



**CLICKS GROUP**  
LIMITED

**INTERIM RESULTS**  
FOR THE SIX MONTHS ENDED  
28 FEBRUARY 2021

# PRESENTATION OUTLINE

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







## REVIEW OF THE PERIOD

VIKESH RAMSUNDER



# REVIEW OF THE PERIOD

- Continued good growth in health & beauty sales
  - Comparable period pre outbreak of Covid-19
- Clicks opened 600<sup>th</sup> pharmacy
- UPD gained market share with new contracts
- Stringent cost control
- Strengthening executive management
- Phased closure of Musica
- Diluted headline earnings per share up **9.5%**





multivitamins

# FINANCIAL RESULTS

## MICHAEL FLEMING



# FINANCIAL HIGHLIGHTS

- Group turnover up **7.6%**
  - Health & Beauty turnover up **7.2%**
  - UPD reported turnover up **9.0%**
- Operating margin increased from 7.4% to **7.5%**
- Diluted HEPS up **9.5%** to 370.6 cps
  - Up **14.1%** excluding Musica
- Return on equity up from 34.8% to **37.4%**
- Cash balance of **R1.1bn** at period end
  - R602m shares repurchased
- Interim dividend of **142.5** cps declared

# TURNOVER

R'm	Feb 2021	Feb 2020	% change	% same stores growth	% inflation
Retail	13 019	12 305	5.8	3.7	3.3
Health & Beauty	12 832	11 972	7.2	4.0	3.2
Musica	187	333	(43.7)		
Distribution	8 141	7 467	9.0		2.3
Intragroup turnover	(3 026)	(2 915)	3.9		
<b>Total group</b>	<b>18 134</b>	<b>16 857</b>	<b>7.6</b>		<b>2.9</b>

- 0.8% impact of one less trading day in health & beauty
- UPD benefited from annualisation of new wholesale contracts and growth in hospital business

# TOTAL INCOME

	Feb 2021 R'm	Feb 2020 R'm	% change	Feb 2021 % margin	Feb 2020 % margin
Retail	4 275	4 107	4.1	32.8	33.4
Health & Beauty	4 228	3 994	5.9	33.0	33.4
Musica	33	113	(71.1)	17.4	34.0
Other	14	-			
Distribution	689	601	14.7	8.5	8.1
Intragroup	(101)	(107)	(5.5)		
<b>Total group</b>	<b>4 863</b>	<b>4 601</b>	<b>5.7</b>	<b>26.8</b>	<b>27.3</b>

- H&B margin impacted by change in mix with lower beauty sales
- New bulk distribution contract in UPD offsetting later SEP increase



# OPERATING EXPENDITURE - RETAIL

R'm	Feb 2021	Feb 2020	% change
Depreciation – PPE	196	178	10.2
Depreciation – ROU asset	351	311	12.9
Occupancy costs	80	89	(9.8)
Employment costs	1 647	1 589	3.6
Other operating costs	791	780	1.4
<b>Total health &amp; beauty costs</b>	<b>3 065</b>	<b>2 947</b>	<b>4.0</b>
% of turnover	23.9%	24.6%	
Musica costs	94	117	(19.5)
<b>Total retail costs</b>	<b>3 159</b>	<b>3 064</b>	<b>3.1</b>
Finance costs – lease liability	102	99	2.4

- Excellent control of expenses, well below turnover growth
- Comparable H&B costs held in line with prior year

# CLOSURE OF MUSICA

- Brand to cease trading from 31 May 2021
- 53 stores closed in the first half and 14 after February
  - 11 stores still open and 53 staff still to be transferred
- R4m in stock on balance sheet at February 2021
  - Benefit of consignment stock
  - No stock write-off necessary, but GP impact of clearing stock
- R11m provision for store closures
- R30m impairment of assets
- 18 cps negative impact of Musica on H1 2021 group dHEPS
  - -2 cps in H1 2020 and -15 cps in FY2020

# OPERATING EXPENDITURE - DISTRIBUTION

R'm	Feb 2021	Feb 2020	% change
Depreciation – PPE	16	18	(11.1)
Depreciation – ROU asset	2	1	
Occupancy costs	1	1	
Employment costs	145	140	3.3
Other operating costs	268	220	21.6
<b>Total distribution costs</b>	<b>432</b>	<b>380</b>	<b>13.5</b>

- Cost growth below total managed turnover growth
- Impact of new wholesale / distribution contracts and additional warehouse rented



# OPERATING PROFIT

	Feb 2021 R'm	Feb 2020 R'm	% change	Feb 2021 % margin	Feb 2020 % margin
Retail	1 116	1 043	6.9	8.6	8.5
Health & Beauty	1 164	1 048	11.0	9.1	8.8
Musica	(62)	(4)			
Other	14	(1)			
Distribution	257	221	16.6	3.2	3.0
Intragroup	(7)	(18)			
<b>Total group</b>	<b>1 366</b>	<b>1 246</b>	<b>9.7</b>	<b>7.5</b>	<b>7.4</b>

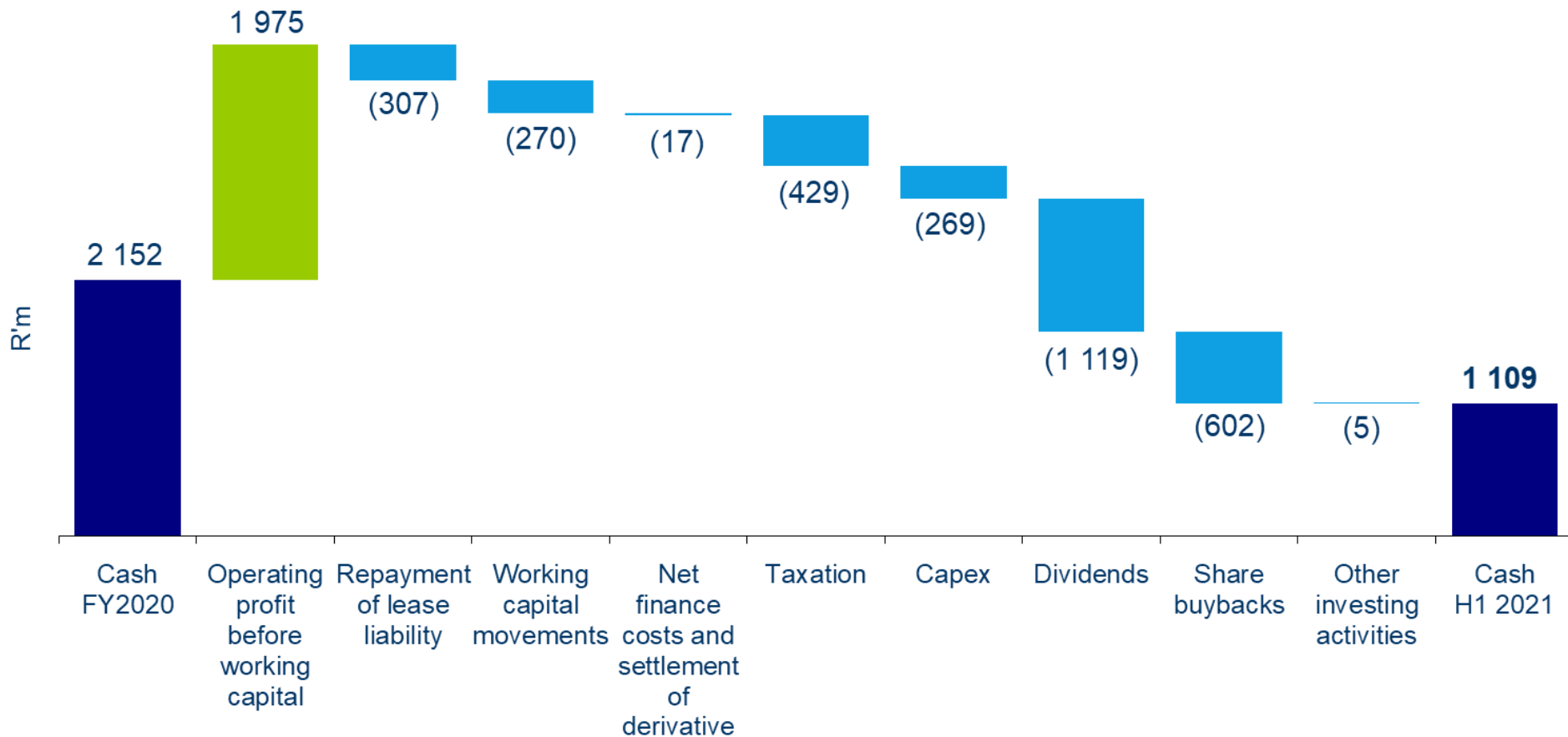
- Both divisions grew margin despite the tough environment

# INVENTORY

	<u>Days in stock</u>		<u>Inventory (R'm)</u>		
	<b>Feb 2021</b>	Feb 2020	<b>Feb 2021</b>	Feb 2020	% change
Retail	84	82	4 021	3 664	9.7
Health & Beauty	85	82	4 017	3 574	12.3
Musica	5	77	4	90	(95.8)
Distribution	56	58	2 459	2 340	5.1
Intragroup inventory			(94)	(99)	
<b>Total group</b>	<b>83</b>	<b>84</b>	<b>6 386</b>	<b>5 905</b>	<b>8.2</b>

- Focused on mitigating supply chain disruption in front shop health

# CASH MANAGEMENT FOR THE SIX MONTHS



- R1.7 billion returned to shareholders



# CAPITAL EXPENDITURE

- R745m capex planned for FY2021
  - R317m on stores, including:
    - 40 new Clicks stores
    - 36 new pharmacies
    - 40 store refurbishments
  - R428m focused on IT, supply chain and infrastructure, including:
    - R226m on IT systems





TRADING PERFORMANCE

VIKESH RAMSUNDER





# HEALTH & BEAUTY SALES PERFORMANCE

	<b>% change</b>	<b>% contribution</b>
Pharmacy	<b>3.0</b>	27.5
Front shop health	<b>24.7</b>	27.5
Beauty and personal care	<b>1.3</b>	29.6
General merchandise	<b>0.6</b>	15.4
Total turnover	<b>7.2</b>	100.0

- Comparable stores turnover growth of **4.0%**
  - Inflation 3.2%
  - Volume growth 0.8%



# MARKET SHARE GAINS



%	Feb 2021	Feb 2020
<b>Health</b>		
Retail pharmacy*	23.4	24.2
Front shop health**	32.9	31.2
Baby**	19.6	16.8
<b>Beauty</b>		
Skincare**	40.2	40.1
Haircare**	31.1	30.4
Personal care**	18.6	18.3
<b>General merchandise</b>		
Small electrical appliances***	17.8	17.2

\* Per IQVIA (Private Retail Pharmacy S1-6) (restated)    \*\* Per AC Nielsen (restated)    \*\*\* Per GfK

## ■ Maintaining value

- Price competitive with all national retailers
- Promotional sales +12.1% to 41.8% of turnover
- In pharmacy, generics +4.7% to 57.5% of sales and 70.3% of volume

## ■ Differentiating our product offer

- Private label up to 24.5% of sales (front shop 30.0%, pharmacy 9.4%)
- Focused on tiering of private label
  - Expanding Clicks Expert to more categories

Clicks price index* vs:	
Retailer A	96.4%
Retailer B	97.0%
Retailer C	93.5%
Retailer D	98.0%

\* Excluding 3 for 2 promotions



**CLICKS+**  
**expert**  
 formulations

- ✓ DEVELOPED BY PHARMACISTS
- ✓ TESTED TO BE TRUSTED
- ✓ PREMIUM QUALITY

*try me, I'm new*

**VITAMIN D3**  
 Supports bone health & bone health by assisting calcium absorption.

**VITAMIN C**  
 Powerful antioxidant helps to maintain a healthy immune system.

**WITH SAW PALMETTO**  
 Assists with energy, security, prostate and circulation.

**WITH L-GLUTAMINE**  
 Assists with energy, immunity and skin health.

## ■ Engaging customers through **personalisation**

- 8.6m active ClubCard members, 79.1% of sales
- Clicks app downloaded by 1.8m customers
- Personalised deals and digital engagement
- Launch personalised landing page

## ■ Enabling efficient **healthcare** access

- Repeat prescription service
- Submit scripts via Clicks app for collection
- Free delivery of chronic medicines from pharmacies since November 2020
- Telemedicine service in 85 clinics





## ■ Extending **convenience**

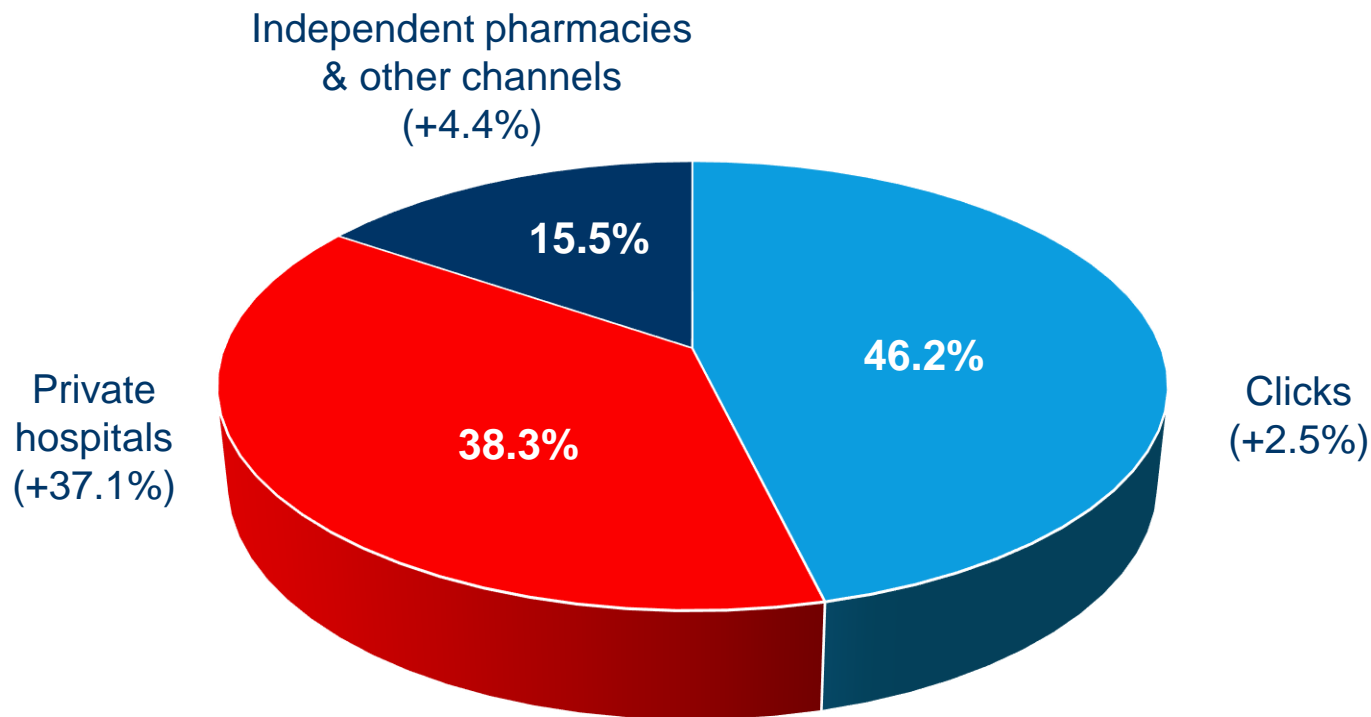
- 760 Clicks stores with 601 pharmacies
- 50% of customers < 6 km of a pharmacy
- 77 SA stores still to get a dispensary
- 19 Clicks stores refurbished
- Convenience locations continue to outperform destination malls
- Online sales +167.4% to 1.3% of front shop sales (direct delivery increased to 84.5% of online)
- Launching on Vodacom 'super app'



Format	Total
Convenience	561
Destination	199
<b>Total</b>	<b>760</b>



# FINE WHOLESALE TURNOVER



- Wholesale turnover up 13.8%
  - Annualisation of new buying groups
- Wholesale market share up from 27.2% to 30.6%\*

\* MAT per IQVIA



# PERFORMANCE AND OUTLOOK

- Total managed turnover +18.9% to R13.2bn
  - Largest distribution client extended for 5 years
  - New bulk distribution contract during H2
- Generic medicines +14.0% (70.8% of volume)
- SEP increase one month later and lower than 2020
  - Maximum of 3.68% vs 4.53% in 2020
- 29.7% growth in front shop sales, driven by health supplements and sanitisers







OUTLOOK

VIKESH RAMSUNDER



# OUTLOOK

- Trading environment will remain tough in H2
- Will exceed store opening target
- IT and supply chain investments go live in H2
- Forecast **8% - 13%** growth in group diluted HEPS for FY2021
- Capacity to assist in Covid-19 vaccine rollout in SA
  - 62 pharmacies registered as part of healthcare workers programme
  - 601 pharmacies and 192 clinics across the country – could handle 600 000 – 700 000 vaccinations per month
  - UPD has cold chain capability to distribute all vaccines
- Vaccine rollout will benefit economic growth





THANK YOU



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