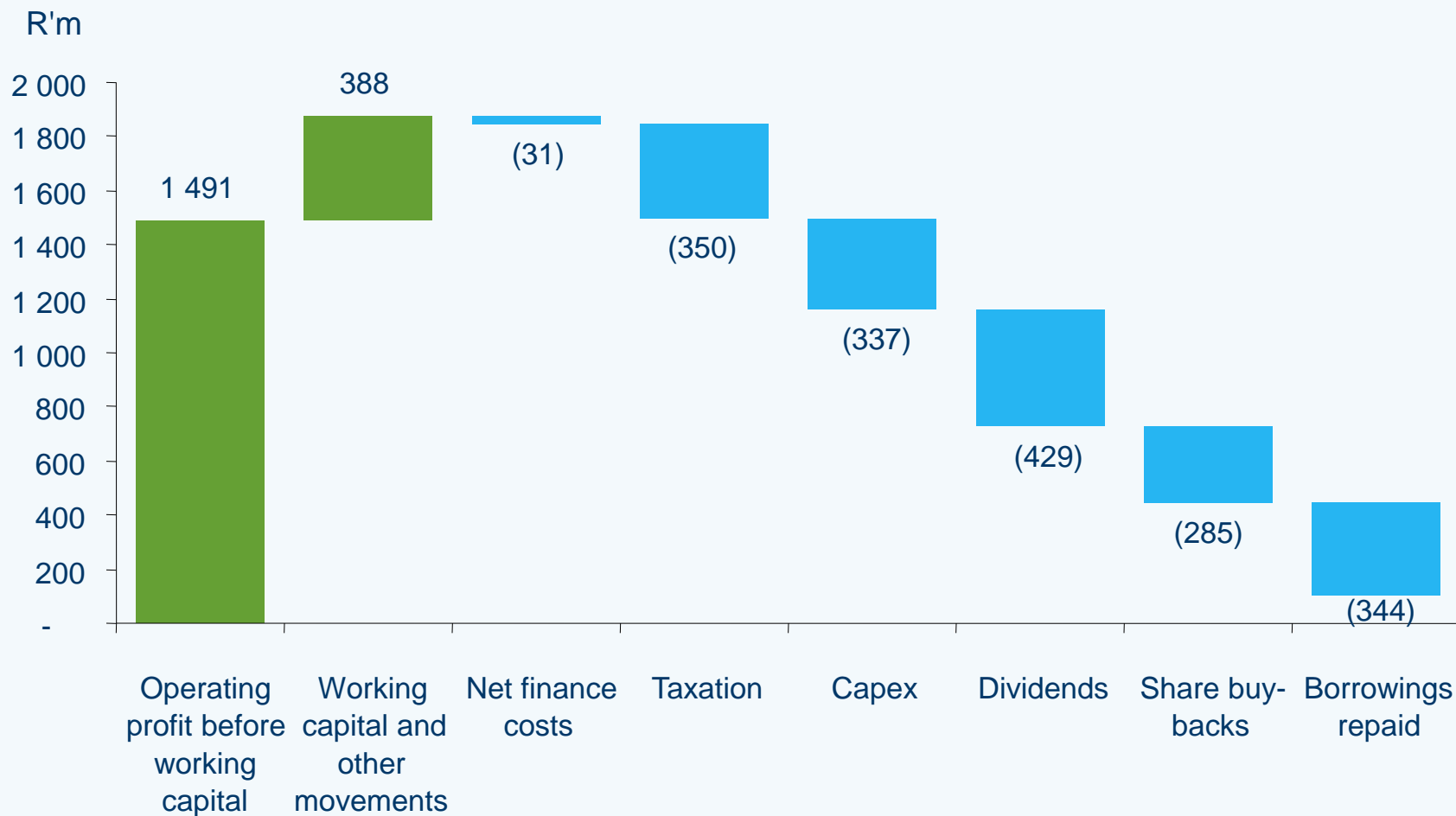
INVENTORY

	<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)	
Total group	64	59	2 614	2 225	17.5

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

* At cost price

CASH MANAGEMENT



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

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



pharmacy
clinic
health
home
beauty



pharmacy
clinic
health
home
beauty

TRADING PERFORMANCE

DAVID KNEALE

	% 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
Total turnover	9.3	100.0

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

- 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

- 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 (restated)

- 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)

- 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)

- 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





GNC
LIVE WELL



M
MUSICA
A WORLD AWAITS



PERFORMANCE



- 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



- 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



PERFORMANCE



	% change	% contribution	Market share*	
			2014	2013
CDs	(7.2)	40.7	50.9%	46.1%
DVDs	4.5	28.1	34.6%	29.4%
Gaming	9.8	15.7	10.4%	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)



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%

- 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)

pharmacy



OUTLOOK

DAVID KNEALE

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





THANK YOU

DISCLAIMER

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