



**INTERIM RESULTS FOR THE SIX MONTHS ENDED  
28 FEBRUARY 2017**

**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

- Strong health & beauty retail sales performance
  - Good real volume growth
  - Increased market shares
- Buoyant Christmas trading
  - Great value and differentiated product offer
- Implemented outsourcing agreement with Netcare
- Excellent profit growth in UPD
- Diluted headline earnings per share up **13.5%**
- Capital investment supporting increased group scale





# FINANCIAL RESULTS

MICHAEL FLEMING



# FINANCIAL HIGHLIGHTS

- Group turnover up **8.5%**
  - Clicks turnover up **13.1%**
  - UPD turnover up **7.5%**
- Operating margin up from 6.1% to **6.4%**
- Diluted HEPS up **13.5%** to 232.0 cps
- Interim dividend of 88.0 cps, up **15.8%**
- Return on equity of **47.2%**

# TURNOVER

R'm	Feb 2017	Feb 2016	% change	% same store growth	% inflation
Retail	9 238	8 263	11.8	7.5	5.2
Health & beauty			13.1		
Musica			(7.0)		
Distribution	5 846	5 437	7.5		4.4
Intragroup turnover	(1 959)	(1 607)	21.9		
<b>Total group</b>	<b>13 125</b>	<b>12 093</b>	<b>8.5</b>		<b>4.8</b>

- Strong performance by health & beauty brands
- UPD impacted by timing of SEP increases
  - 2.9% in November; 7.5% in March (2016: 4.8% in January)

# TOTAL INCOME

	Feb 2017 R'm	Feb 2016 R'm	% change	Feb 2017 % margin	Feb 2016 % margin
Retail	3 124	2 796	11.7	33.8	33.8
Distribution	427	408	4.6	7.3	7.5
Intragroup	(52)	(48)	7.9		
<b>Total group</b>	<b>3 499</b>	<b>3 156</b>	<b>10.9</b>	<b>26.7</b>	<b>26.1</b>

- Retail margin maintained despite higher level of promotions
- UPD impacted by timing of SEP increases
- Group benefiting from stronger growth of Retail



# OPERATING EXPENDITURE - RETAIL

R'm	Feb 2017	Feb 2016	% change
Depreciation and amortisation	122	108	13.6
Occupancy costs	375	339	10.6
Employment costs	1 280	1 129	13.4
Other operating costs	647	597	8.3
<b>Total retail costs</b>	<b>2 424</b>	<b>2 173</b>	<b>11.6</b>
% of turnover	26.2%	26.3%	

- Investing in stores and pharmacies – inclusion of Medicross/Netcare stores
- Comparable retail costs up 6.4%

# OPERATING EXPENDITURE - DISTRIBUTION

R'm	Feb 2017	Feb 2016	% change
Depreciation and amortisation	15	14	3.9
Occupancy costs	1	2	(33.4)
Employment costs	116	115	0.7
Other operating costs	155	162	(4.4)
<b>Total distribution costs</b>	<b>287</b>	<b>293</b>	<b>(2.2)</b>

- Improvements in employee productivity and transport utilisation

# OPERATING PROFIT

	Feb 2017 R'm	Feb 2016 R'm	% change	Feb 2017 % margin	Feb 2016 % margin
Retail	700	624	12.3	7.6	7.5
Distribution	140	114	22.1	2.4	2.1
Intragroup	-	(6)			
<b>Total group</b>	<b>840</b>	<b>732</b>	<b>14.7</b>	<b>6.4</b>	<b>6.1</b>

- Both divisions grew margin
- Group benefiting from stronger retail topline growth

# INVENTORY

	<u>Days in stock</u>		<u>Inventory (R'm)</u>		
	Feb 2017	Feb 2016	Feb 2017	Feb 2016	% change
Retail	81	84	2 706	2 498	8.3
Distribution	42	43	1 324	1 247	6.2
Intragroup inventory			(40)	(36)	
<b>Total group</b>	<b>73</b>	<b>73</b>	<b>3 990</b>	<b>3 709</b>	<b>7.6</b>

- Good inventory control
- Investment in stock in UPD ahead of SEP increase



# CASH GENERATION

R'm	Feb 2017	Feb 2016
Profit before tax	812	711
Non-cash adjustments	160	177
<b>Operating profit before working capital changes</b>	<b>972</b>	<b>888</b>
Working capital changes	(242)	(47)
Net interest and tax paid	(248)	(255)
<b>Cash inflow from operations</b>	<b>482</b>	<b>586</b>

# CASH UTILISATION

R'm	Feb 2017	Feb 2016
<b>Cash inflow from operations</b>	<b>482</b>	<b>586</b>
Capital expenditure	(249)	(203)
Dividends paid	(469)	(406)
Share buy-backs	-	(290)
Other investing activities	-	(16)
Other financing activities	(18)	156
<b>Net cash utilised</b>	<b>(254)</b>	<b>(173)</b>

- Record dividend payout and capital expenditure

# CAPITAL MANAGEMENT

- R577m capex planned for FY2017
  - R343m on store refurbishments, new stores and pharmacies
  - R187m IT and retail supply chain
  - R47m UPD
- Group continues to be cash generative
  - Funding organic growth





# TRADING PERFORMANCE

DAVID KNEALE





# HEALTH & BEAUTY SALES PERFORMANCE

	<b>% change</b>	<b>% contribution</b>
Pharmacy	<b>20.2</b>	27.3
Front shop health	<b>15.8</b>	22.5
Beauty and personal care	<b>10.5</b>	33.8
General merchandise	<b>4.5</b>	16.4
Total turnover	<b>13.1</b>	100.0

- Comparable store turnover +8.4%

# REVIEW OF THE PERIOD

- Strong performance in pharmacy and health
  - Benefit of extended cold and flu season
  - Continued switch to generics +27.3%
- Promotional sales +19.7%
  - 34.9% of turnover
- More price competitive than ever



Clicks price index on 3 000 lines vs:	
Retailer A	97.2%
Retailer B	92.8%
Retailer C	93.4%
Retailer D	92.6%



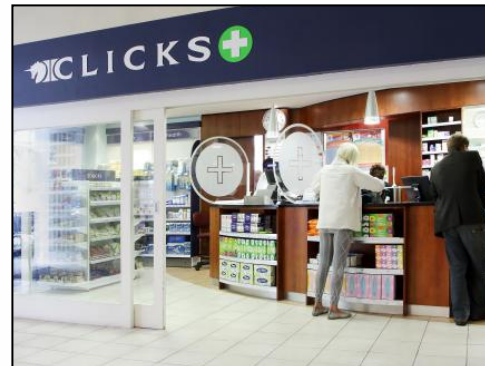
# REVIEW OF THE PERIOD (CONTINUED)



- Private label up to 22.8% from 22.6% of sales
  - Front shop at 29.3%; pharmacy at 5.4%
  - The Body Shop +10.2%
  - Extended distribution of GNC and Claire's
- 6.5 million active ClubCard members
  - 77.4% of sales
- Digital capability expanding
  - Online incremental to store sales
  - New marketing channel



# EXPANDING STORE NETWORK





# EXPANDING STORE NETWORK

	Total	Including pharmacy	Front shop only	Average size
Clicks stores				652m <sup>2</sup>
- South Africa	495	418	77	
- Rest of Africa	27	4	23	
Medicross pharmacies	37	37		95m <sup>2</sup>
Netcare front shops	41		41	51m <sup>2</sup>
<b>Total</b>	<b>600</b>	<b>459</b>	<b>141</b>	

- 89 net new stores
- 59 net new pharmacies
- On track to achieve goal of 800 Clicks stores in South Africa

# MARKET SHARES



%	Feb 2017	Feb 2016
<b>Health</b>		
Retail pharmacy*	20.8	19.0
Front shop health**	30.1	29.6
Baby**	13.1	11.8
<b>Beauty</b>		
Skincare**	27.8	26.8
Haircare**	26.4	25.5
<b>General merchandise</b>		
Small household appliances***	21.6	19.7

\* Per IMS    \*\* Per AC Nielsen (restated)    \*\*\* Per GfK



**MUSICA**  
A WORLD AWAITS



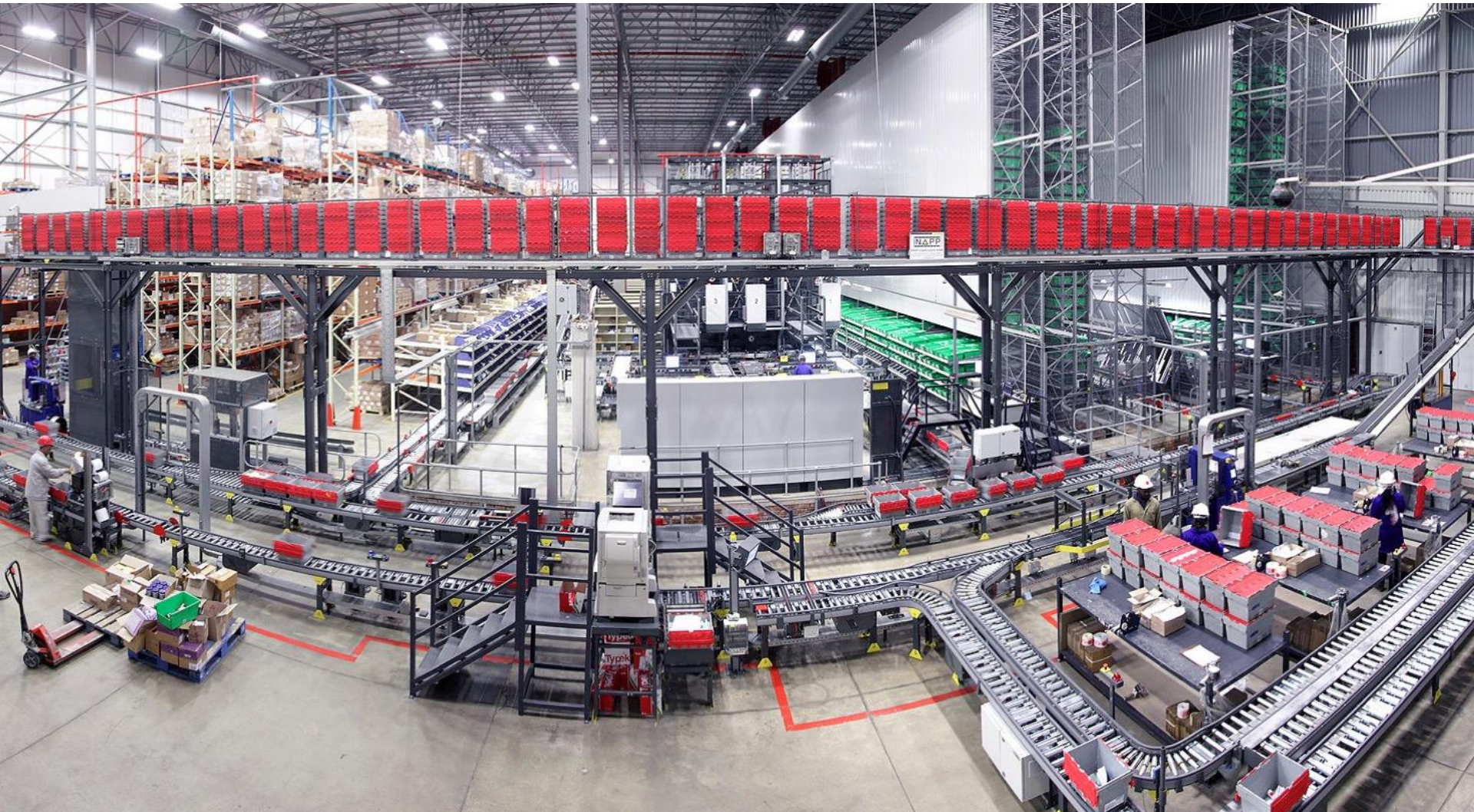


	Turnover		Market share*	
	% change	% contribution	Feb 2017	Feb 2016
CDs	(14.4)	36.3	<b>74.8%</b>	68.0%
DVDs	(10.3)	22.6	<b>56.6%</b>	50.8%
Gaming	(2.8)	19.6	<b>15.0%</b>	14.3%
Technology	10.2	21.5		
<b>Total turnover</b>	<b>(7.0)</b>	100.0		

- Weak release schedule impacted CD and DVD sales
- Strong performance in technology driven by range innovation
- Brand remains profitable
- Market share growth opportunities in all categories

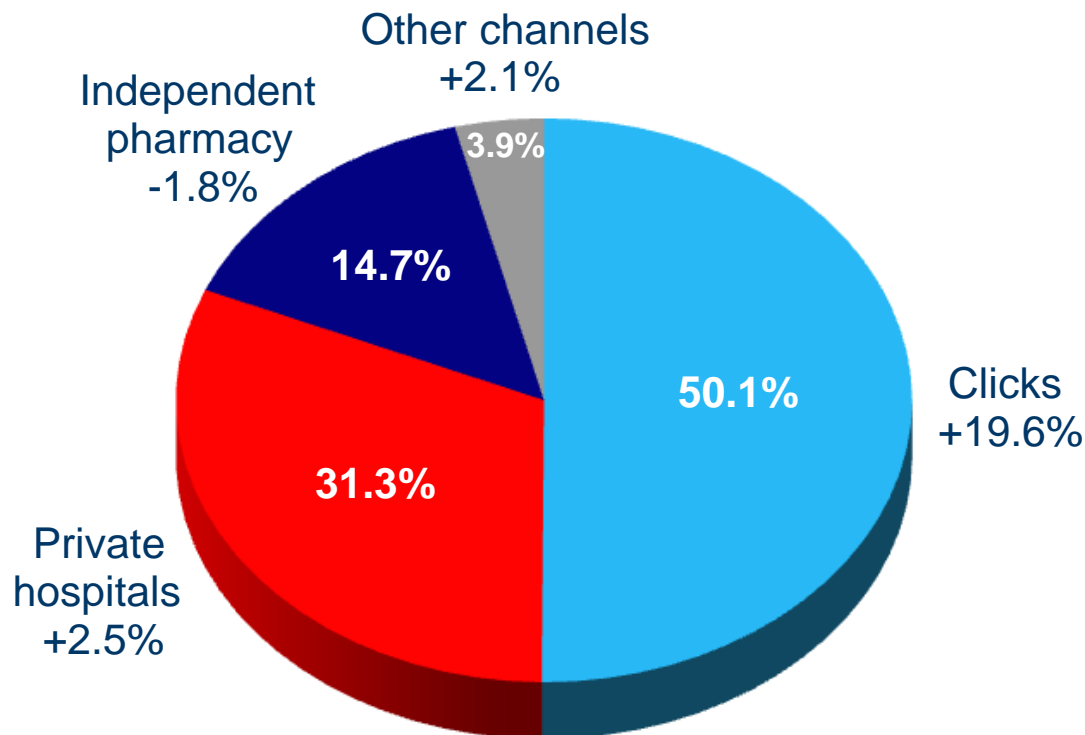
\* Per Aquidneck / GfK (restated)







# FINE WHOLESALE TURNOVER



- Wholesale turnover up 9.6%
- Core customers 81.4% of sales; Link Pharmacies +2.2%
- Wholesale market share 24.6%\*

\* MAT per IMS

# PERFORMANCE

- Total turnover managed up 5.4% to R7.9bn
- H1 2016 turnover boosted by customers buying in ahead of earlier SEP increase
- Generics increased from 46.0% to 48.4% of wholesale
- Business managed efficiently
  - Higher stock availability and improved order fulfilment
  - Leveraging economies of scale in transport
  - Labour productivity improvements
  - Streamlined operating processes





CLICKS  
PHARMACISTS ASSISTANT

CLICKS

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# OUTLOOK

DAVID KNEALE



# OUTLOOK

- Inflation anticipated to be 5 - 6% for FY2017
- Consumer spending to remain constrained
- Health & beauty markets and business model are resilient
- Clicks
  - Continue to drive value, differentiation and convenience
- UPD
  - Seek opportunities to grow distribution business
- Protect income, control costs and manage cash efficiently
- Forecast **11 – 16%** growth in diluted HEPS for FY2017





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THANK YOU





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