



Clicks COVID
Vaccination site

ANNUAL RESULTS
FOR THE YEAR ENDED 31 AUGUST 2021

CLICKS GROUP
L I M I T E D

PRESENTATION OUTLINE

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



pharmacy



REVIEW OF THE YEAR

VIKESH RAMSUNDER

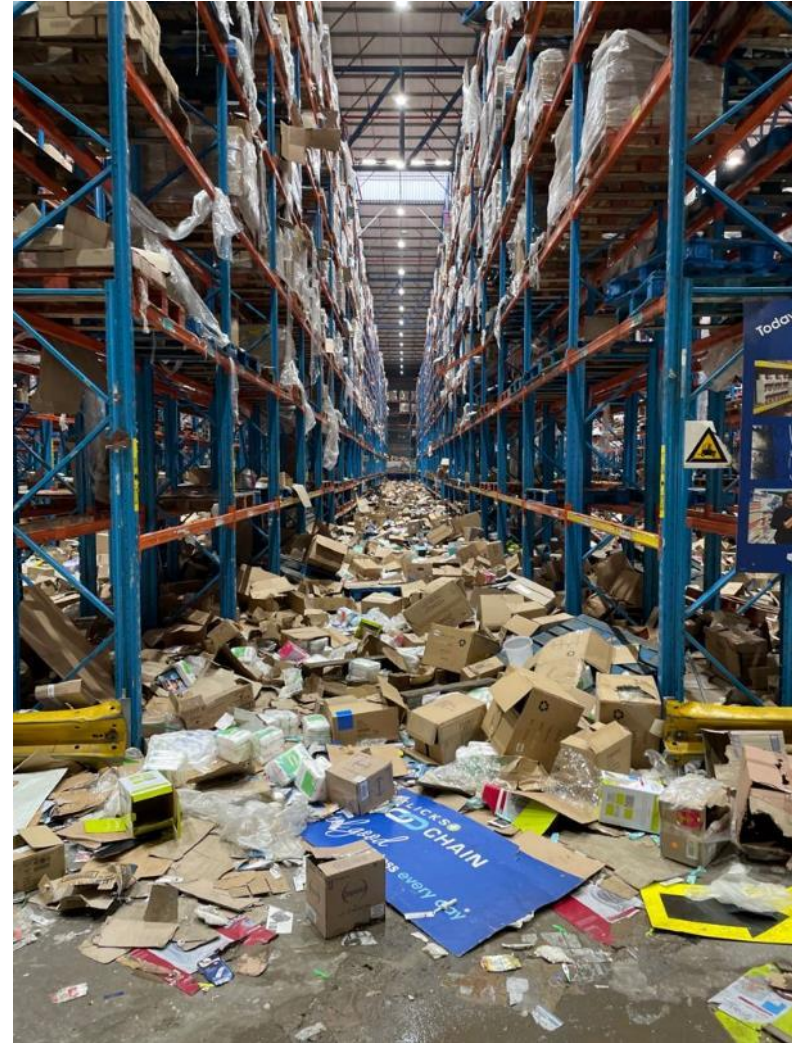


REVIEW OF THE YEAR

- Trading impacted by Covid-19 and civil unrest
- Vaccine rollout gaining momentum, with Clicks' 525 sites doing almost 1.4 million vaccinations to date
- Opened 750th Clicks store
- Closure of Musica
- Strong growth in UPD
- Performance highlights the resilience and defensiveness of the group
 - Continuing adjusted dHEPS up **8.8%**
 - Declared dividend of 490 cents per share, up **8.9%**

IMPACT OF CIVIL UNREST IN JULY 2021

- 53 stores in KZN and Gauteng were looted and vandalised = 6% of store base
- 34 stores reopened by 31 August, a further 11 opened since, and 8 remain closed – 7 to open in FY2022 and 1 in FY2023
- The UPD and Clicks DCs in KZN were both looted and damaged



Clicks DC, Mahogany Ridge, Durban

IMPACT OF CIVIL UNREST IN JULY 2021



- Store closures due to damages and temporary store closures resulted in R250m in estimated lost sales in FY2021
- Claim for business interruption cover not yet finalised
- Trading in affected areas remains well below the previous year



Clicks store, Pinetown

REVIEW OF THE YEAR

- Sustained strong cash generation
- Focus on innovation in technology, products and service
- Investment in new stores, pharmacies, supply chain and IT
- ESG integrated into ways of working
 - Recognised as Top Employer* in retail sector for 5th year
 - Board succession plan – new board members appointed
 - 64% black and 36% female representation on the board
 - Included in FTSE4Good Index for last five years
- Thank our people for their dedication and commitment in a significantly disrupted and stressful working environment

* Top Employers Institute



FINANCIAL RESULTS

MICHAEL FLEMING



FINANCIAL HIGHLIGHTS

- Turnover up **10.2%***
 - Retail Health & Beauty turnover up **8.3%**
 - UPD reported turnover up **12.3%**
- Operating margin from 8.3% to **8.2%***
- Group diluted HEPS up **2.6%** to 773.6 cps
 - Continuing adjusted dHEPS up **8.8%***
- Cash of **R4.6 billion** generated by operations
- **R2.2bn** returned to shareholders
- Return on equity up from 37.8% to **38.2%**
- Dividend of 490 cps at **63%** payout ratio

* Continuing operations, FY2021 adjusted for impact of civil unrest

IMPACT OF CIVIL UNREST IN JULY 2021

- SASRIA claim of R726m
 - Stock of R522m (carrying value R334m)
 - Replacement of fixed assets of R181m (carrying value R61m)
 - Costs of R23m
- Additional costs for private security services to protect the DCs and air transportation costs to supply UPD customers in KZN
- Receipt of insurance proceeds
 - First interim payment of R217m received from SASRIA in September
 - Balance of proceeds expected in FY2022
- Claim for business interruption cover not yet finalised

IMPACT OF CIVIL UNREST & INSURANCE CLAIM

Continuing operations R'm	Reported 2021	Adjustment	Adjusted 2021
Turnover	37 339	-	37 339
Gross profit	7 272	334 Stock written off	7 606
Other income	2 609	(217) Insurance claim received to date	2 392
Expenses	(6 984)	31 Costs relating to civil unrest	(6 953)
Operating profit	2 897	148	3 045
Taxation	(728)	(58)	(786)
Headline earnings	1 961	107	2 068 +7.4%
dHEPS (cents)	793.7	43.1	836.8 +8.8%

TURNOVER

R'm	2021	2020	% change	% same stores growth	% inflation
Retail health & beauty	26 329	24 310	8.3	5.1	3.2
Distribution	17 378	15 474	12.3		1.9
Intragroup turnover	(6 368)	(5 895)	8.0		
Total group	37 339	33 889	10.2		2.7

- Comparable volume growth in retail despite impact of Covid-19 and economic impact of civil unrest
- Strong growth in hospital business benefited UPD

Note: Continuing operations

TOTAL INCOME

	2021 R'm	2020 R'm	% change	2021 % margin	2020 % margin
Retail health & beauty	8 746	8 095	8.1	33.2	33.3
Distribution	1 494	1 317	13.4	8.6	8.5
Intragroup	(243)	(191)			
Total group	9 997	9 221	8.4	26.8	27.2

- Retail margin impacted by mix and promotions
- UPD benefited from new contracts, offsetting lower SEP increase (3.68% in February 2021 vs 4.53% in February 2020)

Note: Continuing operations, FY2021 adjusted to exclude stock write-off of R334m and insurance proceeds of R217m

OPERATING EXPENDITURE - RETAIL

R'm	2021	2020	% change
Depreciation – PP&E	399	366	9.3
Depreciation – ROU asset	744	660	12.7
Occupancy costs	160	166	(3.8)
Employment costs	3 358	3 130	7.3
Other operating costs	1 576	1 467	7.4
Total retail costs	6 237	5 789	7.7
% of turnover	23.7%	23.8%	
Finance costs – lease liability	195	206	(5.4)

- Comparable retail costs contained to **4.0%**

Note: Continuing operations, FY2021 adjusted to exclude R26m costs related to civil unrest

OPERATING EXPENDITURE - DISTRIBUTION

R'm	2021	2020	% change
Depreciation – PP&E	30	36	(17.2)
Depreciation – ROU asset	6	4	75.1
Occupancy costs	3	3	(5.1)
Employment costs	301	289	4.2
Other operating costs	584	472	23.6
Total distribution costs	924	804	14.9

- Impact of costs related to new wholesale and bulk distribution clients

Note: Continuing operations, FY2021 adjusted to exclude R5m costs related to civil unrest

OPERATING PROFIT

	2021 R'm	2020 R'm	% change	2021 % margin	2020 % margin
Retail	2 509	2 306	8.8	9.5	9.5
Distribution	569	513	11.0	3.3	3.3
Intragroup	(34)	(6)			
Total group	3 045	2 813	8.2	8.2	8.3

- Both divisions did extremely well to hold margin, but faster growth of UPD impacted group margin

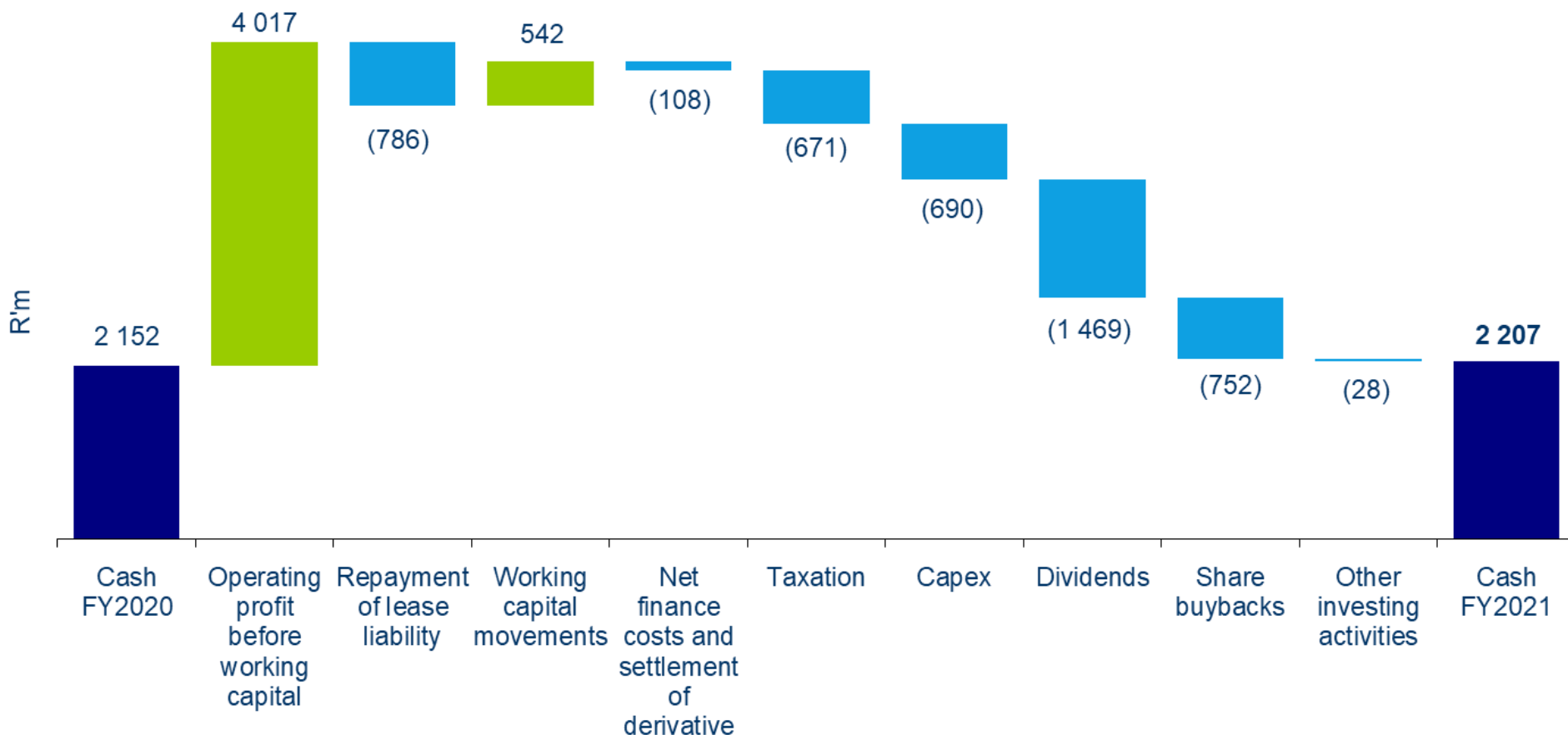
Note: Continuing operations, FY2021 adjusted for impact of civil unrest

INVENTORY

	<u>Days in stock</u>		<u>Inventory (R'm)</u>		
	2021	2020	2021	2020	% change
Retail	74	71	3 913	3 435	13.9
Distribution	35	38	1 657	1 573	5.4
Intragroup inventory			(121)	(87)	
Total group	66	66	5 449	4 921	10.7

- Retail inventory days impacted by restocking of KZN DC
- Net working capital days improved from 37 to 30

CASH MANAGEMENT



- Secured extended creditor terms while waiting for insurance payout

CAPITAL EXPENDITURE

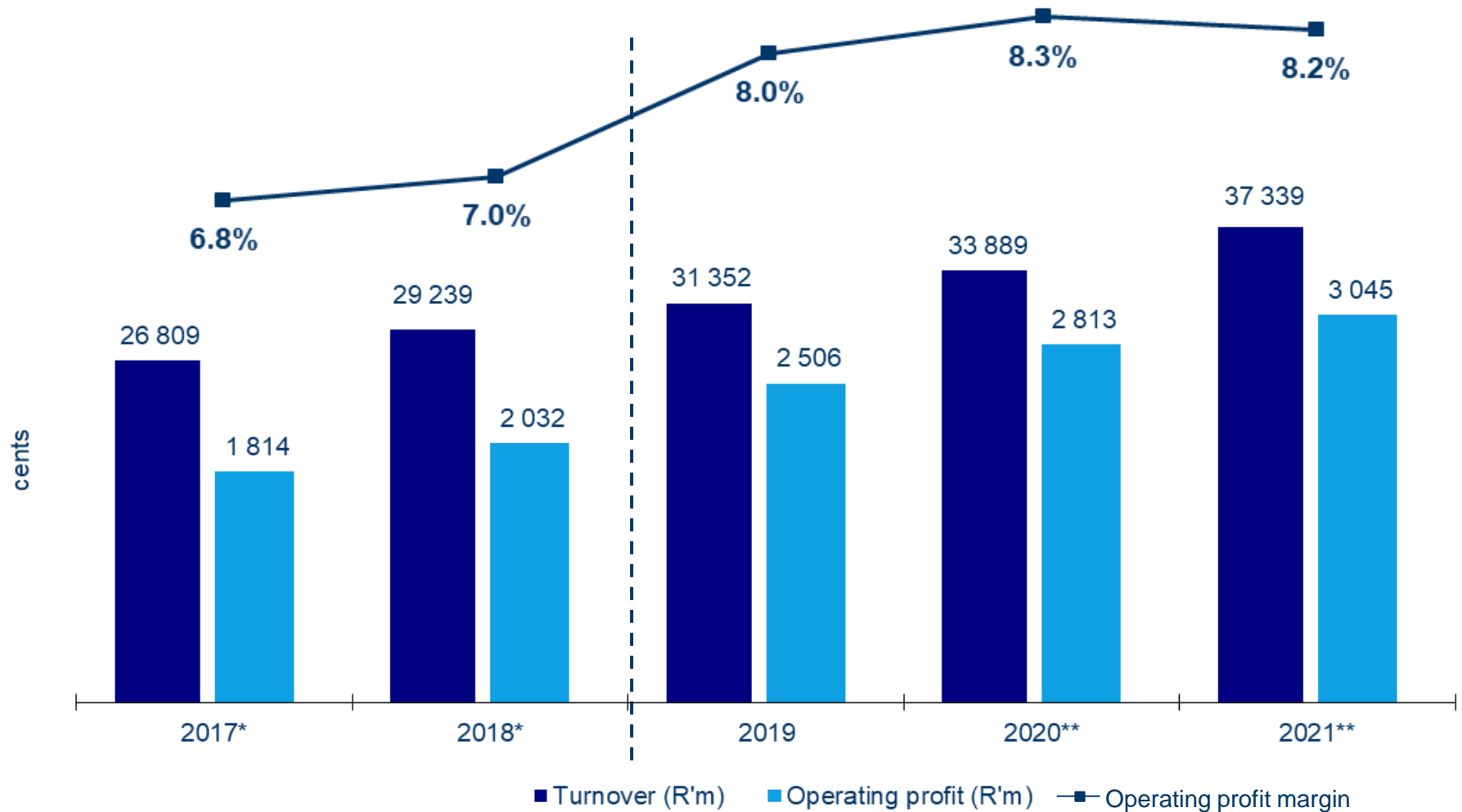
- R846m capex planned for FY2022, including R168m for replacement of assets damaged in the civil unrest and R46m carried forward from FY2021
 - R495m on stores, including:
 - 25 – 30 new Clicks stores and 30 – 35 new pharmacies
 - 45 normal store refurbishments
 - R351m on infrastructure, including:
 - R74m on UPD IT and warehouse equipment
 - R277m on retail systems and infrastructure

MEDIUM-TERM FINANCIAL TARGETS

	Achieved in FY2021	Medium-term target
ROE (%)	38.2	40 – 50
ROIC (%)	25.9	20 – 30
ROA (%)	11.8	11 – 15
Net working capital days	30	30 – 35
Group operating margin (%)	8.2*	8.0 – 9.0
Retail health & beauty	9.5*	9.0 – 10.0
Distribution	3.3*	2.8 – 3.3
Dividend payout ratio (%)	63.3	60 – 65

* Continuing operations, adjusted for impact of civil unrest

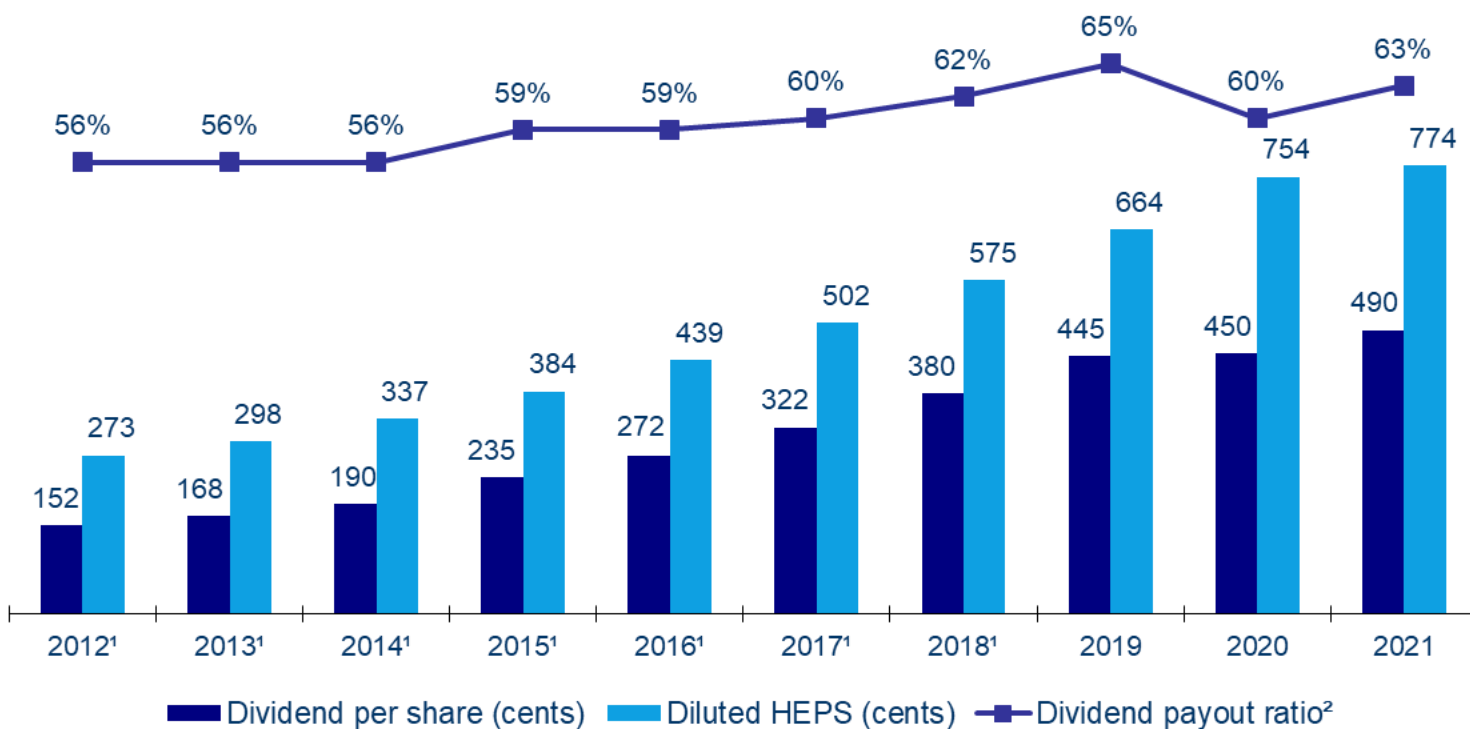
GROWTH IN TURNOVER, PROFIT AND MARGIN



* Total operations, pre-IFRS 16 operating profit and margin

** Continuing operations, FY2021 adjusted for impact of civil unrest

SUSTAINED FINANCIAL PERFORMANCE



**10-year
CAGRs**

Total
shareholder
return³:
24.5%

Diluted HEPS:
12.0%

Dividend per
share:
14.6%

¹ Pre-IFRS 16 ² Based on HEPS ³ Based on reinvestment of dividends paid and the closing share price

CLICKS+
expert
formulations

- ✓ DEVELOPED BY PHARMACISTS
- ✓ TESTED TO BE TRUSTED
- ✓ PREMIUM QUALITY



TRADING PERFORMANCE
VIKESH RAMSUNDER



HEALTH & BEAUTY SALES PERFORMANCE

	% change	% contribution
Pharmacy	10.2	29.5
Front shop health	14.8	27.7
Beauty and personal care	4.5	27.9
General merchandise	1.0	14.9
Total turnover	8.3	100.0

- Comparable stores turnover growth of **5.1%**
 - Inflation 3.2%
 - Volume growth of 1.9%
- Administered 596 180 vaccines in FY2021, R214m in sales

MARKET SHARES



%	Aug 2021	Aug 2020
Health		
Retail pharmacy*	23.4	23.6
Front shop health**	32.5	31.8
Baby**	19.6	18.5
Beauty		
Skincare**	40.7	40.3
Haircare**	30.9	30.8
Personal care**	18.8	18.0
General merchandise		
Small electrical appliances***	17.1	19.0

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

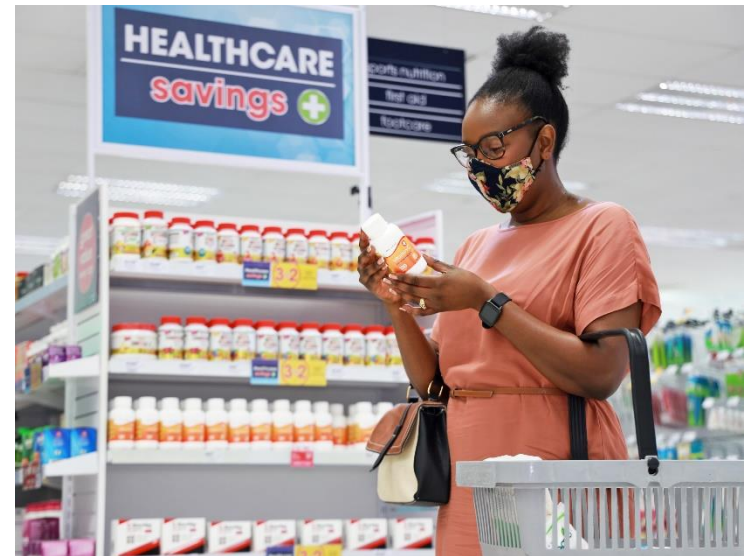
■ Maintaining **value**

- Price competitive with all national retailers
- Promotional sales +11.7% to 41.5% of turnover
- R545 million cashback paid to ClubCard members
- In pharmacy, generics +10.5% to 55% of sales and 69% of volume

Clicks price index* vs:

Retailer A	93.5%
Retailer B	97.2%
Retailer C	97.6%
Retailer D	100.0%

* Excluding 3 for 2 promotions



- **Differentiating our product offer**
 - Private label up from 23.8% to 24.5% of sales (front shop 30.1%, pharmacy 9.7%)
 - Trialling standalone baby store to showcase online range
 - The Body Shop sales in Clicks +5.2%, but standalone stores -4.1%
 - The Body Shop contract extended
 - Launched new SMME supplier listing portal and invested R1.2 billion in SMME suppliers in the past year, up 69%



- Engaging customers through **personalisation**
 - 9.2m active ClubCard members, 80.2% of sales
 - Clicks app downloaded by 2.3m customers
 - Continued investment in online
 - Partnership with ARC
 - Voted best loyalty programme¹
 - Coolest health and beauty brand²



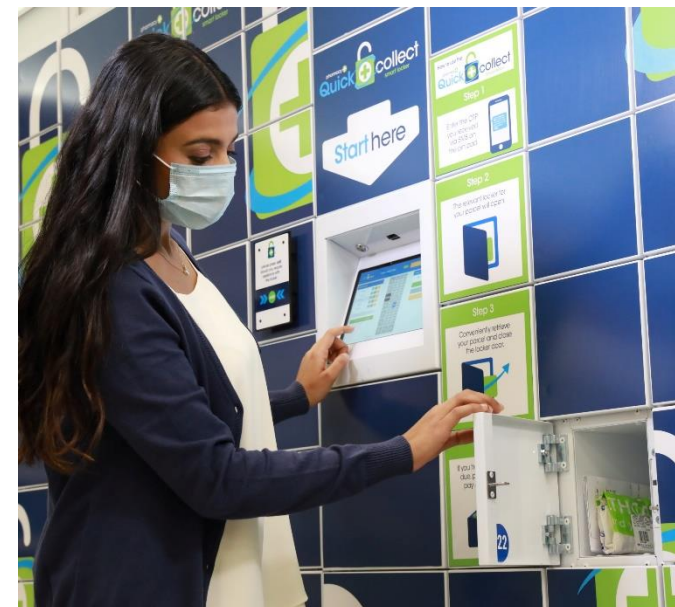
¹ South African Loyalty Awards

² Sunday Times Generation Next Awards

■ Extending convenience

- 782 Clicks stores with 621 pharmacies*
- 50% of population < 5.5km of a pharmacy
- Online sales grew 46.9%, but only 1.4% of front shop sales
- Trial of digital pharmacy lockers
- Received competition authority approval of acquisition of 25 Pick n Pay pharmacies in October

Format	Total**
Convenience	581
Destination	201
Total	782

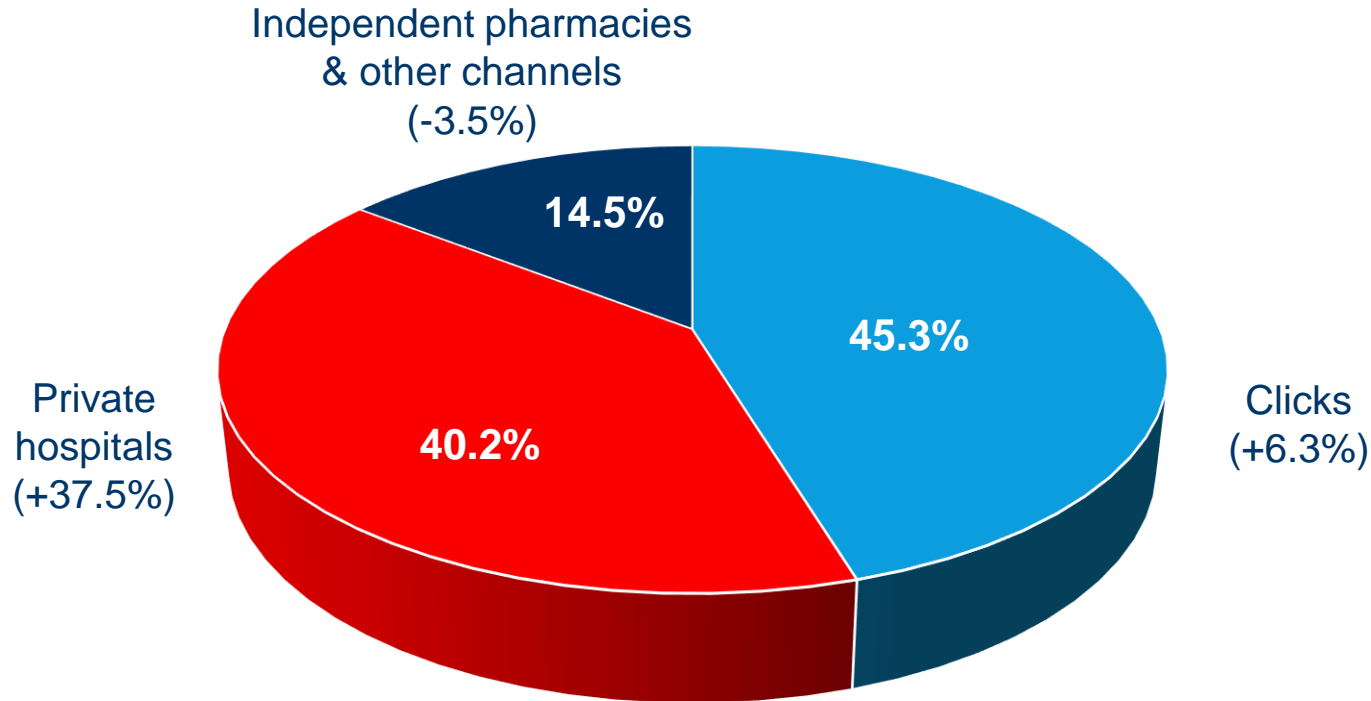


* 73 SA stores still to get a dispensary

** Includes stores still closed due to civil unrest damage



FINE WHOLESALE TURNOVER



- Wholesale turnover up 15.1%
 - Annualisation of new buying groups
 - Strong growth in hospital activity linked to second and third Covid-19 waves
- Wholesale market share up from 28.9% to 31.2%*

* MAT per IQVIA (restated)

REVIEW OF THE YEAR



- Total managed turnover +20.6% to R28.4bn
 - Two new bulk distribution clients in Q1 and Q2 FY2022
- Generic medicines +17.3% (71% of volume)
- Proved service credentials, providing hospitals with life-saving drugs through the unrest
- Reached storage capacity in DCs – extending rented facility in Gauteng, and have rented a facility in Cape Town
- Commenced ERP implementation





STRATEGY & OUTLOOK

BERTINA ENGELBRECHT



GROUP STRATEGIC OBJECTIVES

GROUP STRATEGIC OBJECTIVES

1

Grow the retail footprint by expanding the store base and online presence

2

Accelerate pharmacy market share gains in South Africa

3

Promote UPD's national pharmaceutical wholesale and distribution services to grow market share

4

Deliver operational excellence with an efficient centralised supply chain

5

Create an inclusive and transformed organisation with a strong talent pipeline to support business growth

6

Ensure the sustainability of the business through robust environmental, social and governance practices

OUTLOOK FOR FY2022

- Continued impact of Covid-19 and civil unrest into FY2022
- Committed to supporting the national vaccination programme
- Expect to sustain volume growth
- Integrating new IT systems
- Investing in digital engagement
- Consumer environment will remain extremely constrained
- Business model continues to be resilient, with proven ability to adapt to changing market dynamics
- Confident of the group's ability to continue delivering on medium-term targets



shop our entire range online



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.