

# INTERIM GROUP RESULTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018



**CLICKS GROUP**  
LIMITED

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Group turnover up

**10.0%**

Health and beauty turnover up

**14.3%**

Cash from operations

**R1.1 billion**

Diluted HEPS up

**14.8%**

Interim dividend up

**16.5%**

# FINANCIAL SUMMARY

		Six months to 28 February 2018	Six months to 28 February 2017	% change	Year to 31 August 2017
<b>Consolidated statement of comprehensive income</b>					
Turnover	R'000	14 432 648	13 125 101	10.0%	26 809 101
Gross profit	R'000	3 111 766	2 827 156	10.1%	5 623 977
Total income	R'000	3 908 416	3 498 928	11.7%	7 146 982
Headline earnings	R'000	678 677	584 269	16.2%	1 268 552
Net interest charge	R'000	(1 129)	(27 864)	(95.9%)	(37 337)
<b>Consolidated statement of financial position</b>					
Equity	R'000	3 707 255	2 732 426	35.7%	3 300 350
Total assets	R'000	10 786 956	9 061 722	19.0%	9 721 115
<b>Consolidated statement of cash flows</b>					
Net cash effects from operating activities	R'000	330 365	12 672	2 507.0%	853 796
Capital expenditure	R'000	269 405	249 424	8.0%	517 850
Depreciation and amortisation	R'000	167 959	143 481	17.1%	297 066
<b>Performance</b>					
Turnover growth	%	10.0	8.5		10.9
Comparable stores turnover growth	%	7.2	7.5		8.0
Gross profit growth	%	10.1	11.0		12.2
Gross profit margin	%	21.6	21.5		21.0
Total income growth	%	11.7	10.9		12.2
Total income margin	%	27.1	26.7		26.7
Operating margin	%	6.5	6.4		6.8
Net working capital days		41	43		37
Inventory days		75	73		65
Trade debtor days		38	45		40
Trade creditor days		72	75		68
Current ratio	:1	1.2	1.1		1.1
Return on total assets	%	12.8	12.5		14.0
Return on shareholders' interest	%	39.3	47.2		44.1
Shareholders' interest to total assets	%	34.4	30.2		34.0
Interest-bearing debt, including cash, to shareholders' interest at period-end	%	(23.9)	(4.2)		(21.2)
<b>Statistics</b>					
Number of permanent employees		15 345	14 582	5.2%	14 673
Number of stores		824	778	5.9%	795
Weighted retail trading area	m <sup>2</sup>	322 227	289 770	11.2%	293 479
<b>Share statistics</b>					
Number of ordinary shares in issue (gross), excluding "A" shares	'000	253 948	245 969	3.2%	245 969
Number of ordinary shares in issue (net of treasury shares)	'000	244 505	236 526	3.4%	236 526
Weighted average number of shares in issue (net of treasury shares)	'000	237 678	236 526	0.5%	236 526
Weighted average diluted number of shares in issue (net of treasury shares)	'000	254 833	251 821	1.2%	252 641
Headline earnings per share – basic	cents	285.5	247.0	15.6%	536.3
– diluted	cents	266.3	232.0	14.8%	502.1
Dividend per share – interim	cents	102.5	88.0	16.5%	88.0
– final	cents	–	–		234.0
Share price – closing	cents	16 905	12 850	31.6%	14 880
– high	cents	19 100	12 855		15 032
– low	cents	14 938	11 146		11 146
Net asset value per share	cents	1 516	1 155	31.3%	1 395
Net tangible asset value per share	cents	1 289	925	39.4%	1 158
Market capitalisation (gross)	R'000	42 929 909	31 606 760	35.8%	36 600 187
Market capitalisation (net of treasury shares)	R'000	41 333 570	30 393 591	36.0%	35 195 069
Price earnings ratio	times	34.0	29.7		29.6
Volume of ordinary shares traded	'000	109 029	113 318		195 979
Percentage of ordinary shares traded	%	45.9	47.9		82.9
Free float	%	96.1	95.9		95.9
Shareholders' return	cents	2 128	828		3 092
Increase in share price	cents	2 025	740		2 770
Dividend per share	cents	103	88		322
<b>Other information</b>					
Inflation rate					
CPI	%	4.0	6.3		4.8
Internal selling price inflation	%	3.7	4.8		5.3
Interest rates					
Prime overdraft rate – closing	%	10.25	10.50		10.25
– average	%	10.25	10.50		10.46
FTSE/JSE Africa share indices					
All Share Index		58 325	51 146	14.0%	56 522
Food and Drug Retailers Index		12 640	10 490	20.5%	11 637
General Retailers Index		8 647	7 333	17.9%	6 798
Exchange rate					
Rand/US dollar – closing	R/US\$	11.72	12.99	(9.8%)	13.02
– average	R/US\$	13.17	13.77	(4.4%)	13.46

# COMMENTARY

## OVERVIEW

Clicks Group reported another strong health and beauty sales performance in the six months to February 2018 and produced improved margins, strong cash flows and attractive returns to shareholders.

Retail health and beauty sales grew by 14.3%, with good volume growth in same stores and market share gains in all product categories.

UPD, the group's pharmaceutical distributor, also performed well in maintaining its operating margin and gaining market share.

The group's performance for the half-year resulted in diluted headline earnings per share (HEPS) increasing by 14.8% to 266.3 cents. The interim dividend was increased by 16.5% to 102.5 cents per share.

## FINANCIAL PERFORMANCE

Group turnover increased by 10.0% to R14.4 billion. Retail sales grew by 13.2% and by 7.2% in comparable stores, with selling price inflation of only 2.6%. Distribution turnover increased by 8.0%, with selling price inflation averaging 5.7% for the six months.

Total income grew by 11.7% to R3.9 billion. The group's total income margin improved by 40 basis points to 27.1% owing to the favourable mix impact from the faster growth of the retail business.

Retail expenses increased by 12.4% as the group has invested in 46 new stores, 34 pharmacies and space extensions in 24 stores over the past 12 months. Comparable retail costs were up by 6.0%. UPD costs were again well contained to an increase of only 5.3%.

Operating profit grew by 12.2% to R942 million, with the group operating margin expanding by 10 basis points to 6.5%.

Working capital continues to be efficiently managed and the group's net working capital improved from 43 to 41 days. Retail stock days were maintained at 81 days and UPD increased from 42 to 43 days.

Cash generated by operations totalled R1.1 billion for the six months. The group returned R559 million to shareholders in dividends.

Capital expenditure of R269 million was invested in new stores, pharmacies, store refurbishments and the enabling supply chain and information technology capabilities. A further R435 million capital investment is planned for the second half.

## TRADING PERFORMANCE

Retail health and beauty sales, including Clicks and the franchise brands of The Body Shop, GNC and Claire's, increased by 14.3%, driven by buoyant Christmas trading, appealing promotional offers and competitive pricing. Comparable stores sales grew by 8.0%.

Clicks expanded its store footprint to 646 with the opening of a net 24 stores in the past six months. A net 20 new pharmacies were opened to extend the pharmacy network to 493. Clicks ClubCard increased active membership to 7.5 million as the loyalty programme attracted close to 950 000 new customers in the past year.

UPD increased wholesale turnover by 10.9%, with market share growing from 24.6% to 25.9%. UPD's total managed turnover increased by 6.0% to R8.4 billion.

## OUTLOOK

Consumer confidence appears to be improving but it is too early for this to translate into increased disposable income. Consumer spending is therefore expected to remain constrained for the balance of the group's financial year.



However, Clicks is anticipated to continue its growth momentum and will be opening 40 new stores this year, well ahead of the target of 25 to 30 stores.

UPD aims to mitigate the impact of the lower single exit price (SEP) increase through continued tight cost control and the benefit of four new distribution contracts starting in the second half.

The core health and beauty markets in which the business operates are resilient and the group's market-leading brands are well positioned to increase market share in the current environment.

### FULL-YEAR EARNINGS FORECAST

The directors forecast that diluted HEPS for the financial year ending 31 August 2018 will increase by between 12% and 17% over the 2017 financial year.

The forecast is based on the following key assumptions:

- the trading environment will remain relatively constrained in the second half of the financial year; and
- retail selling price inflation is anticipated to average between 2% and 3% for the financial year.

Shareholders are advised that this forecast has not been reviewed or reported on by the group's independent auditor.

### INTERIM DIVIDEND

The board of directors has approved an interim gross ordinary dividend for the period ended 28 February 2018 of 102.5 cents per share (2017: 88.0 cents per share). The source of the dividend will be from distributable reserves and it will be paid in cash.

### ADDITIONAL INFORMATION

Dividends Tax (DT) of 20% amounting to 20.5 cents per ordinary share will be withheld in terms of the Income Tax Act. Ordinary

shareholders who are not exempt from DT will therefore receive a dividend of 82.0 cents net of DT.

The company has 253 948 352 ordinary shares and 14 576 648 ordinary "A" shares in issue. Its income tax reference number is 9061/745/71/8.

Shareholders are advised of the following salient dates in respect of the interim dividend:

Last day to trade "cum" the dividend	Tuesday, 26 June 2018
Shares trade "ex" the dividend	Wednesday, 27 June 2018
Record date	Friday, 29 June 2018
Payment to shareholders	Monday, 2 July 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 27 June 2018 and Friday, 29 June 2018, both days inclusive.

The board of directors has determined that dividend cheques amounting to R50.00 or less due to any ordinary shareholder will not be paid unless a written request to the contrary is delivered to the transfer secretaries, Computershare Investor Services Proprietary Limited, by no later than close of business on Tuesday, 26 June 2018, being the day the shares trade "cum" the dividend. Unpaid dividend cheques will be aggregated with other such amounts and donated to a charity to be nominated by the directors.

By order of the board

**Matthew Welz**

Company secretary

19 April 2018



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Six months to 28 February 2018	Six months to 28 February 2017	% change	Year to 31 August 2017
Revenue	15 241 637	13 800 328		28 342 607
<b>Turnover</b>	<b>14 432 648</b>	13 125 101	10.0%	26 809 101
Cost of merchandise sold	(11 320 882)	(10 297 945)	9.9%	(21 185 124)
<b>Gross profit</b>	<b>3 111 766</b>	2 827 156	10.1%	5 623 977
Other income	796 650	671 772	18.6%	1 523 005
<b>Total income</b>	<b>3 908 416</b>	3 498 928	11.7%	7 146 982
Expenses	(2 966 136)	(2 658 735)	11.6%	(5 333 405)
Depreciation and amortisation	(160 500)	(137 089)	17.1%	(283 227)
Occupancy costs	(458 358)	(375 846)	22.0%	(794 796)
Employment costs	(1 545 231)	(1 396 524)	10.6%	(2 845 838)
Other costs	(802 047)	(749 276)	7.0%	(1 409 544)
<b>Operating profit</b>	<b>942 280</b>	840 193	12.2%	1 813 577
Loss on disposal of property, plant and equipment	(112)	(2 109)	(94.7%)	(4 868)
<b>Profit before financing costs</b>	<b>942 168</b>	838 084	12.4%	1 808 709
Net financing costs	(1 129)	(27 864)	(95.9%)	(37 337)
Financial income	12 339	3 455	257.1%	10 501
Financial expense	(13 468)	(31 319)	(57.0%)	(47 838)
<b>Profit before earnings from associate</b>	<b>941 039</b>	810 220	16.1%	1 771 372
Share of profit of an associate	1 345	1 417	(5.1%)	2 900
<b>Profit before taxation</b>	<b>942 384</b>	811 637	16.1%	1 774 272
Income tax expense	(263 788)	(228 886)	15.2%	(496 630)
<b>Profit for the period</b>	<b>678 596</b>	582 751	16.4%	1 277 642
<b>Other comprehensive loss:</b>				
Items that will not be subsequently reclassified to profit or loss	–	–		3 236
Remeasurement of post-employment benefit obligations	–	–		4 495
Deferred tax on remeasurement	–	–		(1 259)
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translation of foreign subsidiaries	(405)	(2 853)		(6 561)
Cash flow hedges	(13 440)	(18 653)		(13 234)
Change in fair value of effective portion	(18 667)	(25 907)		(17 892)
Deferred tax on movement of effective portion	5 227	7 254		4 658
<b>Other comprehensive loss for the period, net of tax</b>	<b>(13 845)</b>	(21 506)		(16 559)
<b>Total comprehensive income for the period</b>	<b>664 751</b>	561 245		1 261 083
<b>Reconciliation of headline earnings</b>				
Total profit for the period	678 596	582 751		1 277 642
Adjusted for:				
Loss net of tax on disposal of property, plant and equipment	81	1 518		3 506
Gain on consolidation of the New Clicks Foundation Trust				(12 596)
<b>Headline earnings</b>	<b>678 677</b>	584 269	16.2%	1 268 552
Headline earnings per share (cents)				
– basic	285.5	247.0	15.6%	536.3
– diluted	266.3	232.0	14.8%	502.1
Earnings per share (cents)				
– basic	285.5	246.4	15.9%	540.2
– diluted	266.3	231.4	15.1%	505.7
Weighted average number of shares in issue (net of treasury shares, '000)	237 678	236 526	0.5%	236 526
Weighted average diluted number of shares in issue (net of treasury shares, '000)	254 833	251 821	1.2%	252 641

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 28 February 2018	As at 28 February 2017	As at 31 August 2017
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>2 953 653</b>	2 642 084	2 854 281
Property, plant and equipment	1 640 482	1 442 171	1 533 935
Intangible assets	451 356	439 915	457 603
Goodwill	103 510	103 510	103 510
Deferred tax assets	609 422	506 822	572 223
Investment in associate	20 665	20 375	20 039
Loans receivable	8 572	9 521	4 500
Financial assets at fair value through profit or loss	25 265	22 030	27 580
Derivative financial assets	94 381	97 740	134 891
<b>Current assets</b>	<b>7 833 303</b>	6 419 638	6 866 834
Inventories	4 522 197	3 990 146	3 753 794
Trade and other receivables	2 244 047	2 153 476	2 212 719
Loans receivable	9 000	8 733	9 000
Cash and cash equivalents	886 543	115 598	700 473
Derivative financial assets	171 516	151 685	190 848
<b>Total assets</b>	<b>10 786 956</b>	9 061 722	9 721 115
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>3 707 255</b>	2 732 426	3 300 350
Share capital	2 686	2 752	2 752
Share premium	513 848	3 497	3 497
Share option reserve	488 806	671 437	747 613
Cash flow hedge reserve	1 942	9 963	15 382
Treasury shares	(702 703)	(702 848)	(702 848)
Non-distributable reserves	(1 161)	2 952	(756)
Distributable reserve	3 403 837	2 744 673	3 234 710
<b>Non-current liabilities</b>	<b>357 086</b>	315 142	402 257
Employee benefits	158 396	131 060	209 231
Operating lease liability	198 690	184 082	193 026
<b>Current liabilities</b>	<b>6 722 615</b>	6 014 154	6 018 508
Trade and other payables	6 356 382	5 623 569	5 475 182
Employee benefits	280 950	276 503	394 460
Provisions	4 993	6 733	6 733
Income tax payable	53 624	90 033	132 991
Derivative financial liabilities	26 666	14 914	9 142
Financial liability at fair value through profit or loss	–	2 402	–
<b>Total equity and liabilities</b>	<b>10 786 956</b>	9 061 722	9 721 115

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Number of shares '000	Share capital	Share premium
<b>Balance at 1 September 2016</b>	236 526	2 754	3 497
<b>Transactions with owners, recorded directly in equity</b>			
Dividends paid to shareholders	–	–	–
Share-based payment reserve movement	–	–	–
Treasury shares cancelled	–	(2)	–
<b>Total transactions with owners</b>	–	(2)	–
<b>Total comprehensive income for the period</b>	–	–	–
Profit for the period	–	–	–
Cash flow hedge reserve	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–
<b>Balance at 28 February 2017</b>	236 526	2 752	3 497
<b>Transactions with owners, recorded directly in equity</b>			
Dividends paid to shareholders	–	–	–
Share-based payment reserve movement	–	–	–
<b>Total transactions with owners</b>	–	–	–
<b>Total comprehensive income for the period</b>	–	–	–
Profit for the period	–	–	–
Remeasurement of post-employment benefit obligations	–	–	–
Cash flow hedge reserve	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–
<b>Balance at 31 August 2017</b>	<b>236 526</b>	<b>2 752</b>	<b>3 497</b>
<b>Transactions with owners, recorded directly in equity</b>			
Dividends paid to shareholders	–	–	–
Employee share option scheme vesting	7 979	(66)	510 351
Issue of ordinary shares from vesting of employee share scheme	7 979	79	510 634
“A” ordinary shares repurchased	–	(145)	–
Transaction cost on share issue	–	–	(283)
Share-based payment reserve movement	–	–	–
Net treasury share movement	–	–	–
Treasury shares acquired from vesting of employee share scheme	(284)	–	–
Disposal of treasury shares	284	–	–
<b>Total transactions with owners</b>	<b>7 979</b>	<b>(66)</b>	<b>510 351</b>
<b>Total comprehensive income for the period</b>	–	–	–
Profit for the period	–	–	–
Cash flow hedge reserve	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–
<b>Balance at 28 February 2018</b>	<b>244 505</b>	<b>2 686</b>	<b>513 848</b>

Share option reserve	Treasury shares	Non-distributable reserve	Cash flow hedge reserve	Distributable reserve	Total equity
483 188	(704 298)	5 805	28 616	2 632 679	2 452 241
-	-	-	-	(469 309)	(469 309)
188 249	-	-	-	-	188 249
-	1 450	-	-	(1 448)	-
188 249	1 450	-	-	(470 757)	(281 060)
-	-	(2 853)	(18 653)	582 751	561 245
-	-	-	-	582 751	582 751
-	-	-	(18 653)	-	(18 653)
-	-	(2 853)	-	-	(2 853)
671 437	(702 848)	2 952	9 963	2 744 673	2 732 426
-	-	-	-	(208 090)	(208 090)
76 176	-	-	-	-	76 176
76 176	-	-	-	(208 090)	(131 914)
-	-	(3 708)	5 419	698 127	699 838
-	-	-	-	694 891	694 891
-	-	-	-	3 236	3 236
-	-	-	5 419	-	5 419
-	-	(3 708)	-	-	(3 708)
<b>747 613</b>	<b>(702 848)</b>	<b>(756)</b>	<b>15 382</b>	<b>3 234 710</b>	<b>3 300 350</b>
-	-	-	-	(559 324)	(559 324)
<b>(510 713)</b>	<b>145</b>	-	-	-	<b>(283)</b>
<b>(510 713)</b>	-	-	-	-	-
-	<b>145</b>	-	-	-	-
-	-	-	-	-	<b>(283)</b>
<b>251 906</b>	-	-	-	-	<b>251 906</b>
-	-	-	-	<b>49 855</b>	<b>49 855</b>
-	<b>(45 820)</b>	-	-	<b>45 820</b>	-
-	<b>45 820</b>	-	-	<b>4 035</b>	<b>49 855</b>
<b>(258 807)</b>	<b>145</b>	-	-	<b>(509 469)</b>	<b>(257 846)</b>
-	-	<b>(405)</b>	<b>(13 440)</b>	<b>678 596</b>	<b>664 751</b>
-	-	-	-	<b>678 596</b>	<b>678 596</b>
-	-	-	<b>(13 440)</b>	-	<b>(13 440)</b>
-	-	<b>(405)</b>	-	-	<b>(405)</b>
<b>488 806</b>	<b>(702 703)</b>	<b>(1 161)</b>	<b>1 942</b>	<b>3 403 837</b>	<b>3 707 255</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Six months to 28 February 2018	Six months to 28 February 2017	Year to 31 August 2017
<b>Cash effects from operating activities</b>			
Operating profit before working capital changes (refer note 1)	1 114 426	972 264	2 040 098
Working capital changes (refer note 2)	(56 857)	(242 456)	(5 790)
Cash generated by operations	1 057 569	729 808	2 034 308
Interest received	12 339	3 455	10 501
Interest paid	(6 246)	(25 907)	(41 591)
Taxation paid	(173 973)	(225 375)	(472 023)
Cash inflow from operating activities before dividends paid	889 689	481 981	1 531 195
Dividends paid to shareholders	(559 324)	(469 309)	(677 399)
Net cash effects from operating activities	330 365	12 672	853 796
<b>Cash effects from investing activities</b>			
Investment in property, plant and equipment and intangibles to maintain operations	(48 631)	(40 237)	(111 666)
Investment in property, plant and equipment and intangibles to expand operations	(220 774)	(209 187)	(406 184)
Proceeds from disposal of property, plant and equipment	1 034	855	3 485
Acquisition of unlisted investment in associate	–	–	(2 500)
(Increase)/decrease in loan receivables	(4 500)	(257)	4 497
Net cash effects from investing activities	(272 871)	(248 826)	(512 368)
<b>Cash effects from financing activities</b>			
Acquisition of derivative financial asset	(62 272)	(39 064)	(39 064)
Settlement of derivative financial asset	190 848	21 016	28 309
Net cash effects from financing activities	128 576	(18 048)	(10 755)
Net increase/(decrease) in cash and cash equivalents	186 070	(254 202)	330 673
Cash and cash equivalents at the beginning of the period	700 473	369 800	369 800
<b>Cash and cash equivalents at the end of the period</b>	<b>886 543</b>	<b>115 598</b>	<b>700 473</b>

## STORE FOOTPRINT

	Clicks*	Musica	The Body Shop	GNC	Claire's	Total retail
Number of stores at 28 February 2018	646	113	58	–	7	824
as at 31 August 2017	622	113	53	–	7	795
opened	26	2	5	–	–	33
closed	(2)	(2)	–	–	–	(4)
Presence in Clicks stores at 28 February 2018			148	382	216	
Number of pharmacies at 28 February 2018	493					493
as at 31 August 2017	473					473
new/converted	22					22
closed	(2)					(2)
Number of clinics at 28 February 2018	195					195

\* Including 44 Netcare front shops and 36 Medicross pharmacies.

## NOTES TO THE CASH FLOW STATEMENT

R'000	Six months to 28 February 2018	Six months to 28 February 2017	Year to 31 August 2017
<b>Cash flow information</b>			
<b>1 Profit before working capital changes</b>			
Profit before tax	942 384	811 637	1 774 272
Adjustment for:			
Depreciation and amortisation	167 959	143 481	297 066
Operating lease accrual	5 664	(6 327)	2 617
Loss on disposal of property, plant and equipment	112	2 109	4 868
Release of cash flow hedge to profit or loss	(55 263)	(30 651)	(123 779)
Equity-settled share option costs	50 752	30 129	58 909
Net financing cost	1 129	27 864	37 337
Decrease/(increase) in financial assets at fair value through profit or loss	2 315	(5 885)	1 161
Net (undistributed)/distributed profits of an associate	(626)	(93)	243
Gain on consolidation of the New Clicks Foundation Trust	–	–	(12 596)
	<b>1 114 426</b>	972 264	2 040 098
<b>2 Working capital changes</b>			
Increase in inventories	(768 403)	(511 429)	(275 077)
Decrease/(increase) in trade and other receivables	18 527	(140 782)	(200 023)
Increase in trade and other payables	866 326	464 928	329 611
(Decrease)/increase in employee benefits	(171 567)	(54 967)	139 905
Decrease in provisions	(1 740)	(206)	(206)
	<b>(56 857)</b>	(242 456)	(5 790)

## ANALYSIS OF SHAREHOLDERS

Fund managers managing 3% or more of the issued share capital:

Major fund managers	Percentage of shares		Geographic distribution of shareholders	Percentage of shares	
	Feb 2018	Feb 2017		Feb 2018	Feb 2017
Public Investment Corporation (SA)	14.4%	14.9%	South Africa and rest of Africa	36.8%	31.3%
Baillie Gifford & Co (UK)	5.0%	5.3%	Offshore holdings	63.2%	68.7%
Fidelity Management & Research (US)	4.8%	5.2%	USA and Canada	42.0%	45.9%
GIC (Singapore)	4.2%	4.3%	United Kingdom and Ireland	8.2%	8.8%
JPMorgan Asset Management (UK)	3.5%	3.2%	Europe	6.6%	6.5%
Mawer Investment Management (Canada)	3.4%	4.7%	Other countries	6.4%	7.5%
The Vanguard Group (US)	3.2%	3.1%			
<i>Fund managers no longer managing over 3%:</i>					
Wasatch Advisors (US)	2.3%	4.5%			

## SEGMENTAL ANALYSIS

R'000	Retail		
	Six months to 28 February 2018	Six months to 28 February 2017*	
<b>Statement of financial position</b>			
Property, plant and equipment	1 386 257	1 215 842	
Intangible assets	437 183	421 554	
Goodwill	6 529	6 529	
Inventories	3 091 892	2 708 855	
Trade and other receivables	473 966	302 794	
Cash and cash equivalents	867 248	84 369	
Other assets	1 388 534	1 269 612	
<b>Total assets</b>	<b>7 651 609</b>	<b>6 009 555</b>	
Employee benefits – non-current	147 293	122 600	
Operating lease liability	198 690	184 082	
Trade and other payables	3 131 841	2 525 648	
Employee benefits – current	254 607	251 497	
Other liabilities	1 895 125	1 541 093	
<b>Total liabilities</b>	<b>5 627 556</b>	<b>4 624 920</b>	
<b>Net assets</b>	<b>2 024 053</b>	<b>1 384 635</b>	
<b>Statement of comprehensive income</b>			
Turnover	10 522 228	9 292 748	
Gross profit	3 044 112	2 736 747	
Other income	484 378	397 484	
Total income	3 528 490	3 134 231	
Expenses	(2 735 351)	(2 434 149)	
Operating profit	793 139	700 082	
<b>Ratios</b>			
Increase in turnover	%	13.2	11.6
Selling price inflation	%	2.6	5.2
Comparable stores turnover growth	%	7.2	7.5
Gross profit margin	%	28.9	29.5
Total income margin	%	33.5	33.7
Operating expenses as a percentage of turnover	%	26.0	26.2
Increase in operating expenses	%	12.4	11.4
Increase in operating profit	%	13.3	12.0
Operating profit margin	%	7.5	7.5
Inventory days		81	81
Trade debtor days		4	8
Trade creditor days		45	47
Net working capital days		40	42
Number of stores		824	778
as at 31 August 2017/2016		795	689
opened		33	94
closed		(4)	(5)
Number of pharmacies		493	459
as at 31 August 2017/2016		473	400
new/converted		22	59
closed		(2)	–
Total leased area	m <sup>2</sup>	407 854	374 912
Weighted retail trading area	m <sup>2</sup>	322 227	289 770
Weighted annual sales per m <sup>2</sup>	R	60 728	59 756
Number of permanent employees		14 844	14 057

\* The segmental analysis for the period ended 28 February 2017 and the year ended 31 August 2017 has been restated due to a change in the composition of reporting segments. Clicks Direct Medicines is now included in Retail due to a change in management reporting lines. This has resulted in an increase of turnover of R54.3 million and R121.6 million, an increase of R17.5 million and R24.0 million in total assets and an increase of R16.1 million and R15.4 million in total liabilities for the Retail segment for the period ended 28 February 2017 and 31 August 2017 respectively. Within the Distribution segment, turnover was increased by R15.6 million and R13.8 million, total assets was increased by R2.9 million and decreased by R3.6 million and total liabilities was increased by R4.3 million and R4.9 million for the period ended 28 February 2017 and the year ended 31 August 2017 respectively.

Distribution		Intragroup elimination		Total operations	
Six months to 28 February 2018	Six months to 28 February 2017*	Six months to 28 February 2018	Six months to 28 February 2017*	Six months to 28 February 2018	Six months to 28 February 2017
254 225	226 329	-	-	1 640 482	1 442 171
14 173	18 361	-	-	451 356	439 915
96 981	96 981	-	-	103 510	103 510
1 475 667	1 321 130	(45 362)	(39 839)	4 522 197	3 990 146
2 342 606	2 315 134	(572 525)	(464 452)	2 244 047	2 153 476
19 295	31 229	-	-	886 543	115 598
1 811 916	1 418 148	(2 261 629)	(1 870 854)	938 821	816 906
6 014 863	5 427 312	(2 879 516)	(2 375 145)	10 786 956	9 061 722
11 103	8 460	-	-	158 396	131 060
-	-	-	-	198 690	184 082
3 802 133	3 557 267	(577 592)	(459 346)	6 356 382	5 623 569
26 343	25 006	-	-	280 950	276 503
451 678	453 906	(2 261 520)	(1 880 917)	85 283	114 082
4 291 257	4 044 639	(2 839 112)	(2 340 263)	7 079 701	6 329 296
1 723 606	1 382 673	(40 404)	(34 882)	3 707 255	2 732 426
6 327 735	5 861 216	(2 417 315)	(2 028 863)	14 432 648	13 125 101
69 246	89 875	(1 592)	534	3 111 766	2 827 156
379 011	330 295	(66 739)	(56 007)	796 650	671 772
448 257	420 170	(68 331)	(55 473)	3 908 416	3 498 928
(295 528)	(280 593)	64 743	56 007	(2 966 136)	(2 658 735)
152 729	139 577	(3 588)	534	942 280	840 193
8.0	7.5	19.1	20.4	10.0	8.5
5.7	4.4	-	-	3.7	4.8
-	-	-	-	7.2	7.5
1.1	1.5	-	-	21.6	21.5
7.1	7.2	-	-	27.1	26.7
4.7	4.8	-	-	20.6	20.3
5.3	(1.4)	-	-	11.6	9.7
9.4	23.6	-	-	12.2	14.7
2.4	2.4	-	-	6.5	6.4
43	42	-	-	75	73
54	58	-	-	38	45
91	92	-	-	72	75
6	8	-	-	41	43
-	-	-	-	824	778
-	-	-	-	795	689
-	-	-	-	33	94
-	-	-	-	(4)	(5)
-	-	-	-	493	459
-	-	-	-	473	400
-	-	-	-	22	59
-	-	-	-	(2)	-
-	-	-	-	407 854	374 912
-	-	-	-	322 227	289 770
-	-	-	-	60 728	59 756
501	525	-	-	15 345	14 582

# DEFINITIONS

## **Capital expenditure**

**Maintenance capital expenditure**  
Capital expenditure incurred in replacing existing capital or capital expenditure with a return below the group's required return.

## **Growth capital expenditure**

Capital expenditure that is not maintenance capital expenditure.

## **Cash flow**

### **Financing activities**

Activities that result in changes to the capital and funding structure of the group.

### **Investing activities**

Activities relating to the acquisition, holding and disposal of capital assets and long-term investments.

### **Operating activities**

Activities that are not financing or investing activities that arise from the operations conducted by the group.

## **Comparable stores turnover growth**

Turnover growth expressed as a percentage of growth for stores that have been operating for the full period during the current and previous financial periods.

## **Current ratio**

Current assets at period-end divided by current liabilities at period-end.

## **Dividend per share**

Dividend per share is the actual interim cash dividend paid and the final cash dividend declared, expressed as cents per share.

## **Earnings per share**

**Earnings per share**  
Profit for the period divided by the weighted average number of shares in issue for the period.

## **Diluted earnings per share**

Profit for the period divided by the weighted average diluted number of shares in issue for the period.

## **Headline earnings per share**

Headline earnings divided by the weighted average number of shares in issue for the period.

## **Diluted headline earnings per share**

Headline earnings divided by the weighted average diluted number of shares in issue for the period.

## **Effective tax rate**

The tax charge in the income statement as a percentage of profit before tax.

## **Free float**

The number of ordinary shares that are freely tradable on the JSE Limited, excluding treasury shares and shares held by directors and employee share schemes.

## **Gross profit margin**

Gross profit expressed as a percentage of turnover.

## **Headline earnings**

Profit for the period adjusted for the after-tax effect of certain capital items.

## **IFRS**

International Financial Reporting Standards, as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

Clicks Group's consolidated financial statements are prepared in accordance with IFRS.

## **Interest-bearing debt, including cash, to shareholders' interest at period-end**

Interest-bearing debt (including bank overdraft), net of cash balances, at the end of the period divided by shareholders' interest at the end of the period.

## **Inventory days**

Closing inventory at period-end divided by the annualised cost of merchandise sold during the period, multiplied by 365 days.

## **Issued shares**

Ordinary shares and unlisted "A" shares having a par value of one cent each in the authorised share capital of Clicks Group Limited.

## **Market capitalisation**

The closing market price per share at period-end multiplied by the number of ordinary shares in issue at period-end.

## **Net asset value per share**

Net assets at period-end divided by the number of ordinary shares in issue at period-end (net of treasury shares).

## **Net tangible asset value per share**

Net assets at period-end, less intangible assets (such as goodwill and trademarks),

divided by the number of ordinary shares in issue at period-end (net of treasury shares).

## **Operating profit**

Operating profit before financing costs, as reported in the group consolidated statement of comprehensive income, adjusted to exclude profit/loss on disposal of property, plant and equipment.

## **Operating profit margin**

Operating profit expressed as a percentage of turnover.

## **Percentage of ordinary shares traded**

The number of ordinary shares traded on the JSE Limited during the period as a percentage of the weighted average number of ordinary shares in issue (net of treasury shares).

## **Price earnings ratio**

The closing market price per share at period-end divided by diluted headline earnings per share for the period.

## **Return on shareholders' interest (ROE)**

Headline earnings expressed as a percentage of the average shareholders' interest for the period.

## **Return on total assets (ROA)**

Headline earnings expressed as a percentage of the average total assets for the period.

## **Return on net assets (RONA)**

Operating profit as defined for RONA divided by average net assets for the period as defined for RONA.

Operating profit as defined for RONA is the reported operating profit for the group inclusive of capital gains and losses relating to continuing operations of the business and excluding the employee short-term bonus.

Net assets as defined for RONA are the average assets less liabilities for the period excluding taxation and financial-related assets and liabilities (cash, overdrafts, loans receivable, derivative financial assets, financial assets/liabilities at fair value through profit or loss, interest-bearing borrowings, deferred tax and taxation payable).

## **Segmental reporting**

The group has two reportable segments, being the Retail division and the Distribution division.

## **Selling price inflation**

The change in the weighted average selling price of a sample of products for the period relative to the previous period expressed as a percentage of the weighted average selling price of the same sample of products for the previous period. Only products sold in both the current and previous periods are included in the sample.

## **Shareholders' interest**

Share capital and share premium (reduced by the cost of treasury shares) and other reserves comprising equity.

## **Shareholders' interest to total assets**

The shareholders' interest divided by the total assets at the period-end.

## **Total income**

Gross profit plus other income.

## **Total income margin**

Total income expressed as a percentage of turnover.

## **Trade creditor days**

Closing trade creditors at period-end (adjusted to exclude VAT) divided by the annualised cost of merchandise sold during the period, multiplied by 365 days.

## **Trade debtor days**

Closing trade debtors at period-end (adjusted to exclude VAT) divided by the annualised sales for the period, multiplied by 365 days.

## **Treasury shares**

Issued shares in Clicks Group Limited held by a group company in terms of an approved share repurchase programme.

## **Weighted average number of shares**

The number of ordinary shares in issue, increased by shares issued during the period and reduced by treasury shares purchased or shares cancelled during the period, weighted on a time basis for the period during which they have participated in the income of the group.

## **Weighted average diluted number of shares**

The weighted average number of ordinary shares adjusted for the effects of all dilutive potential shares.

# PRESENTATION



**INTERIM RESULTS FOR THE SIX MONTHS ENDED  
28 FEBRUARY 2018**

**CLICKS GROUP  
LIMITED**

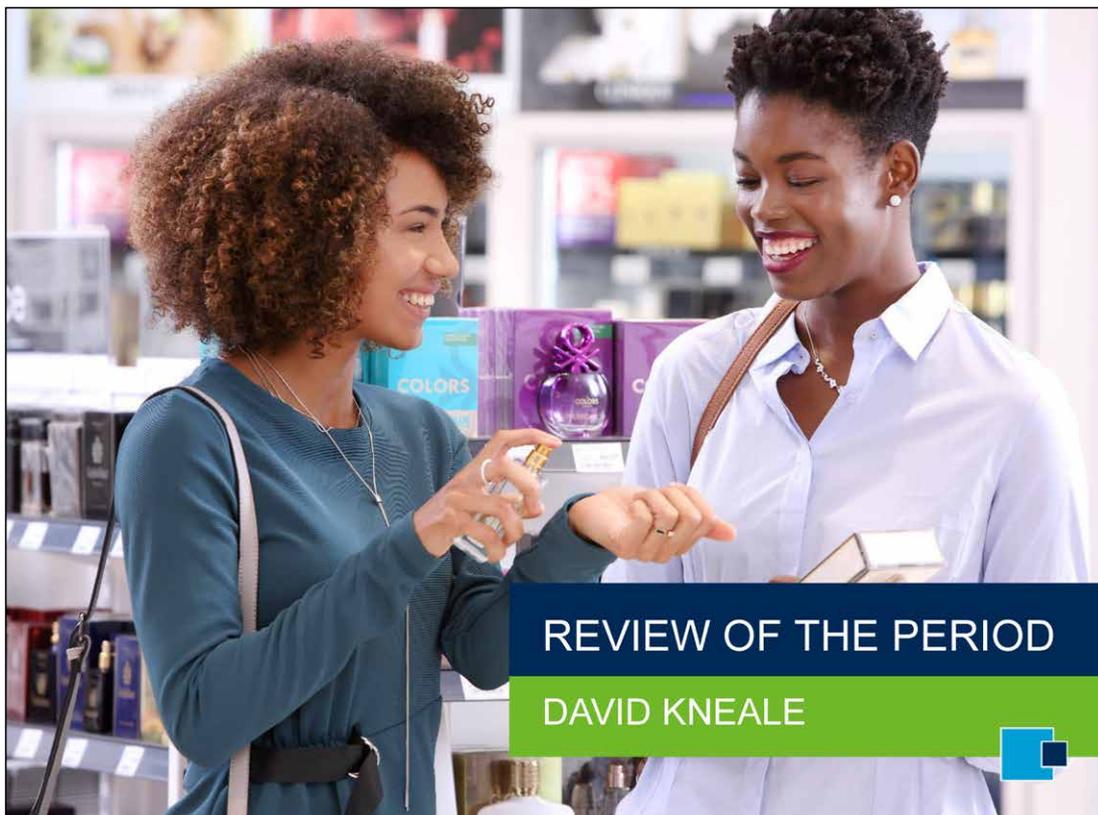
## PRESENTATION OUTLINE

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



CLICKS GROUP INTERIM RESULTS 2018 2

# PRESENTATION



## REVIEW OF THE PERIOD

- Strong health & beauty sales performance
  - Increased volume growth, with declining inflation
  - Another buoyant Christmas trading period
  - Market share gains in all categories
- Good performance from UPD
- Diluted headline earnings per share up **14.8%**
- **R1.3 billion** value created through BBBEE share scheme
  - Benefiting over 5 800 employees
  - R100 million to be allocated for bursaries



## FINANCIAL RESULTS

MICHAEL FLEMING

### FINANCIAL HIGHLIGHTS

- Group turnover up **10.0%**
  - Health & beauty turnover up **14.3%**
  - UPD turnover up **8.0%**
- Operating margin up from 6.4% to **6.5%**
- Diluted HEPS up **14.8%** to 266.3 cps
- 8m shares issued for BBEE share scheme
  - Remaining 50% to vest in 2019
- Return on equity of **39.3%**
- Interim dividend of 102.5 cps, up **16.5%**

## PRESENTATION

TURNOVER					
R'm	Feb 2018	Feb 2017	% change	% same stores growth	% inflation
Retail	10 522	9 293	13.2	7.2	2.6
Health & beauty			14.3		
Musica			(6.4)		
Distribution	6 328	5 861	8.0		5.7
Intragroup turnover	(2 417)	(2 029)	19.1		
<b>Total group</b>	<b>14 433</b>	<b>13 125</b>	<b>10.0</b>		<b>3.7</b>

- Strong volume growth in health & beauty brands
- UPD impacted by buy-ins ahead of prior period SEP increase

CLICKS GROUP INTERIM RESULTS 2018 7

TOTAL INCOME					
	Feb 2018 R'm	Feb 2017 R'm	% change	Feb 2018 % margin	Feb 2017 % margin
Retail	3 528	3 134	12.6	33.5	33.7
Distribution	448	420	6.7	7.1	7.2
Intragroup	(68)	(55)	23.2		
<b>Total group</b>	<b>3 908</b>	<b>3 499</b>	<b>11.7</b>	<b>27.1</b>	<b>26.7</b>

- Retail margin driven by:
  - Stronger pharmacy growth
  - Ongoing competitive pricing
- UPD impacted by low SEP increase

CLICKS GROUP INTERIM RESULTS 2018 8

## OPERATING EXPENDITURE - RETAIL

R'm	Feb 2018	Feb 2017	% change
Depreciation and amortisation	143	122	17.2
Occupancy costs	458	375	22.0
Employment costs	1 427	1 285	11.1
Other operating costs	707	652	8.4
<b>Total retail costs</b>	<b>2 735</b>	<b>2 434</b>	<b>12.4</b>
% of turnover	26.0%	26.2%	

- Opened net 46 stores and 34 pharmacies in the last 12 months
- Comparable retail cost growth contained to **6.0%**

CLICKS GROUP INTERIM RESULTS 2018 9

## OPERATING EXPENDITURE - DISTRIBUTION

R'm	Feb 2018	Feb 2017	% change
Depreciation and amortisation	18	15	16.3
Occupancy costs	1	1	(0.5)
Employment costs	118	112	5.4
Other operating costs	159	153	4.2
<b>Total distribution costs</b>	<b>296</b>	<b>281</b>	<b>5.3</b>

CLICKS GROUP INTERIM RESULTS 2018 10

## PRESENTATION

OPERATING PROFIT					
	Feb 2018 R'm	Feb 2017 R'm	% change	Feb 2018 % margin	Feb 2017 % margin
Retail	793	700	13.3	7.5	7.5
Distribution	153	140	9.4	2.4	2.4
Intragroup	(4)	-			
<b>Total group</b>	<b>942</b>	<b>840</b>	<b>12.2</b>	<b>6.5</b>	<b>6.4</b>

- Both divisions maintained margin despite lower inflationary environment
- Musica profit R6m lower; all stores remain profitable
- Group margin benefited from stronger retail growth

CLICKS GROUP INTERIM RESULTS 2018 11

	Days in stock		Inventory (R'm)		
	Feb 2018	Feb 2017	Feb 2018	Feb 2017	% change
Retail	81	81	3 092	2 709	14.1
Distribution	43	42	1 475	1 321	11.7
Intragroup inventory			(45)	(40)	
<b>Total group</b>	<b>75</b>	<b>73</b>	<b>4 522</b>	<b>3 990</b>	<b>13.3</b>

- Group net working capital days improved from 43 to 41 days

CLICKS GROUP INTERIM RESULTS 2018 12

## CASH GENERATION

R'm	Feb 2018	Feb 2017
Profit before tax	942	812
Non-cash adjustments	172	160
<b>Operating profit before working capital changes</b>	<b>1 114</b>	<b>972</b>
Working capital changes	(57)	(242)
Net interest and tax paid	(167)	(248)
<b>Cash inflow from operations</b>	<b>890</b>	<b>482</b>

CLICKS GROUP INTERIM RESULTS 2018 13

## CASH UTILISATION

R'm	Feb 2018	Feb 2017
<b>Cash inflow from operations</b>	<b>890</b>	<b>482</b>
Capital expenditure	(269)	(249)
Dividends paid	(559)	(469)
Other investing activities	(4)	-
Financing activities	128	(18)
<b>Net cash generated/(utilised)</b>	<b>186</b>	<b>(254)</b>
<b>Cash and cash equivalents at period end</b>	<b>887*</b>	<b>116</b>

\* Includes R389m which was paid in March 2018 for tax on ESOP allocations

CLICKS GROUP INTERIM RESULTS 2018 14

# PRESENTATION

## CAPITAL MANAGEMENT

- Group continues to be cash generative
  - Multi-year investment programme for supply chain and IT
  - Supporting organic growth through store openings/refurbishments
- R704m capex planned for FY2018
  - R330m on stores
  - R374m on infrastructure, including:
    - Phase 1 expansion of Clicks Centurion DC
    - Enhancing UPD capacity and infrastructure
    - Group IT

CLICKS GROUP INTERIM RESULTS 2018 15



## HEALTH &amp; BEAUTY SALES PERFORMANCE

	% change	% contribution
Pharmacy	20.0	29.0
Front shop health	14.7	22.5
Beauty and personal care	8.7	32.0
General merchandise	15.6	16.5
Total turnover	14.3	100.0

- Comparable stores turnover **+8.0%**

CLICKS GROUP INTERIM RESULTS 2018 17

## MARKET SHARE GAINS



%	Feb 2018	Feb 2017
<b>Health</b>		
Retail pharmacy*	23.0	20.8
Front shop health**	30.6	29.4
Baby**	14.2	12.9
<b>Beauty</b>		
Skincare**	36.3	35.8
Haircare**	27.6	25.9
<b>General merchandise</b>		
Small household appliances***	18.3	15.3

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

CLICKS GROUP INTERIM RESULTS 2018 18

# PRESENTATION

## REVIEW OF THE PERIOD

- Strong performance in pharmacy & health
  - Netcare / Mediacross transaction annualised during the period
  - Generic sales +24.7%
  - Delivery hubs in 70 stores
- Promotional sales +23.5%
  - 37.6% of turnover
- Private label and exclusive brands at 22.5% of sales
  - Front shop at 29.0%
  - Pharmacy at 5.3%





CLICKS GROUP INTERIM RESULTS 2018 19

## LAUNCH OF SORBET COSMETICS

- 320 SKUs across face, lips, eyes and nails
- Initial launch in 120 Clicks stores and 40 Sorbet salons
- Breadth of foundation range will be key differentiator
- National skin tone matching conducted to determine the optimum foundation shades for South African skins
- Supported by TV, print and social media advertising






CLICKS GROUP INTERIM RESULTS 2018 20

## REVIEW OF THE PERIOD (CONTINUED)



- 7.5 million active ClubCard members
  - 945 000 new members since Feb 2017
  - 77% of sales
- Digital platform performing well
  - Online sales have doubled
  - Launched prestige beauty online only
- Expanding Clicks store network
  - 24 new stores
  - 20 new pharmacies
  - 21 revamps




Format	Opened	Total
Convenience	21	466
Destination	3	180
Total	24	646

CLICKS GROUP INTERIM RESULTS 2018 21

## CONVENIENT STORE NETWORK



V&A Waterfront extension to 1 300m<sup>2</sup>



Discovery head office store, 45m<sup>2</sup>







CLICKS GROUP INTERIM RESULTS 2018 22

# PRESENTATION

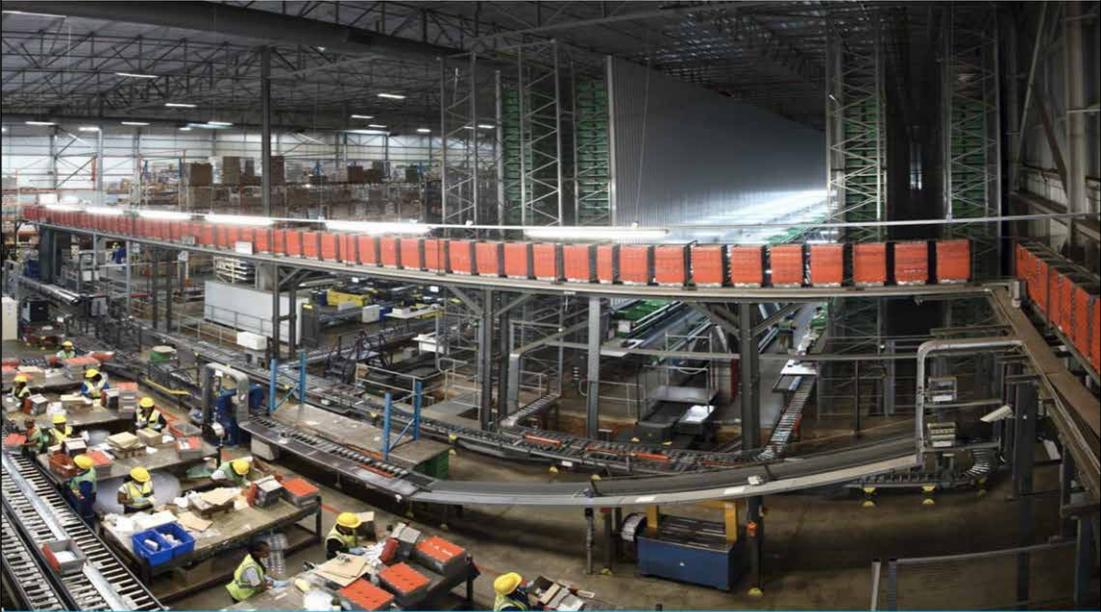
## CONVENIENT STORE NETWORK



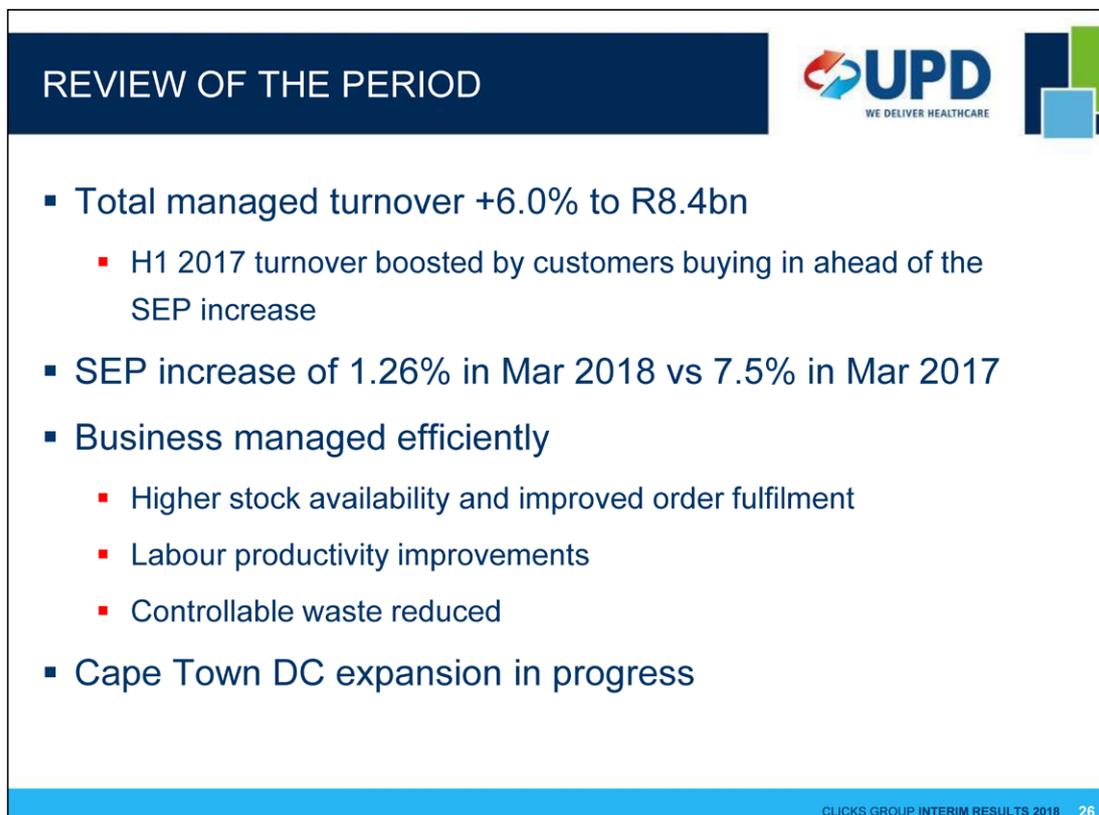
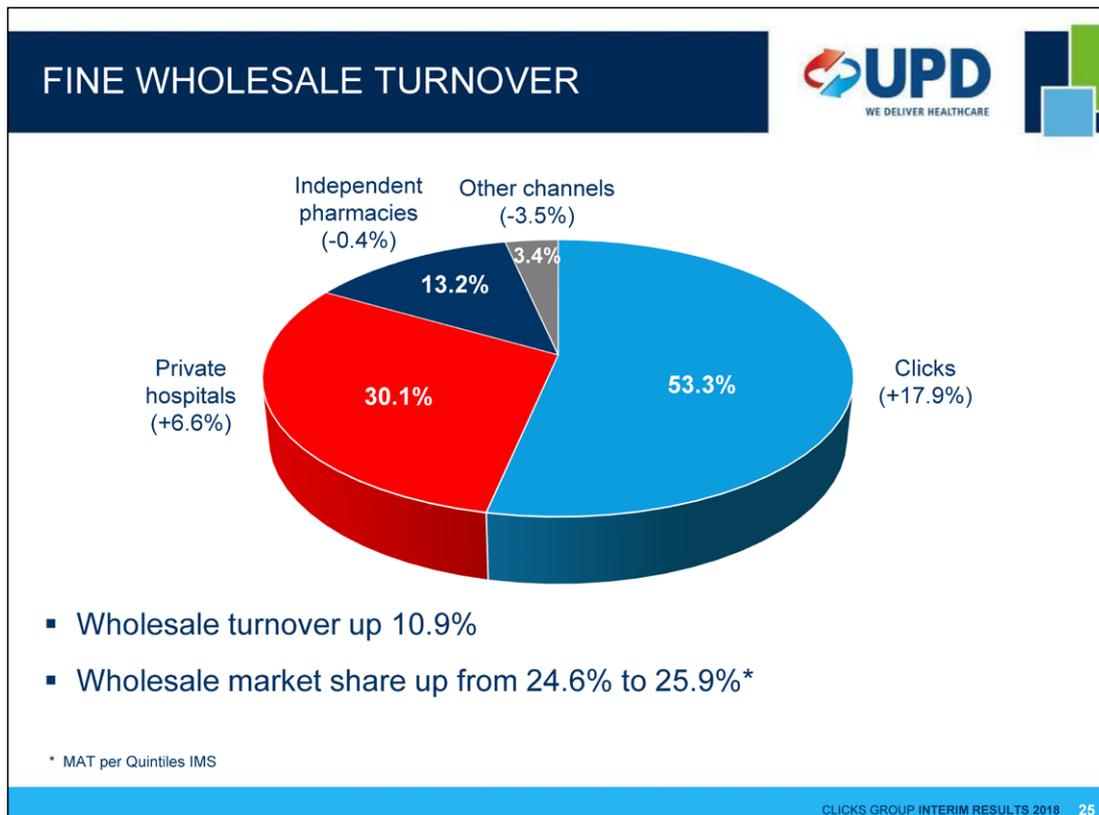
Opened 500<sup>th</sup> pharmacy at Park Station, Johannesburg in April 2018



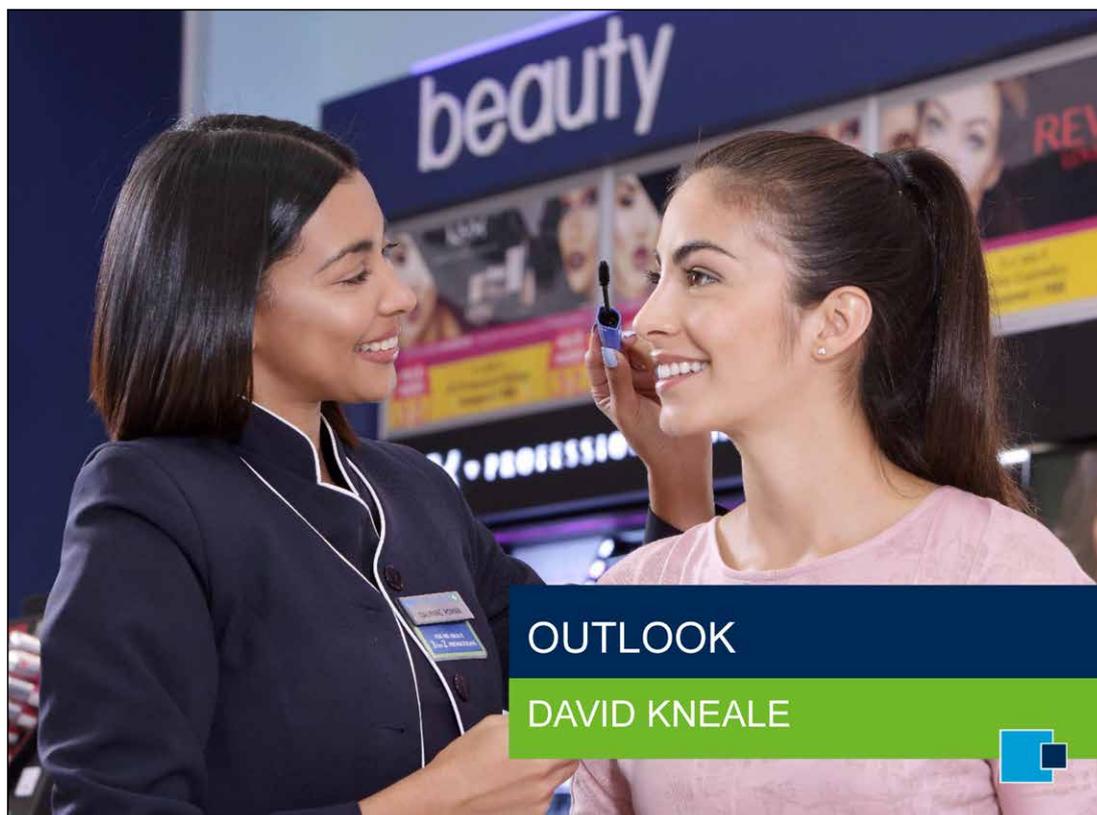
CLICKS GROUP INTERIM RESULTS 2018 23



CLICKS GROUP INTERIM RESULTS 2018 24



## PRESENTATION



### OUTLOOK

- Improving sentiment not yet translating into higher spend
- Selling price inflation anticipated to be 2 – 3% for FY2018
- Clicks brand in good shape
  - Celebrating 50<sup>th</sup> birthday in August
  - Opening 40 stores this year
- UPD will have a tougher H2 due to low SEP increase
  - 4 new distribution contracts start during H2
- Health & beauty markets and business model are resilient
- Forecast **12 – 17%** growth in diluted HEPS for FY2018



## 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.

# CORPORATE INFORMATION

**Registered address:** Cnr Searle and Pontac Streets, Cape Town 8001. PO Box 5142, Cape Town 8000

**Directors:** DM Nurek\* (Chairman), F Abrahams\*, JA Bester\*, BD Engelbrecht, M Fleming (Chief Financial Officer), NN Gobodo\*, F Jakoet\*, DA Kneale# (Chief Executive Officer), M Rosen\*

\* Independent non-executive # British

**Company secretary:** M Welz

**Transfer secretaries:** Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196. PO Box 61051, Marshalltown 2107

**Sponsor:** Investec Bank Limited

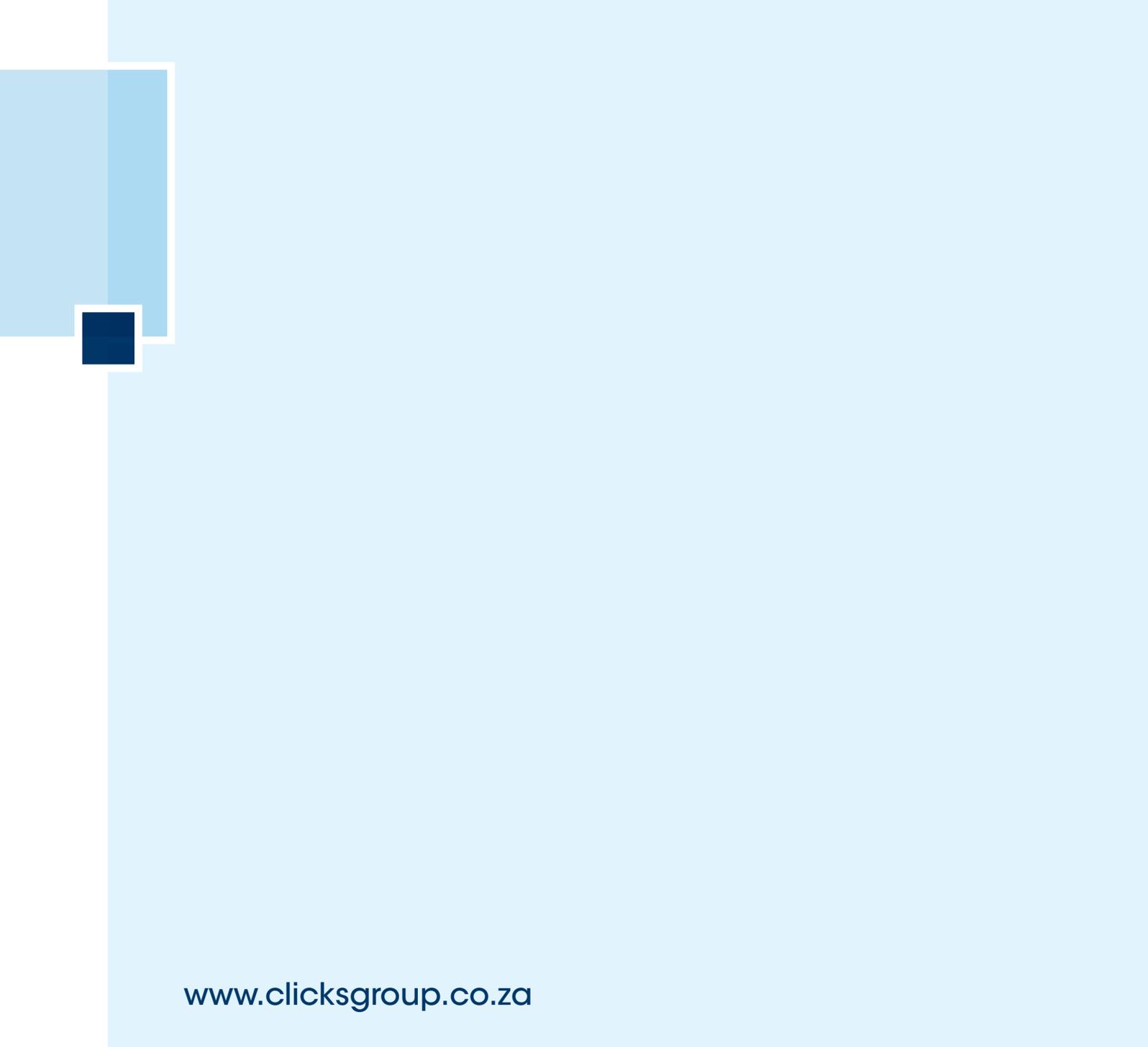
**Registration number:** 1996/000645/06      **Income tax number:** 9061/745/71/8

**Share code:** CLS      **ISIN:** ZAE000134854      **CUSIP:** 18682W205

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