



**INTERIM RESULTS FOR THE
SIX MONTHS ENDED
29 FEBRUARY 2016**

CLICKS GROUP
LIMITED

PRESENTATION OUTLINE

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





REVIEW OF THE PERIOD

DAVID KNEALE

REVIEW OF THE PERIOD

- Challenging consumer environment continues
- Excellent retail performance, especially over Christmas
 - Strong value and product offer
 - Good volume growth
- UPD growth in line with expectations
- Diluted headline earnings per share up **15.1%**
- Continuing to invest for longer term
 - Record capital expenditure planned for the year



FINANCIAL RESULTS

MICHAEL FLEMING

FINANCIAL HIGHLIGHTS

- Group turnover up **13.4%**
 - Health & beauty retail turnover up **14.1%**
 - UPD turnover up **12.8%**
- Operating margin up from 6.0% to **6.1%**
- Diluted HEPS up **15.1%** to 204.4 cps
- Interim dividend of 76.0 cps, up **16.0%**
- Return on equity of **53.1%**

TURNOVER

R'm	Feb 2016	Feb 2015	% change	% same store growth	% inflation
Retail	8 263	7 288	13.4	10.3	3.5
Distribution	5 437	4 820	12.8		6.0
Intragroup turnover	(1 607)	(1 444)	11.2		
Total group	12 093	10 664	13.4		4.4

- Strong Christmas trading by retail brands
- UPD benefited from earlier implementation of SEP increase
- Inflation anticipated to be 4 - 5% for FY2016

TOTAL INCOME

	Feb 2016 R'm	Feb 2015 R'm	% change	Feb 2016 % margin	Feb 2015 % margin
Retail	2 796	2 478	12.8	33.8	34.0
Distribution	408	372	9.7	7.5	7.7
Intragroup	(48)	(41)			
Total group	3 156	2 809	12.3	26.1	26.3

- Investment in every day competitive pricing in Clicks
- Impact of business mix in UPD

OPERATING EXPENDITURE - RETAIL

R'm	Feb 2016	Feb 2015	% change
Depreciation and amortisation	108	104	3.8
Occupancy costs	339	306	10.7
Employment costs	1 129	1 008	12.0
Other operating costs	597	526	13.4
Total retail costs	2 173	1 944	11.7

- Investing in stores and pharmacies
- Comparable employment costs up 7.0%
- Other operating costs reflect investment in marketing
- Comparable retail costs up 8.0%

OPERATING EXPENDITURE - DISTRIBUTION

R'm	Feb 2016	Feb 2015	% change
Depreciation and amortisation	14	14	6.2
Occupancy costs	2	2	(2.7)
Employment costs	115	107	7.2
Other operating costs	162	137	18.3
Total distribution costs	293	260	12.9

- Other operating costs impacted by additional security investment
- Comparable costs up 8.0%

OPERATING PROFIT

	Feb 2016 R'm	Feb 2015 R'm	% change	Feb 2016 % margin	Feb 2015 % margin
Retail	624	534	16.8	7.5	7.3
Distribution	114	112	2.1	2.1	2.3
Intragroup	(6)	(6)			
Total group	732	640	14.4	6.1	6.0

- Retail accounts for 85% of group profit
- UPD margin within target range
- Group margin benefited from stronger retail growth

INVENTORY

	<u>Days in stock</u>		<u>Inventory (R'm)</u>		
	Feb 2016	Feb 2015	Feb 2016	Feb 2015	% change
Retail	84	81	2 498	2 119	17.9
Distribution	43	41	1 247	1 063	17.3
Intragroup inventory			(36)	(16)	
Total group	73	71	3 709	3 166	17.1

- Investment in stock ahead of price increases
- SEP increase effective during February, earlier than last year

CASH GENERATION

R'm	Feb 2016	Feb 2015
Profit before tax	711	611
Non-cash adjustments	177	189
Operating profit before working capital changes	888	800
Working capital changes	(47)	(248)
Net interest and tax paid	(255)	(223)
Cash inflow from operations	586	329

CASH UTILISATION

R'm	Feb 2016	Feb 2015
Cash inflow from operations	586	329
Dividends paid	(406)	(333)
Share buy-backs	(290)	(115)
Capital expenditure	(203)	(148)
Other investing activities	(16)	-
Other financing activities	156	133
Net cash utilised	(173)	(134)

- R455m capex planned for FY2016



pharmacy
clinic
health
home
beauty

TRADING PERFORMANCE

DAVID KNEALE

HEALTH & BEAUTY SALES PERFORMANCE

	% change	% contribution
Pharmacy	13.3	25.4
Front shop health	15.8	22.2
Beauty and personal care	13.5	34.7
General merchandise	14.5	17.7
Total turnover	14.1	100.0

- Health & beauty comprises Clicks, The Body Shop, GNC and Claire's
- Excellent growth across all categories

PHARMACY AND FRONT SHOP HEALTH



- Pharmacy
 - Continued switch to generics +17.1% (46.9% of sales)
 - OTC medicines +15.9%
 - 177 clinics now open
- Front shop health helped by broader distribution of GNC
- Continuing strong growth in baby +21.9%
- % market shares



	Feb 2016	Feb 2015
Retail pharmacy*	19.0	18.5
Front shop health**	29.1	28.9
Baby**	11.7	10.5

* Per IMS

** Per AC Nielsen (comparatives restated)

BEAUTY AND GENERAL MERCHANDISE



- Beauty and personal care
 - Benefit of range extension and new launches in fragrance +20.3%
 - Good growth in skincare +18.4%
 - The Body Shop +16.1%
 - Claire's in 75 stores
- General merchandise
 - Confectionery +11.8%
 - Electrical +15.0%
- % market shares



	Feb 2016	Feb 2015
Skincare**	26.8	26.7
Haircare**	25.7	25.4

** Per AC Nielsen (comparatives restated)

CUSTOMER ENGAGEMENT



- Almost 1 million new ClubCard members in the past year
 - 5.7 million active members
 - 77% of sales
- Launch of transactional website on track for H2 2016
- Private label up to 21.7% from 20.4% of sales
 - Front shop at 27.6%
 - Pharmacy at 4.5%
 - Partnership to develop Sorbet Brands



STORES AND PHARMACIES

- 60 standalone health & beauty franchise stores
- 496 Clicks stores with 384 pharmacies
 - 10 stores and 23 pharmacies opened in past six months
 - 28 stores refurbished
 - 25 stores outside SA, with sales up 31%
- Considerable scope for organic store growth in SA
 - Opening 500th store in new Mall of Africa on 28 April





MUSICA
A WORLD AWAITS





	Turnover		Market share*	
	% change	% contribution	Feb 2016	Feb 2015
CDs	0.7	39.5	68.1%	59.4%
DVDs	(3.1)	23.5	50.8%	42.2%
Gaming	6.7	18.8	14.4%	11.8%
Technology	11.4	18.2		
Total turnover	3.4	100.0		

- Market share growth continues in all categories, driven by improved availability and promotional activity
- DVDs impacted by weaker new release schedule and decline of Blu-ray
- Strong performance in technology with expanded ranges
- Successful pilot of Christmas pop-up stores

* Per Aquidneck / GfK (comparatives restated)



FINE WHOLESALE TURNOVER



	% change	% contribution
Clicks	13.0	43.4
Hospitals	11.5	33.2
Independent pharmacy	(10.3)	16.4
Other channels	(8.0)	7.0
Fine wholesale turnover	6.3	100.0

- Strong growth from core customers
- Wholesale market share 24.5%*

* MAT per IMS



- Slower growth in distribution as expected
 - 1.9% growth in total managed distribution business
- H1 turnover boosted by customers buying in ahead of earlier SEP increase
- Continued margin pressure from product mix
 - Generics increased from 44.9% to 47.8% of reported turnover
- SEP increase of 4.8% (2015: 7.5%)
- Focus on delivering cost efficiencies
 - Labour, transport and customer service



OUTLOOK

DAVID KNEALE

OUTLOOK

- Consumer spending to come under more pressure
- Group is well positioned for a tough environment
 - Trading in resilient markets
 - Clicks brand has a strong value proposition
 - Continued expansion of store and pharmacy footprint
 - All businesses continue to focus on cost management
 - Strong and experienced management teams
- Confidence to invest for future growth
- Expect 10 – 15% growth in diluted HEPS for FY2016



THANK YOU

CLICKS 
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