



CLICKS GROUP
LIMITED

INTERIM RESULTS FOR THE SIX
MONTHS ENDED 28 FEBRUARY 2014

PRESENTATION OUTLINE

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





REVIEW OF THE PERIOD

DAVID KNEALE

REVIEW OF THE PERIOD

- Middle income consumers remain constrained
 - Value offering continues to drive sales
- Clicks is maintaining its competitive position
 - Showing real growth in comparable stores
- UPD integrated wholesale and distribution strategy working well
- Continuing to invest for longer term despite market slowdown
- Launch of GNC in line with focus on health and wellness
- Diluted headline earnings per share up 10.3%



FINANCIAL RESULTS

MICHAEL FLEMING

FINANCIAL HIGHLIGHTS

- Group turnover up **9.6%**
 - Clicks turnover up **8.2%**
 - UPD turnover up **14.7%**
 - Selling price inflation of **3.5%**
- Operating margin at **6.1%**
- Diluted HEPS up **10.3%** to 157.4 cps
- Interim dividend of 53.5 cps, up **10.3%**
- Return on equity of **55.4%**

TURNOVER

R'm	Feb 2014	Feb 2013	% change	% same store growth	% inflation
Clicks	6 060	5 601	8.2	5.3	3.4
Musica	495	502	(1.4)	1.5	6.0
The Body Shop	79	74	7.1	3.6	8.7
Total retail	6 634	6 177	7.4	5.0	3.6
UPD	3 993	3 480	14.7		3.0
Intragroup turnover	(1 278)	(1 128)	13.4		
Total group	9 349	8 529	9.6		3.5

- Continued volume growth in Clicks
- UPD benefited from preferred supplier contract gained in January 2013

TOTAL INCOME

	Feb 2014 R'm	Feb 2013 R'm	% change	Feb 2014 % margin	Feb 2013 % margin
Retail	2 219	2 037	8.9	33.4	33.0
Distribution	334	296	13.1	8.4	8.5
Intragroup	(29)	(20)			
Total group	2 524	2 313	9.1	27.0	27.1

- Private label margin growth and well managed promotional activity in Clicks
- UPD margin impacted by business mix
- Group margin impacted by stronger growth in UPD

OPERATING EXPENDITURE - RETAIL

R'm	Feb 2014	Feb 2013	% change
Depreciation and amortisation	95	88	7.7
Occupancy costs	276	244	13.0
Employment costs	911	798	14.2
Other operating costs	461	458	0.7
Total retail costs	1 743	1 588	9.8

- Continuing investment in stores and staff
- Comparable retail costs up 6.6%

OPERATING EXPENDITURE - DISTRIBUTION

R'm	Feb 2014	Feb 2013	% change
Depreciation and amortisation	12	9	32.6
Occupancy costs	3	3	(0.8)
Employment costs	99	91	9.3
Other operating costs	123	108	14.0
Total distribution costs	237	211	12.6

- Investment in wholesale automation and distribution capacity
- Cost growth in H2 to moderate

OPERATING PROFIT

	Feb 2014 R'm	Feb 2013 R'm	% change	Feb 2014 % margin	Feb 2013 % margin
Retail	476	449	6.0	7.2	7.3
Distribution	97	85	14.3	2.4	2.4
Intragroup	(2)	(2)			
Total group	571	532	7.3	6.1	6.2

- Margins within target ranges

INVENTORY

	<u>Days in stock*</u>		<u>Inventory (R'm)</u>		
	Feb 2014	Feb 2013	Feb 2014	Feb 2013	% change
Retail	81	75	1 916	1 659	15.5
Distribution	46	46	986	861	14.5
Intragroup inventory			(8)	(11)	
Total group	75	71	2 894	2 509	15.3

- Investment ahead of supplier price increases
- Inventory levels to normalise in H2

* At cost price

CASH GENERATION

R'm	Feb 2014	Feb 2013
Profit before tax	545	508
Non-cash adjustments	162	144
Operating profit before working capital changes	707	652
Working capital changes	(119)	(235)
Net interest and tax paid	(188)	(174)
Cash inflow from operations	400	243

- Good working capital and cash flow management

CASH UTILISATION

R'm	Feb 2014	Feb 2013
Cash inflow from operations	400	243
Capital expenditure	(129)	(145)
Dividends paid	(298)	(273)
Share buy-backs	(101)	(178)
Other investing activities	(3)	4
Other financing activities	201	378
Net cash generated	70	29

- R347m capex planned for FY2014



pharmacy
clinic
health
home
beauty
baby

pharmacy
clinic
health
home
beauty
baby

TRADING PERFORMANCE

DAVID KNEALE

SALES PERFORMANCE



	% change	% contribution
Pharmacy	13.1	25.2
Front shop health	12.0	21.3
Beauty and personal care	7.1	33.4
General merchandise	0.5	20.1
Total turnover	8.2	100.0

- Increased focus on health, beauty and wellness
- Maintaining volume growth, driven by promotional activity

- Continued switch to generics +19.6%
 - 42.3% of sales
- Trend to self-medication
 - OTC medicines +17.7%
- Entrenching medical aid partnerships
- Total volume growth +11.0%
- Pharmacy staff turnover down from 30% to 25%
- Market share



%	Feb 2014	Feb 2013
Retail pharmacy*	17.6	16.6

* Per IMS

- Good growth in key categories
 - Front shop medicines +8.7%
 - First aid and diagnostic +16.1%
- Slower market for vitamins and supplements +6.8%
- Strong growth in baby +19.4%



Market share

%	Feb 2014	Feb 2013
Front shop health**	27.6	27.1
Baby**	9.1	8.0

** Per AC Nielsen (restated)

- Highly competitive markets
- Good growth in skincare +10.5% - driven by promotion and newness
- Slower growth in haircare +3.2% and colour cosmetics +5.3%
- Fragrance +1.6% - poor Christmas
- Market share



%	Feb 2014	Feb 2013
Skincare**	26.4	26.5
Haircare**	25.2	25.5

** Per AC Nielsen (restated)

- Confectionery +2.4%
 - Christmas was difficult
- Homeware -2.6%
 - New kitchen range did well
- Domestic +6.8%
- Electrical improving +6.5%
 - Volume share held at 25.4%
- Market share



%	Feb 2014	Feb 2013
Small household appliances***	17.2	18.1

*** Per GfK (restated)

CUSTOMERS AND STORES



- ClubCard membership now 4.3m
 - 75.4% of sales
- Private label up from 19.4% to 19.7%
 - Front shop at 25.3%
- 333 dispensaries and 133 clinics in 453 stores at February
 - 25 new stores in FY2014 (and 4 closures)
 - 18 new pharmacies in FY2014 (and 7 closures)
- Rated 1st in health and beauty*



* Per TNS Brand Tracker



MUSICA
A WORLD AWAITS



- Weaker Rand has negatively impacted margin
- Strong gifting sales +34.1%
- “Love Your Body” sales up 8.9%
 - Now 57.4% of sales
- Continuing to expand the footprint
 - Capsules in 70 Clicks stores and 9 store-in-store outlets
 - 46 standalone stores - 2 more planned in FY2014



PERFORMANCE



	% change	% contribution	Market share*	
			Feb 2014	Feb 2013
CDs	(9.6)	40.6	49.4%	45.8%
DVDs	(1.7)	26.2	33.0%	29.3%
Gaming	6.4	17.0	10.1%	9.9%
Technology	16.4	16.2		

- Market share growth continues in all categories
- Technology roll out completed
- Further 2 store closures and 1 new store planned in H2
- Highest return on net assets in the group



* Per Aquidneck / GfK (prior period restated)



TURNOVER



	% change	% contribution
Clicks	13.0	31.9
Hospitals	11.8	26.1
Independent pharmacy	(5.5)	17.7
Other channels	44.2	24.3
Total turnover	14.7	100.0

- Wholesale market share increased from 25.7% to 26.3%*
 - Core customers growing faster than the market
 - Assisted by distribution strategy
- Margin pressure continues from growth in generics
 - Generics +17.4% in wholesale - now 42.5% of wholesale medicines
- Consistent focus on cost efficiencies
- R1.9bn notional turnover in distribution
 - Growth beyond current client base has been temporarily constrained
 - Investment in distribution capacity completed

* MAT per IMS



OUTLOOK

DAVID KNEALE

OUTLOOK

- Tough consumer environment to continue
- Selling price inflation expected to be 4 - 5% for the year
- Continue to improve effective delivery in Clicks
 - Driving sales growth
 - Continued prudent management of margin and costs
- Extract value from investment in UPD
 - Leverage wholesale automation and increased distribution capacity
- Margin targets unchanged
- Expect 8 – 12% growth in diluted HEPS for FY2014



THANK YOU

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CLICKS

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