

ANNUAL GROUP RESULTS 2017



CLICKS GROUP
LIMITED

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Group turnover up

10.9%

Cash from operations

R2 billion

Diluted HEPS up

14.5%

Total dividend up

18.4%

Return on equity of

44.1%

FINANCIAL SUMMARY

		Year to 31 August 2017	Year to 31 August 2016	% change
Consolidated statement of comprehensive income				
Turnover	(R'000)	26 809 101	24 170 879	10.9%
Gross profit	(R'000)	5 623 977	5 014 267	12.2%
Total income	(R'000)	7 146 982	6 368 100	12.2%
Headline earnings	(R'000)	1 268 552	1 098 471	15.5%
Net interest charge	(R'000)	(37 337)	(52 851)	(29.4%)
Consolidated statement of financial position				
Equity	(R'000)	3 300 350	2 452 241	34.6%
Total assets	(R'000)	9 721 115	8 376 896	16.0%
Consolidated statement of cash flows				
Net cash effects from operating activities	(R'000)	853 796	759 145	12.5%
Capital expenditure	(R'000)	517 850	432 959	19.6%
Depreciation and amortisation	(R'000)	297 066	264 144	12.5%
Performance				
Turnover growth	(%)	10.9	9.5	
Comparable stores turnover growth	(%)	8.0	9.8	
Gross profit growth	(%)	12.2	10.8	
Gross profit margin	(%)	21.0	20.7	
Total income growth	(%)	12.2	11.0	
Total income margin	(%)	26.7	26.3	
Operating margin	(%)	6.8	6.5	
Inventory days		65	66	
Current ratio	(:1)	1.1	1.1	
Return on total assets	(%)	14.0	13.8	
Return on shareholders' interest	(%)	44.1	49.2	
Shareholders' interest to total assets	(%)	34.0	29.3	
Interest-bearing debt, including cash, to shareholders' interest at year-end	(%)	(21.2)	(15.1)	
Statistics				
Number of permanent employees		14 673	14 093	4.1%
Number of stores		795	689	15.4%
Weighted retail trading area	(m ²)	293 479	277 874	5.6%
Share statistics				
Number of ordinary shares in issue (gross), excluding "A" shares	('000)	245 969	246 138	(0.1%)
Number of ordinary shares in issue (net of treasury shares)	('000)	236 526	236 526	–
Weighted average number of shares in issue (net of treasury shares)	('000)	236 526	237 565	(0.4%)
Weighted average diluted number of shares in issue (net of treasury shares)	('000)	252 641	250 501	0.9%
Headline earnings per share – basic	(cents)	536.3	462.4	16.0%
– diluted	(cents)	502.1	438.5	14.5%
Dividend per share – interim	(cents)	88.0	76.0	15.8%
– final	(cents)	234.0	196.0	19.4%
Share price – closing	(cents)	14 880	12 110	22.9%
– high	(cents)	15 032	13 050	
– low	(cents)	11 146	7 980	
Net asset value per share	(cents)	1 395	1 037	34.5%
Net tangible asset value per share	(cents)	1 158	809	43.1%
Market capitalisation (gross)	(R'000)	36 600 187	29 807 312	22.8%
Market capitalisation (net of treasury shares)	(R'000)	35 195 069	28 643 299	22.9%
Price earnings ratio	(times)	29.6	27.6	
Volume of ordinary shares traded	('000)	195 979	214 500	
Percentage of ordinary shares traded	(%)	82.9	90.3	
Free float	(%)	95.9	95.9	
Shareholders' return	(cents)	3 092	3 228	
Increase in share price	(cents)	2 770	2 956	
Dividend per share	(cents)	322	272	
Other information				
Inflation rate				
CPI	(%)	4.8	5.9	
Internal selling price inflation	(%)	5.3	4.9	
Interest rates				
Prime overdraft rate – closing	(%)	10.25	10.50	
– average	(%)	10.46	10.10	
FTSE/JSE Africa share indices				
All Share Index		56 522	52 733	7.2%
General Retailers Index		6 798	7 255	(6.3%)
Food and Drug Retailers Index		11 637	10 683	8.9%
Exchange rate				
Rand/US dollar – closing	(R/US\$)	13.02	14.49	(10.1%)
– average	(R/US\$)	13.46	14.74	(8.7%)

COMMENTARY

Overview

Clicks Group delivered another resilient performance in tough retail trading conditions and reported robust health and beauty sales, increased margins, strong cash generation and enhanced returns to shareholders.

Retail health and beauty sales increased by 14.7% with strong volume growth and market share gains in all product categories. UPD, the group's pharmaceutical distributor, also recorded double-digit sales and profit growth.

Diluted headline earnings per share (HEPS) increased by 14.5% to 502.1 cents. The total dividend was increased by 18.4% to 322 cents per share, with the dividend payout ratio moving up to 60%.

The group continues to deliver a high return on equity of 44.1%.

Financial performance

Group turnover increased by 10.9% to R26.8 billion, with retail sales growing by 13.5% and distribution turnover by 11.4%. Selling price inflation for the group averaged 5.3% for the year.

Total income grew by 12.2% to R7.1 billion. The group's total income margin strengthened by 40 basis points to 26.7% owing to the favourable mix impact from the faster growth in retail.

Retail expense growth of 12.8% was contained below sales growth despite the investment in new stores and pharmacies. Comparable retail costs increased by 6.3%. UPD again demonstrated excellent cost control with expenses up only 2.7% on last year.

The group's operating profit increased by 15.4% to R1.8 billion, with the group operating margin expanding by 30 basis points to 6.8%.

Inventory was tightly managed with stock days improving from 66 to 65 days. Inventory levels were 7.9% higher, well below the rate of sales growth.

Cash generated by operations increased by 11.3% to R2.0 billion. The group returned R677 million to shareholders in dividends. Capital expenditure of R518 million (2016: R433 million) was invested mainly in new stores and pharmacies, store refurbishments, supply chain and information technology.

Trading performance

Retail health and beauty sales, including Clicks and the franchise brands of The Body Shop, GNC and Claire's, increased by 14.7%. Comparable stores sales grew by 8.6%.

Clicks opened 111 stores, including 80 through the outsourcing agreement with the Netcare Group, and expanded the store footprint to 622. The pharmacy network was increased to 473 as a net 73 pharmacies were opened.

Clicks ClubCard increased active membership to 7 million, with the loyalty programme accounting for 77.4% of sales in Clicks.

UPD increased wholesale turnover by 12.1%, benefiting from the growth from Clicks and the private hospital groups, and the higher increase in the single exit price of medicines in the past year.



Outlook

Low economic growth and political uncertainty are expected to continue to dampen consumer confidence and constrain spending in the year ahead.

The core health and beauty markets in which the group operates are defensive and have proven to be relatively resilient in challenging trading conditions. The group's market-leading brands are well positioned in this environment.

A record capital investment of R680 million is planned for the 2018 financial year as the group continues to invest for long-term growth. This includes the opening of 25 to 30 new Clicks stores and 30 to 35 new pharmacies, with significant investment in the retail and pharmaceutical supply chain to support the increased scale of the group.

Final dividend

The board of directors has approved a final gross ordinary dividend of 234.0 cents per share (2016: 196.0 cents per share) and 32.2 cents per ordinary "A" share (2016: 27.2 cents per share). The source of the dividend will be from distributable reserves and paid in cash.

Additional information

Dividends Tax (DT) of 20% amounting to 46.80 cents per ordinary share and 6.44 cents per ordinary "A" 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 187.20 cents net of DT and ordinary "A" shareholders will receive a dividend of 25.76 cents net of DT.

The company has 245 968 968 ordinary shares and 29 153 295 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 final dividend:

Last day to trade "cum" the dividend	Tuesday, 23 January 2018
Shares trade "ex" the dividend	Wednesday, 24 January 2018
Record date	Friday, 26 January 2018
Payment to shareholders	Monday, 29 January 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 24 January 2018 and Friday, 26 January 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, 23 January 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

26 October 2017



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Year to 31 August 2017	Year to 31 August 2016	% change
Revenue	28 342 607	25 530 967	
Turnover	26 809 101	24 170 879	10.9%
Cost of merchandise sold	(21 185 124)	(19 156 612)	10.6%
Gross profit	5 623 977	5 014 267	12.2%
Other income	1 523 005	1 353 833	12.5%
Total income	7 146 982	6 368 100	12.2%
Expenses	(5 333 405)	(4 796 464)	11.2%
Depreciation and amortisation	(283 227)	(252 662)	12.1%
Occupancy costs	(794 796)	(682 827)	16.4%
Employment costs	(2 845 838)	(2 550 731)	11.6%
Other costs	(1 409 544)	(1 310 244)	7.6%
Operating profit	1 813 577	1 571 636	15.4%
Loss on disposal of property, plant and equipment	(4 868)	(6 388)	
Profit before financing costs	1 808 709	1 565 248	15.6%
Net financing costs	(37 337)	(52 851)	(29.4%)
Financial income	10 501	6 255	67.9%
Financial expense	(47 838)	(59 106)	(19.1%)
Profit before earnings from associate	1 771 372	1 512 397	17.1%
Share of profit of an associate	2 900	2 254	28.7%
Profit before taxation	1 774 272	1 514 651	17.1%
Income tax expense	(496 630)	(420 779)	18.0%
Profit for the year	1 277 642	1 093 872	16.8%
Other comprehensive (loss)/income:			
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	(6 561)	(526)	
Cash flow hedges	(13 234)	(6 580)	
Change in fair value of effective portion	(17 892)	(9 139)	
Deferred tax on movement of effective portion	4 658	2 559	
Other comprehensive loss for the year, net of tax	(16 559)	(7 106)	
Total comprehensive income for the year	1 261 083	1 086 766	
Reconciliation of headline earnings			
Total profit for the year	1 277 642	1 093 872	
Adjusted for:			
Loss net of tax on disposal of property, plant and equipment	3 506	4 599	
Gain on consolidation of the New Clicks Foundation Trust	(12 596)	–	
Headline earnings	1 268 552	1 098 471	15.5%
Headline earnings per share (cents)			
– basic	536.3	462.4	16.0%
– diluted	502.1	438.5	14.5%
Earnings per share (cents)			
– basic	540.2	460.5	17.3%
– diluted	505.7	436.7	15.8%
Weighted average number of shares in issue (net of treasury shares, '000)	236 526	237 565	(0.4%)
Weighted average diluted number of shares in issue (net of treasury shares, '000)	252 641	250 501	0.9%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 31 August 2017	As at 31 August 2016
ASSETS		
Non-current assets	2 854 281	2 507 207
Property, plant and equipment	1 533 935	1 345 024
Intangible assets	457 603	434 083
Goodwill	103 510	103 510
Deferred tax assets	572 223	347 400
Investment in associate	20 039	20 282
Loans receivable	4 500	9 521
Financial assets at fair value through profit or loss	27 580	16 145
Derivative financial assets	134 891	231 242
Current assets	6 866 834	5 869 689
Inventories	3 753 794	3 478 717
Trade and other receivables	2 212 719	2 012 696
Loans receivable	9 000	8 476
Cash and cash equivalents	700 473	369 800
Derivative financial assets	190 848	–
Total assets	9 721 115	8 376 896
EQUITY AND LIABILITIES		
Equity	3 300 350	2 452 241
Share capital	2 752	2 754
Share premium	3 497	3 497
Share option reserve	747 613	483 188
Cash flow hedge reserve	15 382	28 616
Treasury shares	(702 848)	(704 298)
Foreign currency translation reserve	(756)	5 805
Distributable reserve	3 234 710	2 632 679
Non-current liabilities	402 257	405 541
Employee benefits	209 231	215 132
Operating lease liability	193 026	190 409
Current liabilities	6 018 508	5 519 114
Trade and other payables	5 475 182	5 148 411
Employee benefits	394 460	241 986
Provisions	6 733	6 939
Income tax payable	132 991	92 476
Derivative financial liabilities	9 142	26 971
Financial liability at fair value through profit or loss	–	2 331
Total equity and liabilities	9 721 115	8 376 896

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Number of shares '000	Share capital	Share premium
Balance at 1 September 2015	239 886	2 754	3 497
Transactions with owners, recorded directly in equity			
Dividends paid to shareholders	–	–	–
Share-based payment reserve movement	–	–	–
Net cost of own shares purchased	(3 360)	–	–
Total transactions with owners	(3 360)	–	–
Total comprehensive income for the year	–	–	–
Profit for the year	–	–	–
Cash flow hedge reserve	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–
Balance at 31 August 2016	236 526	2 754	3 497
Transactions with owners, recorded directly in equity			
Dividends paid to shareholders	–	–	–
Share-based payment reserve movement	–	–	–
Treasury shares cancelled	–	(2)	–
Total transactions with owners	–	(2)	–
Total comprehensive income for the year	–	–	–
Profit for the year	–	–	–
Remeasurement of post-employment benefit obligations	–	–	–
Cash flow hedge reserve	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–
Balance at 31 August 2017	236 526	2 752	3 497

Share option reserve	Treasury shares	Foreign currency translation reserve	Cash flow hedge reserve	Distributable reserve	Total equity
254 592	(414 127)	6 331	35 196	2 124 564	2 012 807
-	-	-	-	(585 757)	(585 757)
228 596	-	-	-	-	228 596
-	(290 171)	-	-	-	(290 171)
228 596	(290 171)	-	-	(585 757)	(647 332)
-	-	(526)	(6 580)	1 093 872	1 086 766
-	-	-	-	1 093 872	1 093 872
-	-	-	(6 580)	-	(6 580)
-	-	(526)	-	-	(526)
483 188	(704 298)	5 805	28 616	2 632 679	2 452 241
-	-	-	-	(677 399)	(677 399)
264 425	-	-	-	-	264 425
-	1 450	-	-	(1 448)	-
264 425	1 450	-	-	(678 847)	(412 974)
-	-	(6 561)	(13 234)	1 280 878	1 261 083
-	-	-	-	1 277 642	1 277 642
-	-	-	-	3 236	3 236
-	-	-	(13 234)	-	(13 234)
-	-	(6 561)	-	-	(6 561)
747 613	(702 848)	(756)	15 382	3 234 710	3 300 350

CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Year to 31 August 2017	Year to 31 August 2016
Cash effects from operating activities		
Operating profit before working capital changes (refer note 1)	2 040 098	1 846 993
Working capital changes (refer note 2)	(5 790)	(19 467)
Cash generated by operations	2 034 308	1 827 526
Interest received	10 501	6 255
Interest paid	(41 591)	(45 086)
Taxation paid	(472 023)	(443 793)
Cash inflow from operating activities before dividends paid	1 531 195	1 344 902
Dividends paid to shareholders	(677 399)	(585 757)
Net cash effects from operating activities	853 796	759 145
Cash effects from investing activities		
Investment in property, plant and equipment and intangibles to maintain operations	(111 666)	(129 040)
Investment in property, plant and equipment and intangibles to expand operations	(406 184)	(303 919)
Proceeds from disposal of property, plant and equipment	3 485	603
Acquisition of unlisted investment in associate	(2 500)	(17 415)
Decrease/(increase) in loan receivables	4 497	(4 994)
Net cash effects from investing activities	(512 368)	(454 765)
Cash effects from financing activities		
Purchase of treasury shares	–	(290 171)
Acquisition of derivative financial asset	(39 064)	(45 147)
Settlement of derivative financial asset	28 309	–
Net cash effects from financing activities	(10 755)	(335 318)
Net increase/(decrease) in cash and cash equivalents	330 673	(30 938)
Cash and cash equivalents at the beginning of the year	369 800	400 738
Cash and cash equivalents at the end of the year	700 473	369 800

STORE FOOTPRINT

	Clicks	Musica	The Body Shop	GNC	Claire's	Total retail
Number of standalone stores at 31 August 2017	622	113	53	–	7	795
as at 31 August 2016	511	115	53	5	5	689
opened*	115	3	–	–	2	120
closed	(4)	(5)	–	(5)	–	(14)
Presence in Clicks stores at 31 August 2017			122	375	142	
Number of pharmacies at 31 August 2017	473					473
as at 31 August 2016	400					400
new**	74					74
closed	(1)					(1)
Number of clinics at 31 August 2017	195					195

* Including 43 Netcare front shops and 37 Medicross pharmacies.

** Including 37 Medicross pharmacies.

NOTES TO THE CASH FLOW STATEMENT

R'000	Year to 31 August 2017	Year to 31 August 2016
Cash flow information		
1 Profit before working capital changes		
Profit before tax	1 774 272	1 514 651
Adjustment for:		
Depreciation and amortisation	297 066	264 144
Movement in operating lease liability	2 617	9 941
Loss on disposal of property, plant and equipment	4 868	6 388
Release of cash flow hedge to profit and loss	(123 779)	(65 422)
Equity-settled share option costs	58 909	64 533
Net financing cost	37 337	52 851
Decrease in financial assets at fair value through profit or loss	1 161	523
Net distributed/(undistributed) profits of an associate	243	(616)
Gain on consolidation of the New Clicks Foundation Trust	(12 596)	–
	2 040 098	1 846 993
2 Working capital changes		
Increase in inventories	(275 077)	(228 803)
Increase in trade and other receivables	(200 023)	(145 248)
Increase in trade and other payables	329 611	251 161
Increase in employee benefits	139 905	102 229
(Decrease)/increase in provisions	(206)	1 194
	(5 790)	(19 467)

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	
	Aug 2017	Aug 2016		Aug 2017	Aug 2016
Public Investment Corporation (SA)	14.2%	14.5%	South Africa and Africa	33.9%	31.4%
Baillie Gifford & Co (UK)	5.5%	5.3%	Offshore holdings	66.1%	68.6%
Fidelity Management & Research (US)	5.2%	5.0%	USA and Canada	45.8%	45.9%
GIC (Singapore)	4.3%	4.3%	United Kingdom and Ireland	6.9%	8.8%
JPMorgan Asset Management (UK and US)	4.1%	2.9%	Europe	6.7%	6.6%
Mawer Investment Management (CA)	3.8%	4.7%	Other countries	6.7%	7.3%
The Vanguard Group (US)	3.4%	2.9%			
MFS Investment Management (US)	3.3%	2.4%			
<i>Fund managers no longer managing over 3%:</i>					
Wasatch Advisors (US)	2.5%	3.7%			
Aberdeen Asset Management (UK)	1.7%	3.6%			

SEGMENTAL ANALYSIS

For the year ended 31 August 2017 R'000	Retail	
	31 Aug 2017	31 Aug 2016
Statement of financial position		
Property, plant and equipment	1 307 594	1 119 803
Intangible assets	440 279	416 026
Goodwill	6 529	6 529
Inventories	2 529 009	2 338 453
Trade and other receivables	380 874	330 818
Cash and cash equivalents	678 428	328 730
Other assets	1 408 638	1 084 710
Total assets	6 751 351	5 625 069
Employee benefits – non-current	192 637	198 623
Operating lease liability	193 026	190 409
Trade and other payables	2 577 264	2 225 538
Employee benefits – current	355 630	218 891
Other liabilities	1 650 895	1 581 116
Total liabilities	4 969 452	4 414 577
Net assets	1 781 899	1 210 492
Statement of comprehensive income		
Turnover	18 893 563	16 640 227
Cost of merchandise sold	(13 473 528)	(11 794 922)
Gross profit	5 420 035	4 845 305
Other income	915 108	758 770
Total income	6 335 143	5 604 075
Expenses	(4 850 342)	(4 298 388)
Operating profit	1 484 801	1 305 687
Ratios		
Increase in turnover	(%) 13.5	12.8
Selling price inflation	(%) 4.9	4.3
Comparable stores turnover growth	(%) 8.0	9.8
Gross profit margin	(%) 28.7	29.1
Total income margin	(%) 33.5	33.7
Operating expenses as a percentage of turnover	(%) 25.7	25.8
Increase in operating expenses	(%) 12.8	11.2
Increase in operating profit	(%) 13.7	13.5
Operating profit margin	(%) 7.9	7.8
Inventory days	69	72
Trade debtor days	6	6
Trade creditor days	44	42
Number of stores	795	689
as at 31 August 2016/2015	689	657
opened	120	41
closed	(14)	(9)
Number of pharmacies	473	400
as at 31 August 2016/2015	400	361
new/converted	74	40
closed	(1)	(1)
Total leased area	(m ²) 378 672	349 866
Weighted retail trading area	(m ²) 293 479	277 874
Weighted annual sales per m ²	(R) 64 167	59 677
Number of permanent employees	14 135	13 508

Depreciation and amortisation for the Retail segment totalled R252.2 million (2016: R223.4 million) and for the Distribution segment R31.0 million (2016: R29.3 million).

Distribution		Intragroup elimination		Total operations	
31 Aug 2017	31 Aug 2016	31 Aug 2017	31 Aug 2016	31 Aug 2017	31 Aug 2016
226 341	225 221	-	-	1 533 935	1 345 024
17 324	18 057	-	-	457 603	434 083
96 981	96 981	-	-	103 510	103 510
1 266 559	1 180 637	(41 774)	(40 373)	3 753 794	3 478 717
2 426 754	2 163 393	(594 909)	(481 515)	2 212 719	2 012 696
22 045	41 070	-	-	700 473	369 800
1 504 140	1 452 403	(1 953 697)	(1 904 047)	959 081	633 066
5 560 144	5 177 762	(2 590 380)	(2 425 935)	9 721 115	8 376 896
16 594	16 509	-	-	209 231	215 132
-	-	-	-	193 026	190 409
3 497 676	3 409 163	(599 758)	(486 290)	5 475 182	5 148 411
38 830	23 095	-	-	394 460	241 986
451 776	451 830	(1 953 805)	(1 904 229)	148 866	128 717
4 004 876	3 900 597	(2 553 563)	(2 390 519)	6 420 765	5 924 655
1 555 268	1 277 165	(36 817)	(35 416)	3 300 350	2 452 241
12 320 584	11 054 959	(4 405 046)	(3 524 307)	26 809 101	24 170 879
(12 115 708)	(10 875 940)	4 404 112	3 514 250	(21 185 124)	(19 156 612)
204 876	179 019	(934)	(10 057)	5 623 977	5 014 267
732 096	688 113	(124 199)	(93 050)	1 523 005	1 353 833
936 972	867 132	(125 133)	(103 107)	7 146 982	6 368 100
(606 795)	(591 127)	123 732	93 051	(5 333 405)	(4 796 464)
330 177	276 005	(1 401)	(10 056)	1 813 577	1 571 636
11.4	6.1	25.0	13.6	10.9	9.5
5.8	5.4	-	-	5.3	4.9
-	-	-	-	8.0	9.8
1.7	1.6	-	-	21.0	20.7
7.6	7.8	-	-	26.7	26.3
4.9	5.3	-	-	19.9	19.8
2.7	7.4	-	-	11.2	10.5
19.6	6.7	-	-	15.4	12.6
2.7	2.5	-	-	6.8	6.5
38	40	-	-	65	66
57	58	-	-	40	43
86	92	-	-	68	70
-	-	-	-	795	689
-	-	-	-	689	657
-	-	-	-	120	41
-	-	-	-	(14)	(9)
-	-	-	-	473	400
-	-	-	-	400	361
-	-	-	-	74	40
-	-	-	-	(1)	(1)
-	-	-	-	378 672	349 866
-	-	-	-	293 479	277 874
-	-	-	-	64 167	59 677
538	585	-	-	14 673	14 093

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 years.

Current ratio

Current assets at year-end divided by current liabilities at year-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 year divided by the weighted average number of shares in issue for the year.

Diluted earnings per share

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

Headline earnings per share

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

Diluted headline earnings per share

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

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 year adjusted for the after-tax effect of certain capital items and a gain on consolidation from the New Clicks Foundation Trust.

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 year-end

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

Inventory days

Closing inventory at year-end divided by the cost of merchandise sold during the year, 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 year-end multiplied by the number of ordinary shares in issue at year-end.

Net asset value per share

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

Net tangible asset value per share

Net assets at year-end, less intangible assets (such as goodwill and trademarks), divided by the number of ordinary shares in issue at year-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 impairment of property, plant and equipment, profit on disposal of businesses, a gain on consolidation of the New Clicks Foundation Trust and 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 year 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 year-end divided by diluted headline earnings per share for the year.

Return on shareholders' interest ("ROE")

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

Return on total assets ("ROA")

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

Return on net assets ("RONA")

Operating profit as defined for RONA divided by average net assets for the year 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 year 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 year relative to the previous year expressed as a percentage of the weighted average selling price of the same sample of products for the previous year. Only products sold in both the current and previous years 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 year-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 year-end (adjusted to exclude VAT) divided by the cost of merchandise sold during the year, multiplied by 365 days.

Trade debtor days

Closing trade debtors at year-end (adjusted to exclude VAT) divided by sales for the year, 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 and the Clicks Group Employee Share Ownership Trust.

Weighted average number of shares

The number of ordinary shares in issue, increased by shares issued during the year and reduced by treasury shares purchased or shares cancelled during the year, 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




**ANNUAL RESULTS FOR THE YEAR ENDED
31 AUGUST 2017**

**CLICKS GROUP
LIMITED**

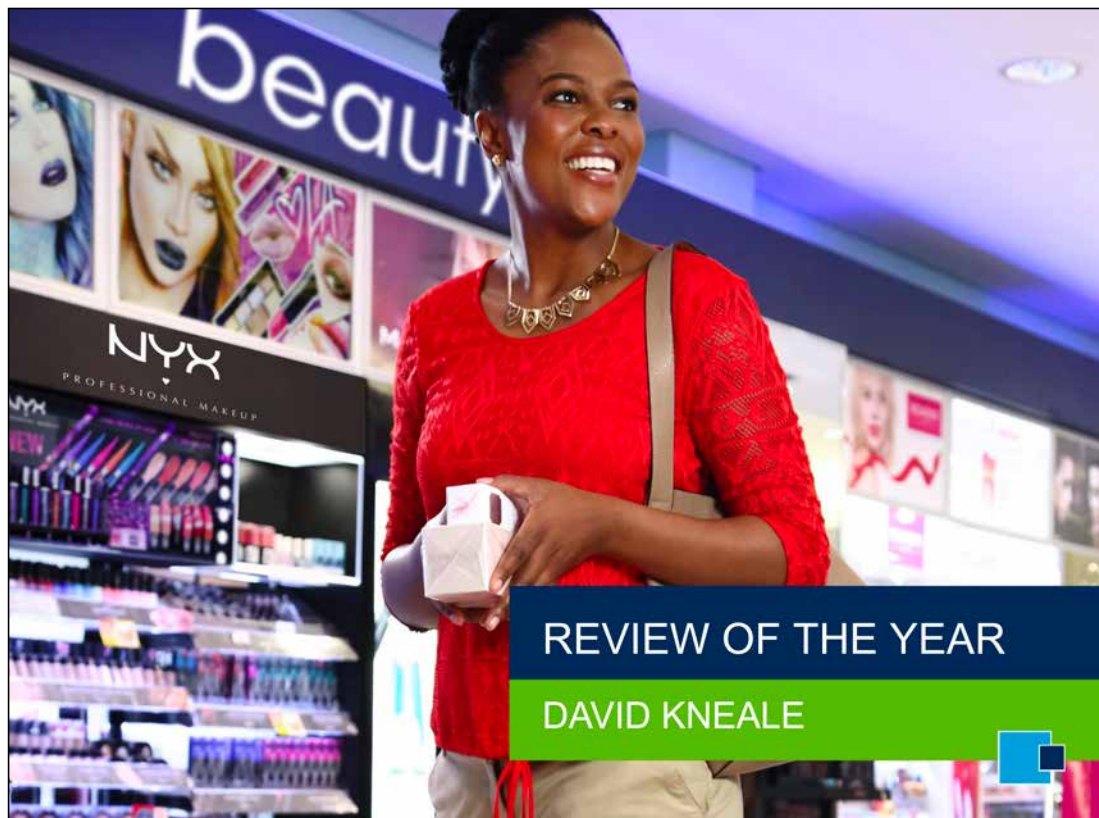
PRESENTATION OUTLINE

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



CLICKS GROUP ANNUAL RESULTS 2017 2

PRESENTATION



REVIEW OF THE YEAR

- Strong Clicks trading performance
 - Continuing good volume growth
 - Increased market shares across the board
- Opened 111 Clicks stores
- Good sales and profit performance from UPD
- R2 billion cash generated by operations
- Another record year of capital investment
- Additional shareholder value of R7.5 billion created



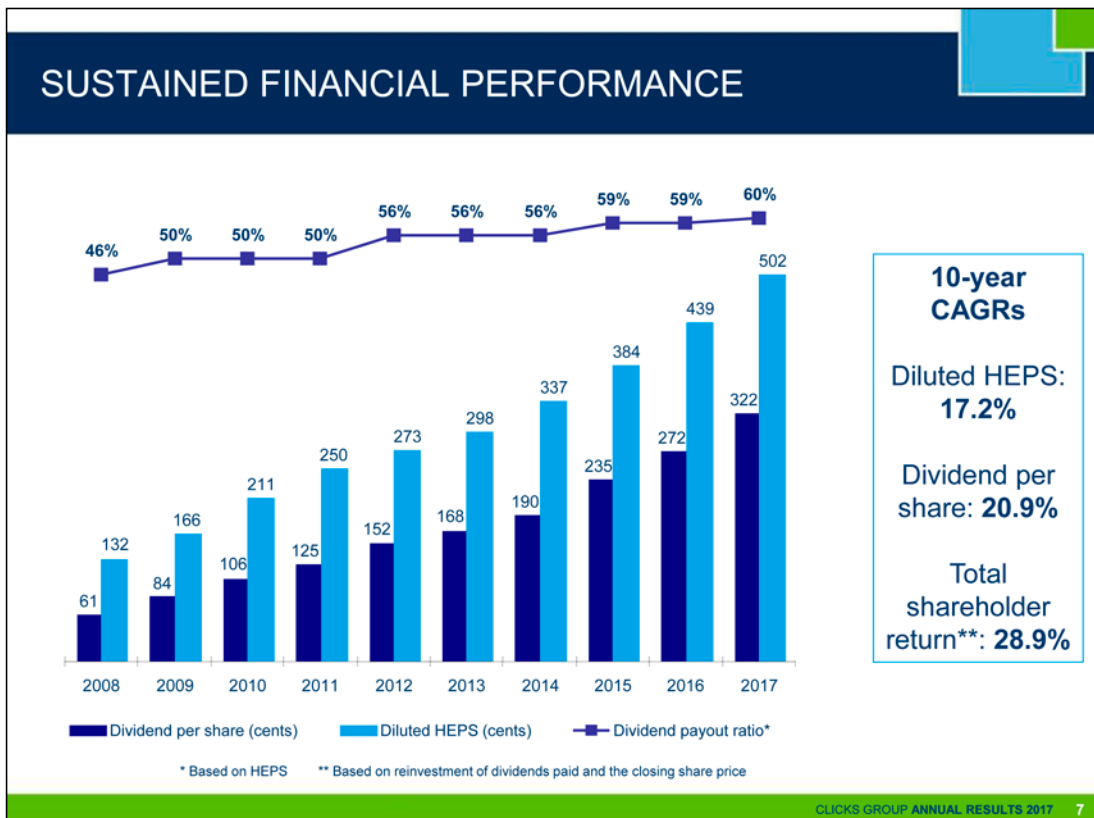
FINANCIAL RESULTS

MICHAEL FLEMING

FINANCIAL HIGHLIGHTS

- Group turnover up **10.9%**
 - Health & Beauty turnover up **14.7%**
 - UPD turnover up **11.4%**
- Operating margin up from 6.5% to **6.8%**
- Diluted HEPS up **14.5%** to 502.1 cps
- Cash generated by operations **R2.0 billion**
- Total dividend of 322 cps, up **18.4%**
 - 60% dividend payout ratio
- Return on equity of **44.1%**

PRESENTATION



TURNOVER

R'm	2017	2016	% change	% same stores growth	% inflation
Retail	18 893	16 640	13.5	8.0	4.9
Health & Beauty			14.7		
Musica			(7.0)		
Distribution	12 321	11 055	11.4		5.8
Intragroup turnover	(4 405)	(3 524)	25.0		
Total group	26 809	24 171	10.9		5.3

- Good volume growth in health and beauty brands
- UPD benefited from two SEP increases
- Inflation in guided range of 5 - 6%

CLICKS GROUP ANNUAL RESULTS 2017 8

TOTAL INCOME

	2017 R'm	2016 R'm	% change	2017 % margin	2016 % margin
Retail	6 335	5 604	13.0	33.5	33.7
Distribution	937	867	8.1	7.6	7.8
Intragroup	(125)	(103)			
Total group	7 147	6 368	12.2	26.7	26.3

- Impact of stronger growth in pharmacy category
- Investment in every day competitive pricing in Retail
- Favourable mix impact on the group

CLICKS GROUP ANNUAL RESULTS 2017 9

OPERATING EXPENDITURE - RETAIL

R'm	2017	2016	% change
Depreciation and amortisation	252	223	12.9
Occupancy costs	793	680	16.7
Employment costs	2 612	2 319	12.6
Other operating costs	1 193	1 076	10.9
Total retail costs	4 850	4 298	12.8
% of turnover	25.7%	25.8%	

- Investing in stores and pharmacies
- Comparable retail costs up 6.3%

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PRESENTATION

OPERATING EXPENDITURE - DISTRIBUTION			
R'm	2017	2016	% change
Depreciation and amortisation	31	29	6.0
Occupancy costs	3	4	(32.3)
Employment costs	234	232	0.9
Other operating costs	339	326	4.0
Total distribution costs	607	591	2.7

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OPERATING PROFIT					
	2017 R'm	2016 R'm	% change	2017 % margin	2016 % margin
Retail	1 485	1 306	13.7	7.9	7.8
Distribution	330	276	19.6	2.7	2.5
Intragroup	(1)	(10)			
Total group	1 814	1 572	15.4	6.8	6.5

- Musica profit R28m lower
- Both divisions benefiting from increased scale

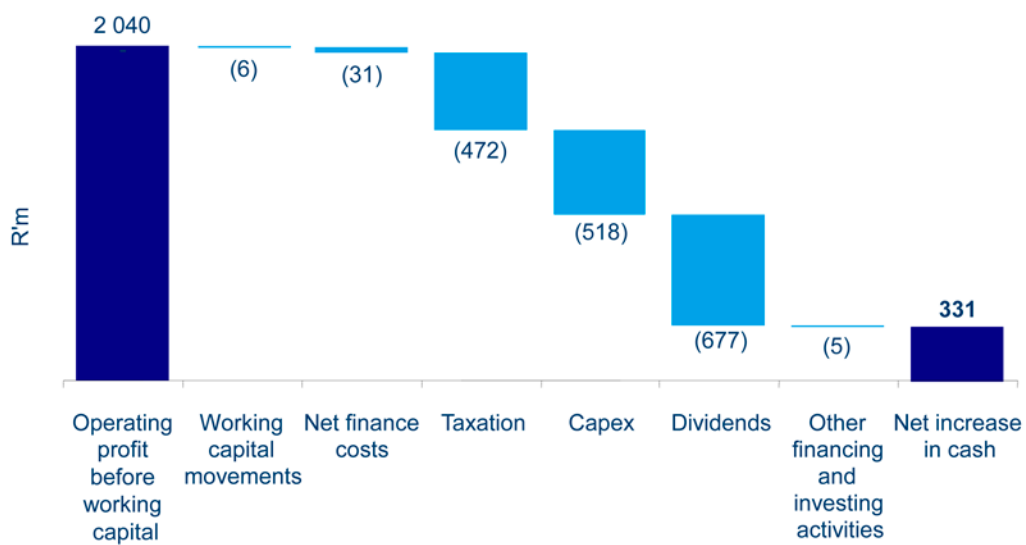
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INVENTORY

	Days in stock		Inventory (R'm)		
	2017	2016	2017	2016	% change
Retail	69	72	2 529	2 338	8.1
Distribution	38	40	1 267	1 181	7.3
Intragroup inventory			(42)	(40)	
Total group	65	66	3 754	3 479	7.9

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CASH MANAGEMENT



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PRESENTATION

CAPITAL EXPENDITURE

- R680m capex planned for FY2018
 - R300m on stores, including:
 - 25 – 30 new Clicks stores
 - 30 – 35 new pharmacies
 - 60 store refurbishments
 - R380m on infrastructure, including:
 - Clicks Centurion DC expansion
 - R74m for UPD
- Capex of R650m – R700m p.a. over the next three years

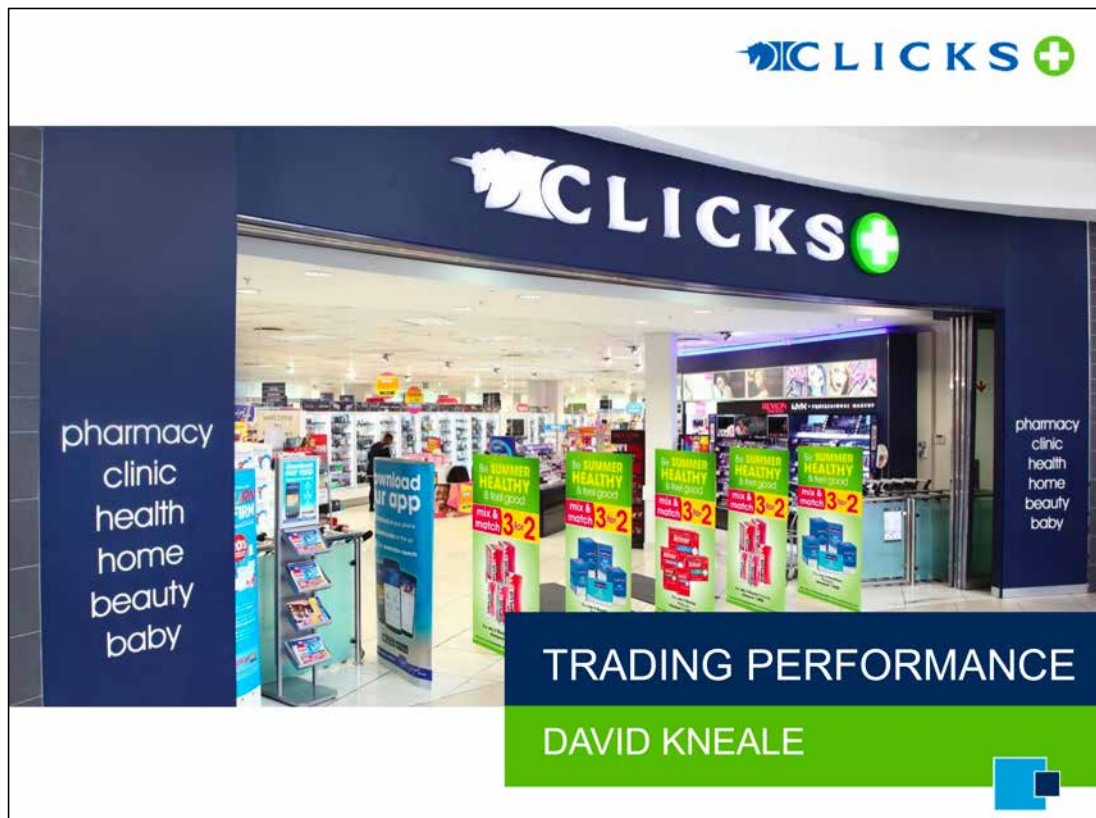
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MEDIUM-TERM FINANCIAL TARGETS

	Achieved in FY2017	Medium- term target
ROE (%)	44.1	50 – 60
ROA (%)	14.0	14 – 18
Inventory days	65	60 – 65
Group operating margin (%)	6.8	6.5 – 7.5*
Retail	7.9	7.5 – 8.5
Distribution	2.7	2.2 – 2.7*
Dividend payout ratio (%)	60	60 – 65

* Targets increased

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HEALTH & BEAUTY SALES PERFORMANCE

	% change	% contribution
Pharmacy	25.7	29.9
Front shop health	13.7	22.9
Beauty and personal care	9.5	31.6
General merchandise	8.4	15.6
Total turnover	14.7	100.0

- Comparable stores turnover growth +8.6%

PRESENTATION

REVIEW OF THE YEAR



- Expanding store network
 - 622 Clicks stores with 473 pharmacies
 - Only 57 SA stores still to get a pharmacy
- Strong performance in pharmacy & health
 - Good winter for cold and flu
 - Continued switch to generics +30.4%
 - Repeat Prescription Service
- Promotional sales +24.1%
 - 34.7% of turnover
- Continue to be price competitive




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REVIEW OF THE YEAR (CONTINUED)



- Continued investment in customer experience
- Private label maintained at 22% of sales
 - Front shop at 28.5%
 - Pharmacy at 6.1%
- 7.0 million active ClubCard members
 - 77.4% of sales
- Enhanced digital capability
 - Online platform well received
 - Clicks app launched



download our app




- 1 ClubCard on your phone
- 2 Submit scripts on the go
- 3 Order medication repeats

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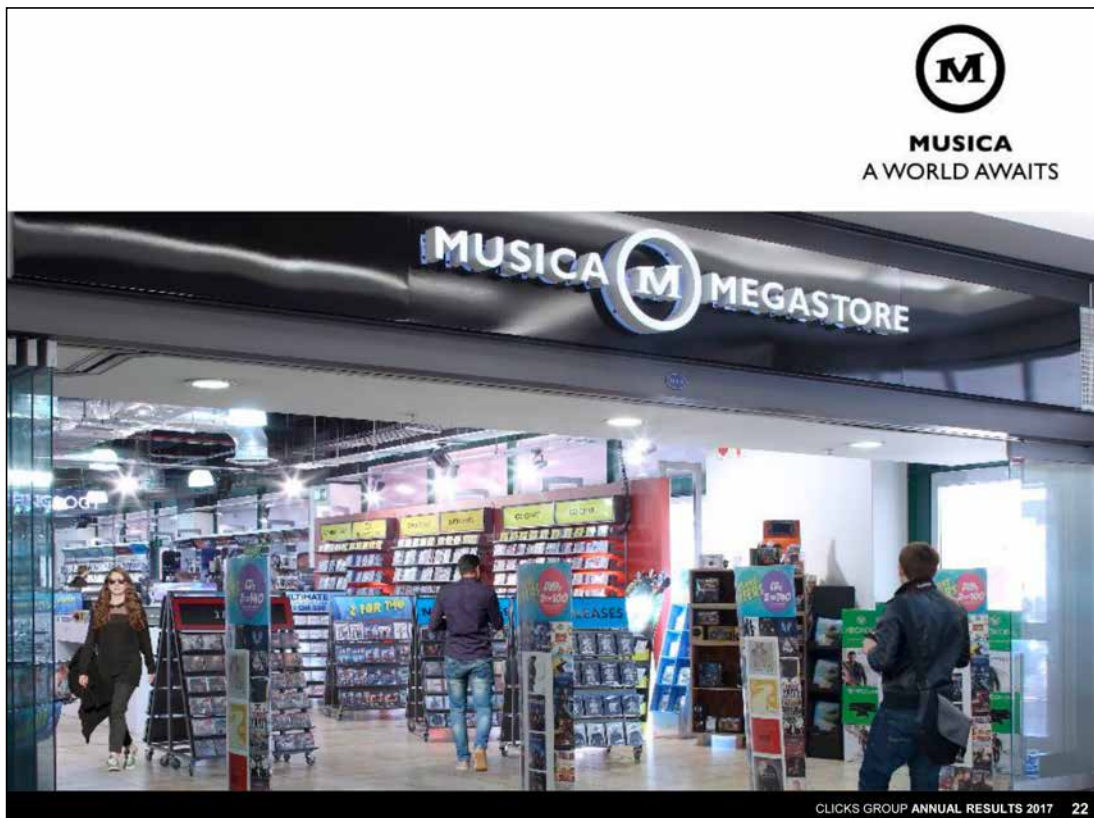
Visit www.clicks.co.za/app for more information

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<div style="display: flex; justify-content: space-between; align-items: center;"> MARKET SHARES  </div>		
%	Aug 2017	Aug 2016
Health		
Retail pharmacy*	22.2	19.7
Front shop health**	29.7	29.0
Baby**	13.9	12.2
Beauty		
Skincare**	28.3	27.3
Haircare**	27.2	25.7
General merchandise		
Small household appliances***	20.0	19.2


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

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PRESENTATION

PERFORMANCE



	Turnover		Market share*	
	% change	% contribution	Aug 2017	Aug 2016
Music	(12.8)	39.1	77.6%	69.2%
Movies	(7.9)	21.8	59.8%	52.3%
Gaming	(4.3)	18.1	13.9%	15.0%
Technology	6.6	21.0		
Total turnover	(7.0)	100.0		

- Structural change exacerbated by weak release schedule in music and movies
- Musica remains profitable and cash generative
- Moving to consignment stock model

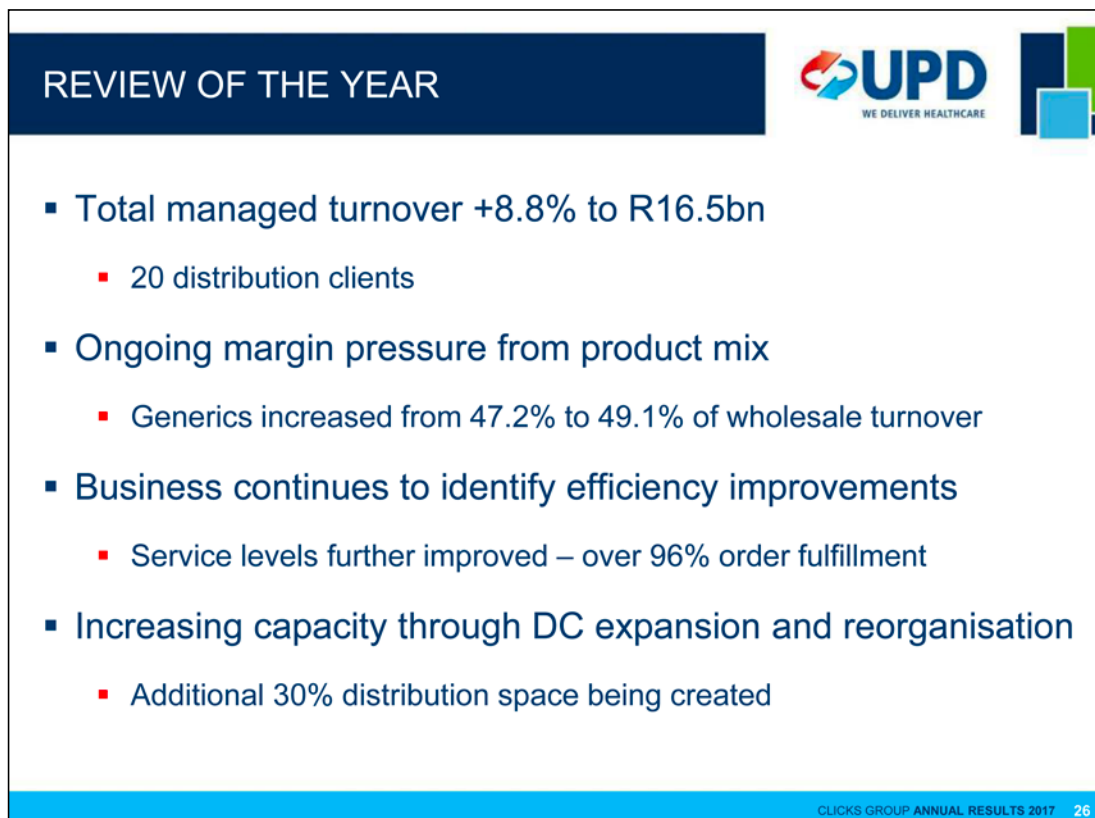
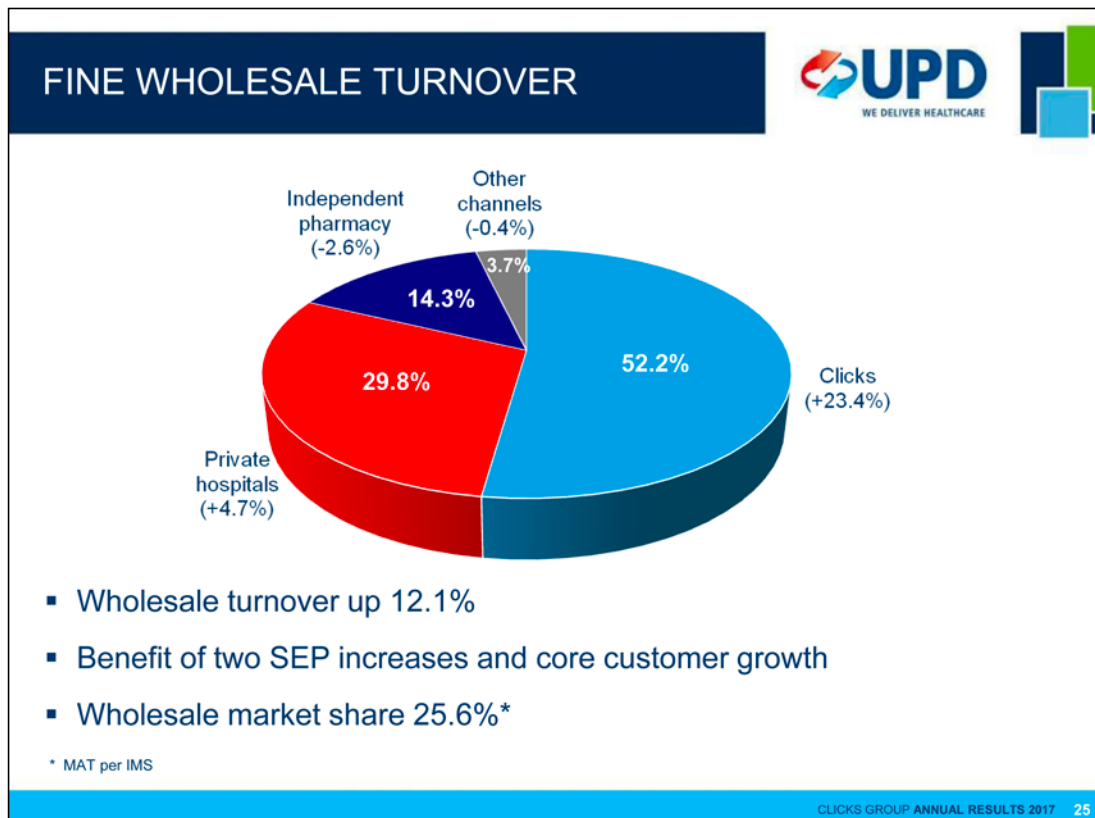
* Per Aquidneck / GfK (restated)

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PRESENTATION



DRIVERS OF LONGER TERM GROWTH

- Favourable market dynamics
- Expansion of retail footprint
 - Goal of **900** Clicks stores in South Africa
 - **30%** retail pharmacy market share goal
- Differentiated product offer
 - Objective of **30%** front shop private label and exclusive brands
- Leveraging customer loyalty
 - Growing digital engagement
- Opportunity to add scale to UPD
 - **30%** wholesale market share goal

OUTLOOK FOR FY2018

- Consumer environment will remain challenging
- Selling price inflation to come down
 - 2018 SEP increase likely to be much lower than 2017
- Health & beauty markets and business model are resilient
- Investment in stores, IT, supply chain and people to enable growth
- Confident of the group's ability to deliver on targets

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PRESENTATION

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.

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CORPORATE INFORMATION

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

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* Independent non-executive # British

Company secretary: M Welz

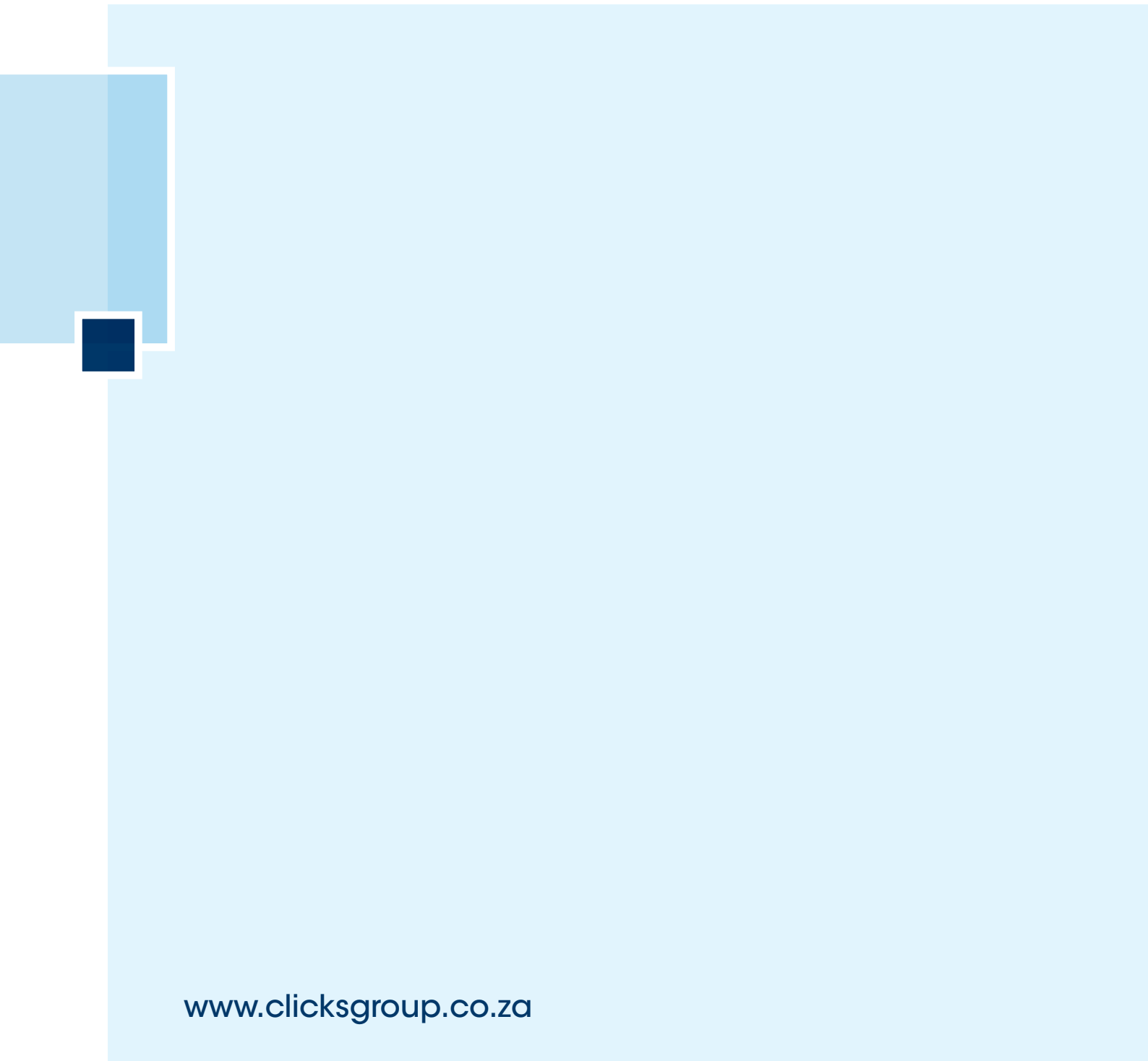
Registration number: 1996/000645/06

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

Transfer secretaries: Computershare Investor Services Proprietary Limited
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