



**ANNUAL RESULTS FOR THE YEAR ENDED
31 AUGUST 2015**

CLICKS GROUP
LIMITED

PRESENTATION OUTLINE

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





clinic

REVIEW OF THE YEAR

DAVID KNEALE



REVIEW OF THE YEAR

- Another good trading performance
 - All retail brands showing volume growth
 - Resilient health and beauty markets
 - Clicks continues to gain market share
- UPD market leader in wholesale and distribution
- A record year of investment
- R667m returned to investors
- Diluted headline earnings per share up 14.0%



FINANCIAL RESULTS

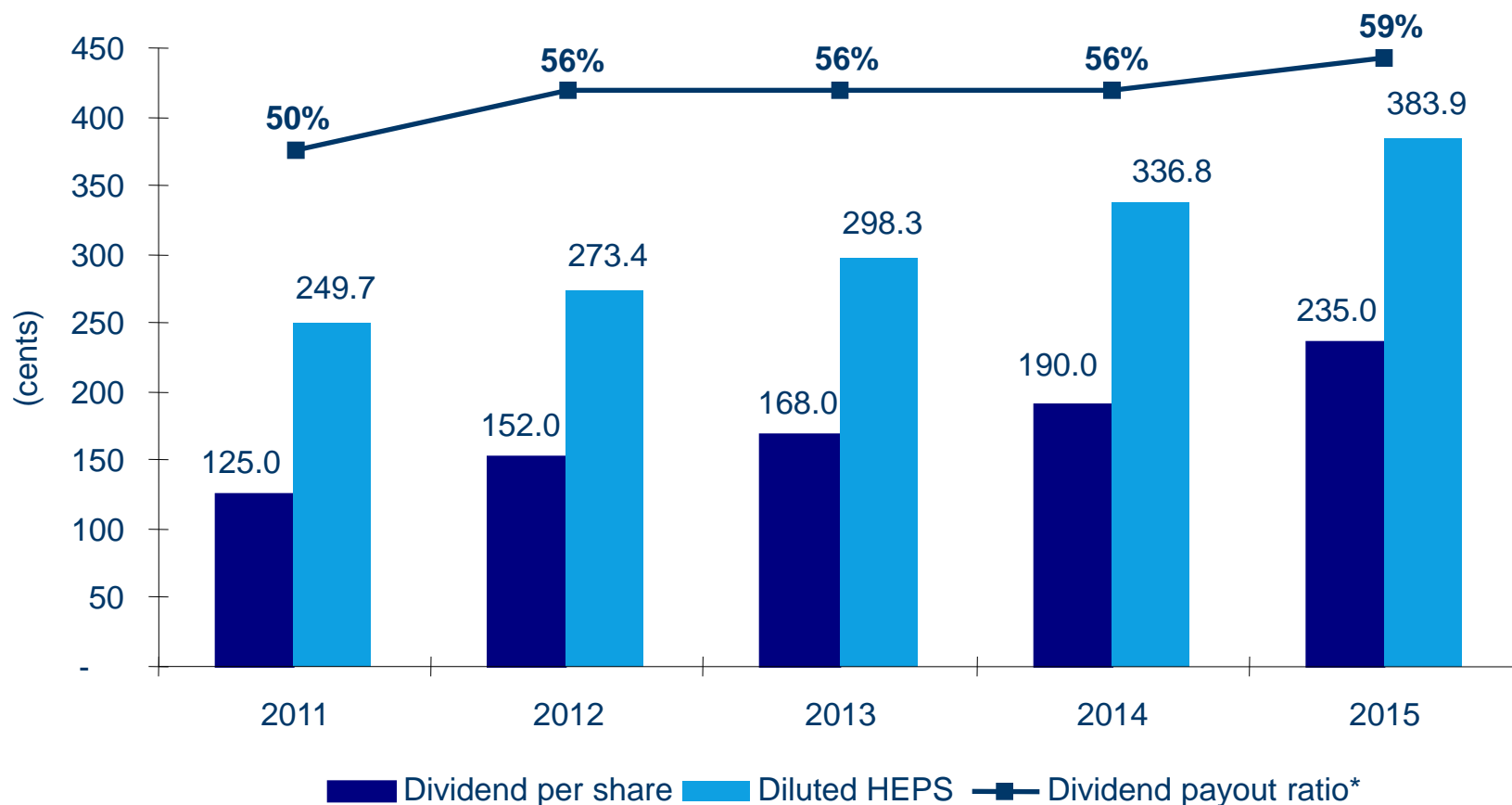
MICHAEL FLEMING



FINANCIAL HIGHLIGHTS

- Group turnover up **15.3%**
 - Clicks turnover up **10.9%**
 - UPD turnover up **21.6%**
- Operating margin at **6.3%**
- Diluted HEPS up **14.0%** to 383.9 cps
- Cash generated by operations **R1.7 billion**
- Total dividend of 235.0 cps, up **23.7%**
 - Total shareholder return of **35.8%**
- Return on equity of **53.7%**

SUSTAINED FINANCIAL PERFORMANCE



- 5-year CAGR in diluted HEPS of **12.7%** and DPS of **17.2%**

* Based on headline earnings per share

TURNOVER

R'm	2015	2014	% change	% same store growth	% inflation
Clicks	13 696	12 346	10.9	7.9	4.3
Musica	895	874	2.3	1.3	0.2
The Body Shop	167	149	12.7	9.4	2.8
Total retail	14 758	13 369	10.4	7.5	4.0
UPD	10 415	8 563	21.6		4.2
Intragroup turnover	(3 103)	(2 783)	11.5		
Total group	22 070	19 149	15.3		4.0

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

TOTAL INCOME

	2015 R'm	2014 R'm	% change	2015 % margin	2014 % margin
Retail	5 018	4 513	11.2	34.0	33.8
Distribution	809	729	11.0	7.8	8.5
Intragroup	(92)	(70)			
Total group	5 735	5 172	10.9	26.0	27.0

- Well managed promotional activity and private label margin growth in Clicks
- Impact of business mix in UPD
- Group margin reflects faster turnover growth in UPD

OPERATING EXPENDITURE - RETAIL

R'm	2015	2014	% change
Depreciation and amortisation	210	195	8.1
Occupancy costs	617	560	10.2
Employment costs	2 033	1 828	11.2
Other operating costs	1 007	930	8.2
Total retail costs	3 867	3 513	10.1

- Pharmacy professional costs up 11.8%
 - Staff turnover down from 24% to 22%
- Employee share ownership plan (ESOP) charge of R52m (FY2014: R31m)
- Comparable retail costs up 8.0%

OPERATING EXPENDITURE - DISTRIBUTION

R'm	2015	2014	% change
Depreciation and amortisation	27	25	8.1
Occupancy costs	3	6	(43.4)
Employment costs	222	205	8.3
Other operating costs	298	272	9.6
Total distribution costs	550	508	8.4

- Increased variable costs from growth in distribution business
- Comparable costs up 6.1%

OPERATING PROFIT

	2015 R'm	2014 R'm	% change	2015 % margin	2014 % margin
Retail	1 151	1 000	15.1	7.8	7.5
Distribution	258	221	17.0	2.5	2.6
Intragroup	(13)	(3)			
Total group	1 396	1 218	14.6	6.3	6.4

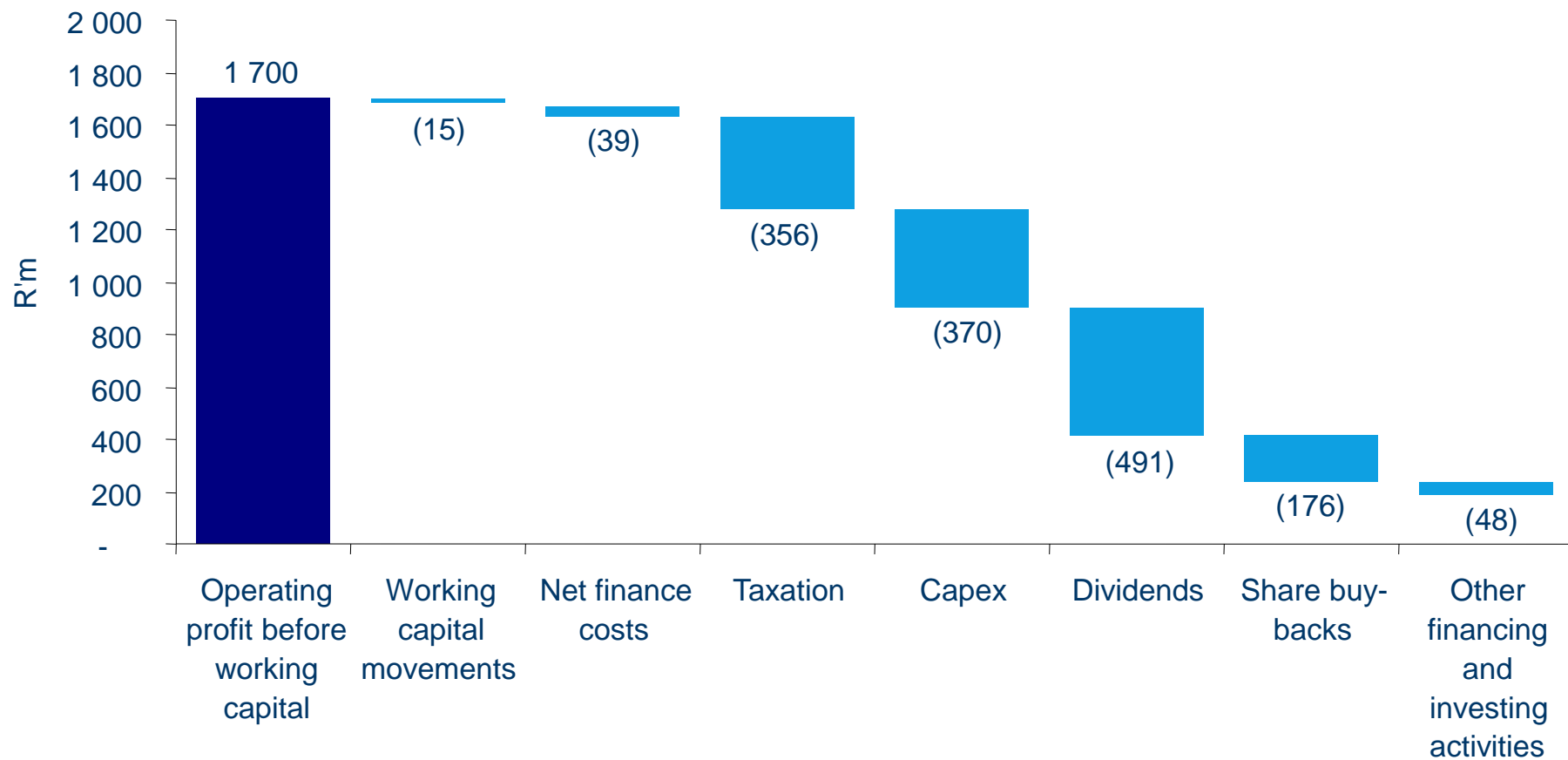
- Retail accounts for 82% of group profit
- Margins within target ranges

INVENTORY

	<u>Days in stock</u>		<u>Inventory (R'm)</u>		
	2015	2014	2015	2014	% change
Retail	71	70	2 024	1 799	12.5
Distribution	45	36	1 256	825	52.2
Intragroup inventory			(30)	(10)	
Total group	68	64	3 250	2 614	24.3

- Record availability of 97.5% in Clicks
- Additional stock for new franchise brands
- UPD stock higher than expected but levels have normalised post year end

CASH MANAGEMENT



CAPITAL MANAGEMENT

- Group will remain cash generative
- Focus on optimising inventory management
- R432m capex planned for FY2016
 - R227m on store refurbishments, new stores and pharmacies
 - R167m retail infrastructure
 - R38m UPD
- Return surplus cash to shareholders

MEDIUM-TERM FINANCIAL TARGETS

	Achieved in 2015	2016 – 2018 target
ROE (%)	53.7	50 – 60
ROA (%)	14.0	14 – 18
Inventory days	68	55 – 60
Group operating margin (%)	6.3	6.0 – 7.0
Retail	7.8	7.0 – 8.0
Distribution	2.5	2.0 – 2.5*

* Excluding any SEP trading gains



pharmacy
clinic
health
home
beauty



pharmacy
clinic
health
home
beauty

TRADING PERFORMANCE

DAVID KNEALE



SALES PERFORMANCE



	% change	% contribution
Pharmacy	12.8	27.5
Front shop health	15.3	23.0
Beauty and personal care	10.1	32.1
General merchandise	4.5	17.4
Total turnover	10.9	100.0

- Driving volumes through value offering
- Promotions now 29% of sales
- More price competitive than ever before

PHARMACY AND FRONT SHOP HEALTH

- Pharmacy
 - Continued switch to generics +19.0% (45.4% of sales)
 - OTC medicines +15.6%
- Front shop health
 - Good growth in all categories: medicines +11.9%, supplements +11.9%, first aid & diagnostics +17.3%
- Continuing strong growth in baby +20.3%
- Market shares



%	Aug 2015	Aug 2014
Retail pharmacy*	18.7	18.3
Front shop health**	29.4	28.4
Baby**	11.2	9.9

* Per IMS (note that methodology changed in 2015 - comparative not restated)

** Per AC Nielsen (comparatives restated)

- Beauty and personal care
 - Continued range extension in fragrance +22.1%
 - Good growth in colour cosmetics +12.6% & skincare +10.2%
 - Haircare +5.5%
- General merchandise
 - Non-core categories -20.0%
 - Domestic +13.7%, confectionery +9.6%
 - Electrical +5.7%



Market shares

%	Aug 2015	Aug 2014
Skincare**	26.8	26.3
Haircare**	25.4	24.9
Small household appliances***	20.2	18.7

** Per AC Nielsen (comparatives restated)

*** Per GfK (comparative restated)

- 5 million active ClubCard members, 75% of sales
 - Very positive response from customers to cashback on card
- Private label up from 19.0% to 19.8%
 - Front shop at 25.7%
- 361 pharmacies and 157 clinics in 486 stores at 31 August
 - 24 stores outside SA
 - Net 22 new stores and net 22 new pharmacies



- Continued focus on delivering the brand proposition
 - Value – stay price competitive, effective promotions
 - Differentiated product ranges – ultimate goal of 25% private label and exclusive brands
 - Continue to improve customer care
 - Rewards – target of 5.5m ClubCard members
 - Increase engagement with customers – launch transactional website during 2016
- Longer term target of 600 stores in South Africa
 - 20 – 25 new stores next year
 - 25 – 35 new pharmacies next year

claire's

GNC LIVE WELL



FRANCHISE BRANDS



- Portfolio of exclusive brands adding differentiation to Clicks offer
- Claire's launched in July 2015
 - Leading specialty retailer in fashionable jewellery and accessories
 - 1 standalone store and now in 77 Clicks stores
- Roll out of GNC continues
 - 4 standalone stores and presence in 257 Clicks stores
 - 2 new standalone stores opened in September 2015
 - Pipeline of 100 new products next year





- Loyal customer base – 59% of sales from 164 000 Love Your Body cardholders
- Bigger focus on skincare +17.4%
- Bath & shower +14.3% and bodycare +13.0% benefited from new product launches
- Continuing to expand the footprint
 - 50 standalone stores –
2 new stores in H1 2016
 - Presence in 86 Clicks stores





MUSICA
A WORLD AWAITS



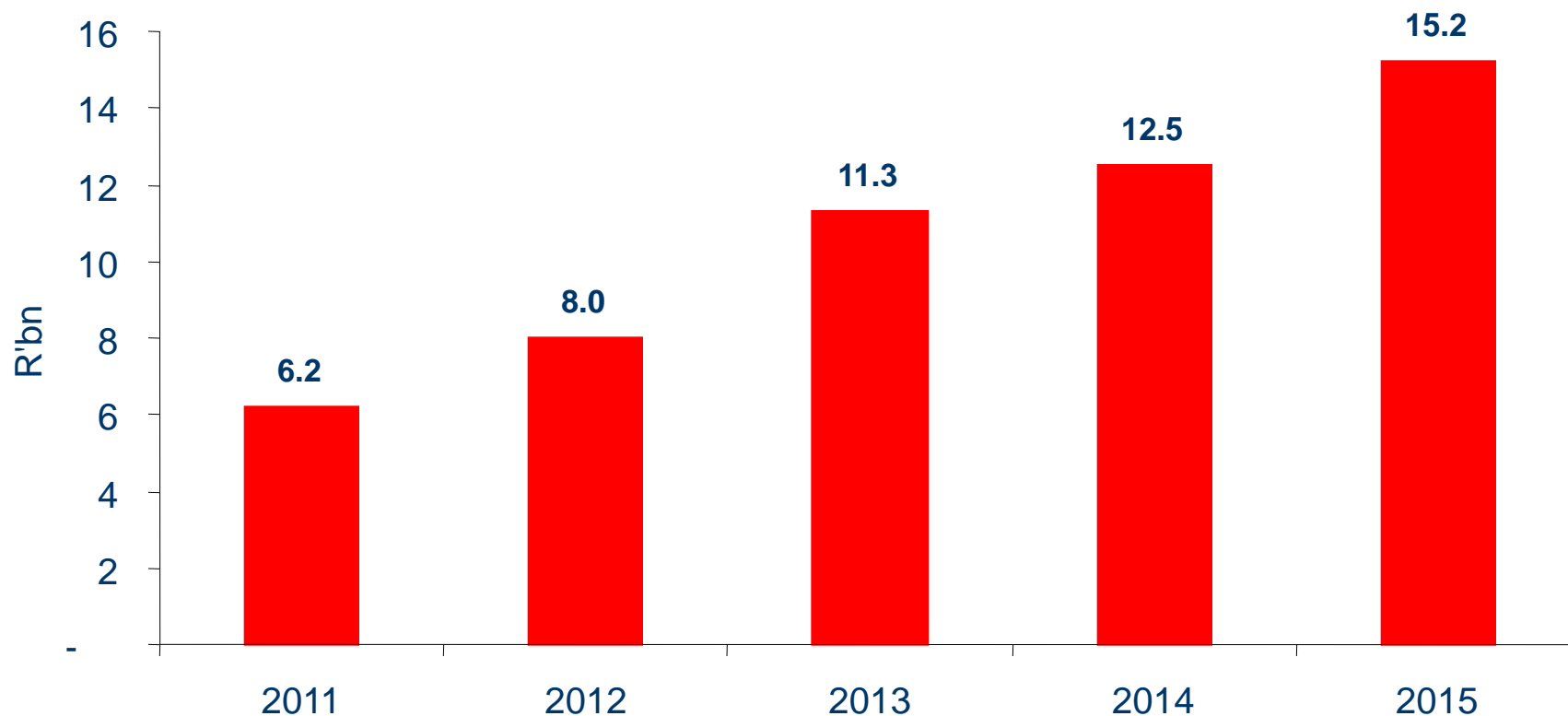
	% change	% contribution	Market share*	
			Aug 2015	Aug 2014
CDs	0.4	39.9	60.8	50.9
DVDs	(4.3)	26.3	43.3	34.6
Gaming	10.7	17.0	13.0	10.4
Technology	10.9	16.8		

- Market share growth continues in all categories
- Strong performance in gaming (new console releases) and technology (expanded ranges)
- Continue to manage footprint effectively – opened 5 stores and closed 7

* Per Aquidneck / GfK



GROWTH IN SCALE



- 4-year CAGR of **25.1%** in total managed turnover

FINE WHOLESALE TURNOVER



	% change	% contribution
Clicks	10.7	41.4
Hospitals	7.5	31.9
Independent pharmacy	2.3	19.0
Other channels	3.9	7.7
Fine wholesale turnover	7.4	100.0

- Strong growth from core customers
- Wholesale market share 25.2%*

* MAT per IMS



- A year of strong growth in distribution
 - 34.6% growth in distribution turnover
 - Distribution now 51% of UPD
 - Now servicing 22 distribution clients – gained 6 and lost 2
- Continued margin pressure from product mix
 - Generics increased from 40.5% to 45.7% of reported turnover
- Costs tightly managed



- Wholesale market share to increase with core customers' growth
- Margin pressure from faster growth in generics and lower SEP increase
- No significant additional contract opportunities in distribution this year
- Focus on becoming more efficient
 - Improved business processes, quality management and system enhancements



OUTLOOK

DAVID KNEALE



- A challenging environment
 - A demanding year for UPD
 - Consumer climate to remain unchanged
- Good portfolio of brands
- Continued investment for long-term sustainability
- Confident of group's ability to deliver on targets



THANK YOU



DISCLAIMER

Clicks Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this presentation, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.

Forward-looking statements are not statements of fact, but statements by the management of Clicks Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this presentation include, but are not limited to: changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic business and market conditions; changes in the domestic regulatory and legislative environments; changes to domestic operational, social, economic and political risks; and the effects of both current and future litigation.

Clicks Group does not undertake to update any forward-looking statements contained in this presentation and does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.