

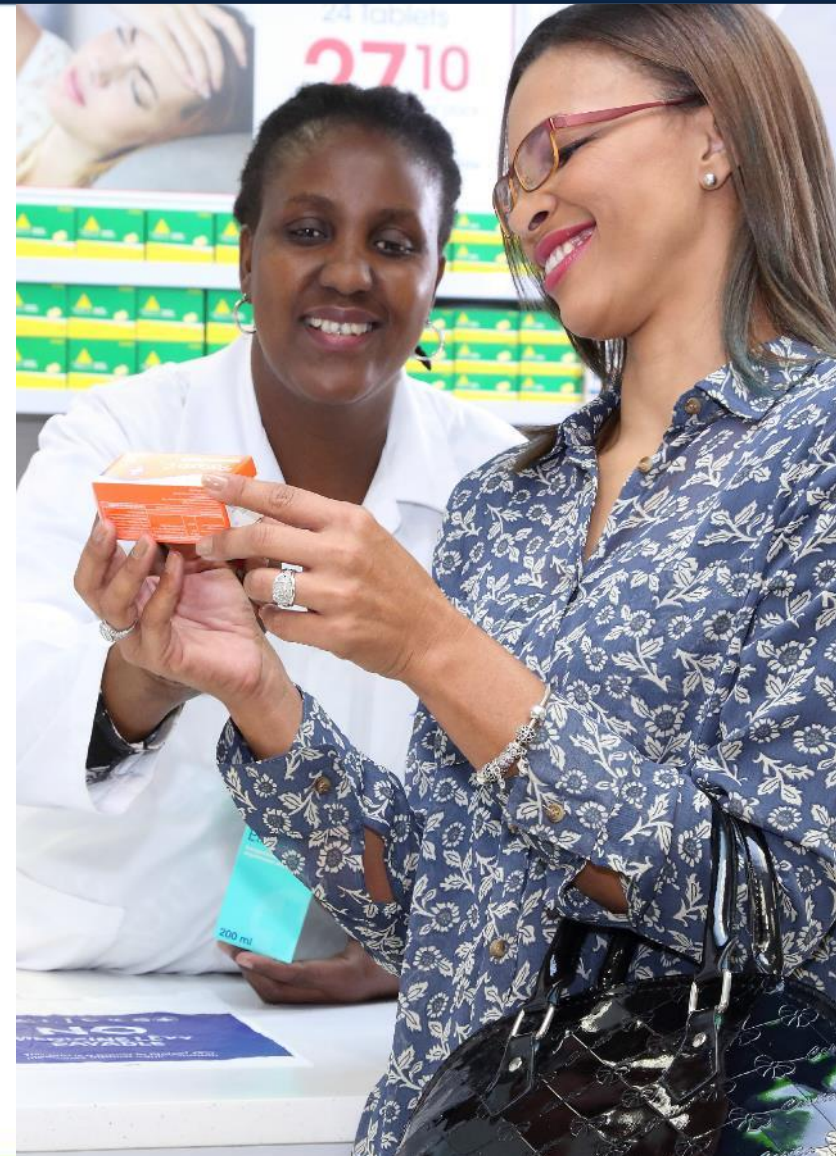


CLICKS GROUP
LIMITED

INTERIM RESULTS
FOR THE SIX MONTHS ENDED
29 FEBRUARY 2020

PRESENTATION OUTLINE

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





REVIEW OF THE PERIOD

VIKESH RAMSUNDER



REVIEW OF THE PERIOD

- Strong growth in health & beauty sales
 - Good volume growth, despite increased load shedding and consumers being under pressure
 - Black Friday changing customer behaviour
 - Continued market share gains
- UPD gained share with new wholesale contracts
- Good working capital management and strong cash generation
- Diluted headline earnings per share up **14.4%**



FINANCIAL RESULTS

MICHAEL FLEMING



FINANCIAL HIGHLIGHTS

- Group turnover up **9.9%**
 - Health & Beauty turnover up **9.6%**
 - UPD reported turnover up **12.3%**
- Operating margin maintained at **7.4%**
- Diluted HEPS up **14.4%** to 338.4 cps
- Return on equity at **34.8%**
- Cash balance of **R2.3bn** at period end
- No interim dividend – will consider an annual dividend at year end

TURNOVER

R'm	Feb 2020	Feb 2019	% change	% same stores growth	% inflation
Retail	12 305	11 330	8.6	5.0	2.7
Health & Beauty			9.6		
Musica			(17.9)		
Distribution	7 467	6 650	12.3		2.4
Intragroup turnover	(2 915)	(2 646)	10.1		
Total group	16 857	15 334	9.9		2.5

- Strong volume growth in health & beauty brands
- UPD benefited from new wholesale contracts

TOTAL INCOME

	Feb 2020 R'm	Feb 2019 R'm	% change	Feb 2020 % margin	Feb 2019 % margin
Retail	4 107	3 813	7.7	33.4	33.7
Distribution	601	527	14.2	8.1	7.9
Intragroup	(107)	(88)			
Total group	4 601	4 252	8.2	27.3	27.7

- Retail margin impacted by higher operating costs at Centurion DC
- UPD benefiting from mix of new wholesale contracts

OPERATING EXPENDITURE - RETAIL

R'm	Feb 2020	Feb 2019*	% change
Depreciation – PPE	182	159	14.3
Depreciation – ROU asset	343	310	10.9
Occupancy costs	98	94	3.4
Employment costs	1 637	1 547	5.8
Other operating costs	804	745	8.0
Total retail costs	3 064	2 855	7.3
% of turnover	24.9%	25.2%	
Finance costs – lease liability	103	109	(4.9)

- Good control of expenses, well below turnover growth
- Comparable retail costs contained to **3.8%**

* Restated for IFRS 16

OPERATING EXPENDITURE - DISTRIBUTION

R'm	Feb 2020	Feb 2019*	% change
Depreciation – PPE	18	18	(4.5)
Depreciation – ROU asset	1	-	
Occupancy costs	1	2	(2.0)
Employment costs	140	131	6.9
Other operating costs	220	181	21.4
Total distribution costs	380	332	14.5

- Impact of new wholesale contracts

* Restated for IFRS 16

OPERATING PROFIT

	Feb 2020 R'm	Feb 2019* R'm	% change	Feb 2020 % margin	Feb 2019* % margin
Retail	1 043	958	9.0	8.5	8.5
Distribution	221	194	13.5	3.0	2.9
Intragroup	(18)	(14)			
Total group	1 246	1 138	9.4	7.4	7.4

- Both divisions did well to hold margin in a tough environment

* Restated for IFRS 16

INVENTORY

	<u>Days in stock</u>		<u>Inventory (R'm)</u>		
	Feb 2020	Feb 2019	Feb 2020	Feb 2019	% change
Retail	82	79	3 664	3 264	12.3
Distribution	58	46	2 340	1 652	41.6
Intragroup inventory			(99)	(81)	
Total group	84	76	5 905	4 835	22.1

- Stock levels increased ahead of SEP increase
- Net working capital days improved from 37 to 35 days

CASH GENERATION

R'm	Feb 2020	Feb 2019*
Profit before tax	1 179	1 045
Non-cash adjustments	590	625
Operating profit before working capital changes	1 769	1 670
Working capital changes	(391)	(489)
Net interest and tax paid	(216)	(116)
Net settlement of derivative	71	133
Cash inflow from operations	1 233	1 198

* Restated for IFRS 16

CASH UTILISATION

R'm	Feb 2020	Feb 2019*
Cash inflow from operations	1 233	1 198
Capital expenditure	(309)	(264)
Dividends paid	(822)	(682)
Other investing & financing activities	(32)	7
Repayment of lease liability	(374)	(330)
Net cash utilised	(304)	(71)
Cash and cash equivalents at period end	2 309	1 452

* Restated for IFRS 16

CAPITAL MANAGEMENT

- R653m shares bought back to date in H2
- R389m capex planned for H2 2020
 - R151m on stores, including:
 - 21 new Clicks stores
 - 13 new pharmacies
 - R198m on infrastructure, including:
 - R137m on retail systems and infrastructure
 - R61m on UPD IT and warehouse equipment

MEDIUM-TERM FINANCIAL TARGETS

Restated for IFRS 16	Medium-term target
ROE (%)	50 – 60
ROA (%)	11 – 15
Net working capital days	30 – 35
Group operating margin (%)	7.5 – 8.5
Retail	8.5 – 9.5
Distribution	2.5 – 3.0
Dividend payout ratio (%)	60 – 65

CLICKS

pharmacy
health
home
beauty



TRADING PERFORMANCE

VIKESH RAMSUNDER



HEALTH & BEAUTY SALES PERFORMANCE

	% change	% contribution
Pharmacy	8.3	28.8
Front shop health	11.8	23.5
Beauty and personal care	9.1	31.3
General merchandise	9.7	16.4
Total turnover	9.6	100.0

- Comparable stores turnover growth of **5.8%**
 - Inflation only 2.3%
 - Volume growth of 3.5%

MARKET SHARE GAINS



%	Feb 2020	Feb 2019
Health		
Retail pharmacy*	24.6	24.1
Front shop health**	31.7	31.2
Baby**	18.1	16.5
Beauty		
Skincare**	39.1	36.5
Haircare**	30.1	28.8
Personal care**	19.8	19.0
General merchandise		
Small electrical appliances***	17.2	14.5

* 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 +15.0% to 40.3% of turnover
- In pharmacy, generics +9.7% to 56% of sales and 68% of volume

■ Differentiating our product offer

- Private label up to 23.5% of sales (front shop 29.5%, pharmacy 8.1%)

Clicks price index* vs:

Retailer A	97.0%
Retailer B	94.0%
Retailer C	95.3%
Retailer D	98.8%

* Excluding 3 for 2 promotions





■ Engaging customers through **personalisation**

- 8.4m active ClubCard members, 78.2% of sales
- Clicks app downloaded by 754 000 customers
- Launched “pick your own promotion”
- New partners – Engen in H1, eBucks in H2



■ Enabling efficient **healthcare** access

- Repeat prescription service
- Submit scripts via the Clicks app for collection
- Online delivery of chronic medication through Clicks Direct Medicines



■ Extending convenience

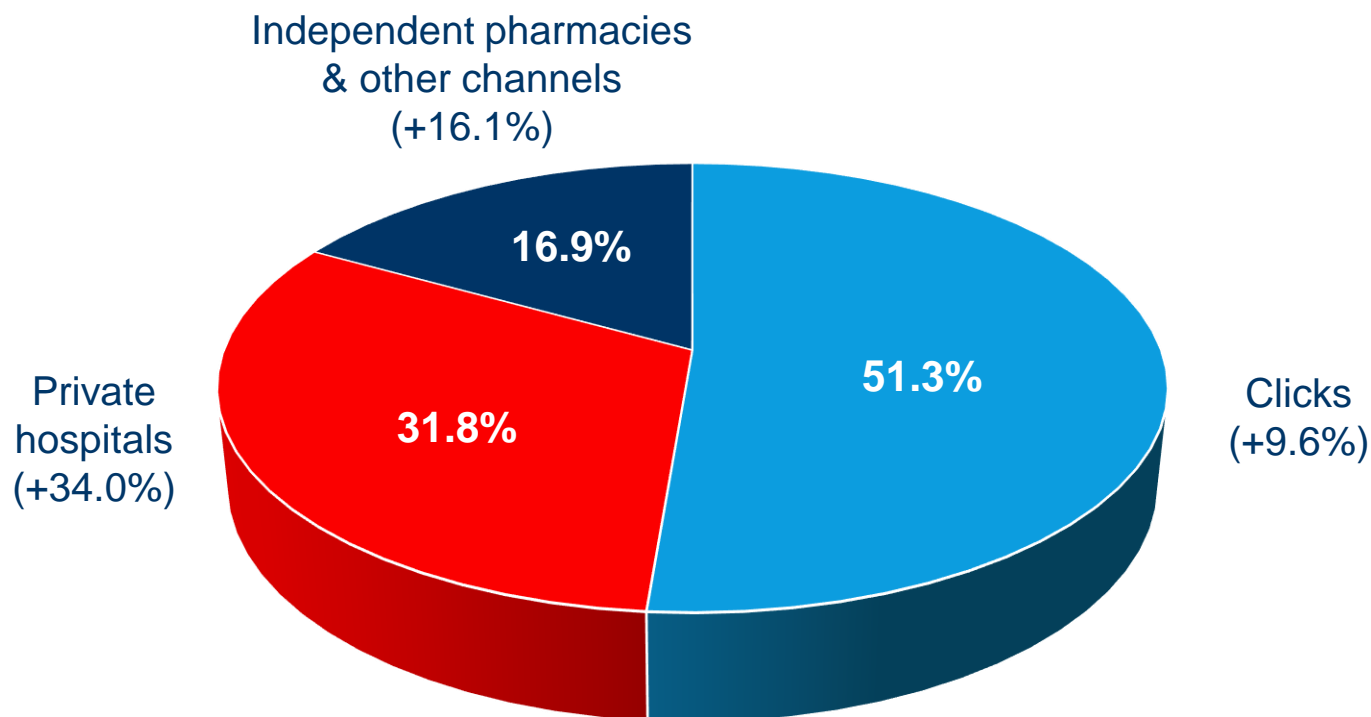
- 721 Clicks stores with 572 pharmacies
- 50% of customers < 5 km of a pharmacy
- 65 SA stores still to get a dispensary
- 33 Clicks stores refurbished
- Online is the fastest growing store

Format	Total
Convenience	530
Destination	191
Total	721





FINE WHOLESALE TURNOVER



- Wholesale turnover up 17.6%
 - 2 new wholesale buying groups
- Wholesale market share up from 26.0% to 27.2%*

* MAT per IQVIA

PERFORMANCE AND OUTLOOK



- Total managed turnover +3.3% to R10.6bn
 - Bulk distribution business impacted by delay in issuing of state tenders
- Generic medicines +18.1% (68.8% of volume)
- Benefit of higher SEP increase in 2020
 - Maximum of 4.53% vs 3.78% in 2019
- Secured license for additional rented warehouse
- Stocked up for Covid-19 requirements of customers





clinic

NEW
Johnson's
gentle protect

99.9%
on a prep

SAVE
PURELY
FREE
2016

great
value
every day

great
value
every day

OUTLOOK

VIKESH RAMSUNDER



RESPONSE TO COVID-19 PANDEMIC

- As a leading healthcare provider we recognise our broader societal role and humanitarian responsibility in protecting our communities
- Aligned with government's conviction to flatten the curve
- WHO and NICD hygiene protocols maintained across all stores
- Safety and health of staff and customers is paramount
- Convenient access to medication to minimise time away from home
- Commitment to fair pricing and ensuring prices on essential hygiene products not increased
- Limiting quantities to six units per product per customer

RESPONSE TO COVID-19 PANDEMIC (CONTINUED)

- Flu vaccinations offered to store staff at no cost
- Bonuses to be paid to customer-facing staff
- Executive and non-executive directors donating one third of salaries and fees for three months to the Solidarity Fund
- Free clinic services for customers with no medical cover extended to five days a week
- Donating 10 000 flu vaccines to Department of Health for frontline public healthcare workers

TRADING UPDATE FOR 7 WEEKS TO 19 APRIL 2020

- Unprecedented demand across health and hygiene categories after state of disaster declared in SA
- Dramatic slowdown in sales over lockdown period as customers had stocked up on essentials and stayed home
 - Only essential products sold in Clicks during lockdown
 - Musica, The Body Shop and Claire's stores closed
- Retail sales up 7.9%
 - Health & beauty sales up 9.3%
- UPD turnover up 31.2%
- Group turnover up 15.9%

OUTLOOK

- Trading environment will be incredibly tough in H2
- Extent and duration of the pandemic remain unknown
- Load shedding is a further risk, particularly over winter
- 35% depreciation in the Rand since 2 January 2020
- Store and pharmacy plans unchanged
- Strategy and business model are resilient
- Robust balance sheet and strong cash flow generation
- Not providing full year earnings guidance due to uncertainty
- Confident of delivering on medium-term targets

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