



CLICKS GROUP LIMITED

INTERIM RESULTS FOR THE
SIX MONTHS ENDED 28 FEBRUARY 2015

PRESENTATION OUTLINE

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





REVIEW OF THE PERIOD

DAVID KNEALE

REVIEW OF THE PERIOD

- Consumers still under pressure
 - Limited benefit from fuel price decrease offset by loadshedding
- Retail brands gaining market share
 - All showing volume growth
- UPD growing market share in wholesale and distribution
- Continuing to invest for longer term
 - Targeting 600 Clicks stores in South Africa
- Diluted headline earnings per share up 12.8%



FINANCIAL RESULTS

MICHAEL FLEMING

FINANCIAL HIGHLIGHTS

- Group turnover up **14.1%**
 - Clicks turnover up **10.5%**
 - UPD turnover up **20.7%**
- Operating margin at **6.0%**
- Diluted HEPS up **12.8%** to 177.6 cps
- Interim dividend of 65.5 cps, up **22.4%**
 - Annual dividend cover lowered to **1.7** times
- Return on equity of **53.6%**

TURNOVER

R'm	Feb 2015	Feb 2014	% change	% same store growth	% inflation
Clicks	6 693	6 060	10.5	7.6	3.9
Musica	506	495	2.4	1.2	0.5
The Body Shop	89	79	12.2	8.8	3.8
Total retail	7 288	6 634	9.9	7.2	3.6
UPD	4 820	3 993	20.7		3.3
Intragroup turnover	(1 444)	(1 278)	13.0		
Total group	10 664	9 349	14.1		3.5

- Volume growth in all retail brands
- UPD benefitting from growth in preferred supplier contracts

TOTAL INCOME

	Feb 2015 R'm	Feb 2014 R'm	% change	Feb 2015 % margin	Feb 2014 % margin
Retail	2 478	2 219	11.7	34.0	33.4
Distribution	372	334	11.2	7.7	8.4
Intragroup	(41)	(29)			
Total group	2 809	2 524	11.3	26.3	27.0

- Well managed promotional activity and private label margin growth in Clicks
- UPD margin impacted by business mix
- Group margin impacted by faster growth in UPD

OPERATING EXPENDITURE - RETAIL

R'm	Feb 2015	Feb 2014	% change
Depreciation and amortisation	104	95	8.7
Occupancy costs	306	276	11.0
Employment costs	1 008	911	10.7
Other operating costs	526	461	14.1
Total retail costs	1 944	1 743	11.5

- Impact of employee share ownership plan (ESOP) on employment costs
 - Full year charge of R50m expected (FY2014: R30m)
- Other operating costs include increased advertising investment
- Comparable retail costs up 7.9%

OPERATING EXPENDITURE - DISTRIBUTION

R'm	Feb 2015	Feb 2014	% change
Depreciation and amortisation	14	12	9.9
Occupancy costs	2	3	(39.3)
Employment costs	107	99	8.5
Other operating costs	137	123	11.4
Total distribution costs	260	237	9.4

- Increased variable costs from growth in distribution business
- Comparable costs up 6.2%

OPERATING PROFIT

	Feb 2015 R'm	Feb 2014 R'm	% change	Feb 2015 % margin	Feb 2014 % margin
Retail	534	476	12.2	7.3	7.2
Distribution	112	97	15.7	2.3	2.4
Intragroup	(6)	(2)			
Total group	640	571	12.2	6.0	6.1

- Retail accounts for 83% of group profit
- Distribution continues to gain scale
- Margins within target ranges

INVENTORY

	<u>Days in stock*</u>		<u>Inventory (R'm)</u>		
	Feb 2015	Feb 2014	Feb 2015	Feb 2014	% change
Retail	81	81	2 119	1 916	10.6
Distribution	41	46	1 063	986	7.8
Intragroup inventory			(16)	(8)	
Total group	71	75	3 166	2 894	9.4

- Record availability of 96.7% in retail
- SEP increase effective one month later than prior year

* At cost price

CASH GENERATION

R'm	Feb 2015	Feb 2014
Profit before tax	611	545
Non-cash adjustments	189	162
Operating profit before working capital changes	800	707
Working capital changes	(248)	(119)
Net interest and tax paid	(223)	(188)
Cash inflow from operations	329	400

CASH UTILISATION

R'm	Feb 2015	Feb 2014
Cash inflow from operations	329	400
Capital expenditure	(148)	(132)
Dividends paid	(333)	(298)
Share buy-backs	(115)	(101)
Other financing activities	133	201
Net cash (utilised)/generated	(134)	70

- R379m capex planned for FY2015



pharmacy
clinic
health
home
beauty



pharmacy
clinic
health
home
beauty

TRADING PERFORMANCE

DAVID KNEALE

SALES PERFORMANCE



	% change	% contribution
Pharmacy	13.8	25.9
Front shop health	14.6	22.1
Beauty and personal care	10.9	33.7
General merchandise	1.1	18.3
Total turnover	10.5	100.0

- Driving volumes through value offer
- Promotions now 29% of sales

- Pharmacy
 - Continued switch to generics +20.7%
 - OTC medicines +15.9%
- Front shop health
 - Good growth in all categories: baby +18.7%, vitamins and supplements +12.1%, medicines +13.1%, first aid and diagnostics +19.8%



■ Market shares

%	Feb 2015	Feb 2014
Retail pharmacy*	18.5	17.6
Front shop health**	28.9	27.9
Baby**	10.3	9.2

* Per IMS

** Per AC Nielsen (restated)

- Beauty and personal care
 - Strong Christmas for fragrance +19.1% and colour cosmetics +14.6%
 - Good growth in skincare +10.4%
 - Slower growth in haircare +5.2%
- General merchandise
 - Non-core categories -27.6%
 - Confectionery +7.2%, electrical +3.2%



■ Market shares

%	Feb 2015	Feb 2014
Skincare**	26.2	26.2
Haircare**	25.0	24.8
Small household appliances***	20.2	17.8

** Per AC Nielsen (restated)

*** Per GfK (restated)

- ClubCard active membership now 4.8m, 75.6% of sales
 - Relunched on 23 March
- Private label up from 19.7% to 20.4%
 - Front shop at 25.9%
- 346 dispensaries and 150 clinics in 473 stores at 28 February
 - 22 stores outside SA
 - Net 24 new stores in FY2015
 - Net 20 new pharmacies in FY2015
- Longer term target of 600 stores in South Africa



GNC
LIVE WELL



MUSICA
A WORLD AWAYS



FRANCHISE BRANDS



- Differentiating the Clicks offer
- Roll out of GNC continues
 - 4 standalone stores and presence in 250 Clicks stores
 - 305 products launched
 - 2 new standalone stores planned in H2
- Continuing to expand The Body Shop
 - Presence in 92 Clicks stores
 - 47 standalone stores – 3 planned in H2
 - Serving more customers – units up 8.6%



PERFORMANCE



	% change	% contribution	Market share*	
			Feb 2015	Feb 2014
CDs	1.5	40.3	59.1	49.4
DVDs	(2.9)	24.9	41.8	33.0
Gaming	7.9	18.0	11.8	10.1
Technology	6.2	16.8		

- Market share growth continues in all categories, driven by competitor closures and improved availability
- Strong performance in gaming hardware and accessories
- Opened 4 stores and closed 4 in H1
 - Further 2 new stores and 2 store closures planned in H2



* Per Aquidneck / GfK



TURNOVER



	% change	% contribution
Clicks	11.8	29.5
Hospitals	6.0	22.9
Independent pharmacy	5.3	14.0
Other channels	56.1	33.6
Total turnover	20.7	100.0

- Volume growth of 24.3%
- Generics +35.2%

- Wholesale market share increased from 25.4% to 26.2%*
- Distribution strategy on track
 - Achieving planned growth in preferred supply contracts
 - 10% growth in third party agency business
- Continued margin pressure from product mix
 - Generics increased to 44.9% of turnover
- Extracting efficiencies from automation at Lea Glen DC

* MAT per IMS (restated)



OUTLOOK

DAVID KNEALE

OUTLOOK

- Consumer environment to remain unchanged
- Selling price inflation expected to be 4 - 5% for the year
- Clicks – well positioned for continuing growth
 - Strong value proposition
 - Relunched ClubCard
 - New stores and pharmacies
- UPD – continue to grow scale and extract efficiencies
- Medium-term targets unchanged
- Expect 10 – 15% growth in diluted HEPS for FY2015



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THANK YOU

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