



ANNUAL  
GROUP  
RESULTS  
FOR THE YEAR ENDED  
31 AUGUST 2018

CLICKS GROUP  
LIMITED

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Group turnover up

**9.1%**

Health and beauty sales up

**11.7%**

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Cash generated by operations

**R2.5 billion**

Diluted HEPS up

**15.1%**

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Total dividend up

**18.0%**

Included in

**FTSE/JSE Top 40 Index**

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# FINANCIAL SUMMARY

		Year to 31 August 2018	Year to 31 August 2017	% change
<b>Consolidated statement of comprehensive income</b>				
Turnover	(R'000)	29 239 688	26 809 101	9.1
Gross profit	(R'000)	6 177 109	5 623 977	9.8
Total income	(R'000)	7 894 256	7 146 982	10.5
Headline earnings	(R'000)	1 476 137	1 268 552	16.4
Net financing income/(cost)	(R'000)	2 065	(37 337)	(105.5)
<b>Consolidated statement of financial position</b>				
Equity	(R'000)	4 427 868	3 300 350	34.2
Total assets	(R'000)	11 564 077	9 721 115	19.0
<b>Consolidated statement of cash flows</b>				
Net cash effects from operating activities	(R'000)	1 392 937	853 796	63.1
Capital expenditure	(R'000)	671 233	517 850	29.6
Depreciation and amortisation	(R'000)	339 142	297 066	14.2
<b>Performance</b>				
Turnover growth	(%)	9.1	10.9	
Comparable stores turnover growth	(%)	5.5	8.0	
Gross profit growth	(%)	9.8	12.2	
Gross profit margin	(%)	21.1	21.0	
Total income growth	(%)	10.5	12.2	
Total income margin	(%)	27.0	26.7	
Operating margin	(%)	7.0	6.8	
Net working capital days		36	37	
Inventory days		67	65	
Trade debtor days		38	40	
Trade creditor days		69	68	
Current ratio	(:1)	1.2	1.1	
Return on total assets	(%)	13.9	14.0	
Return on shareholders' interest	(%)	38.2	44.1	
Shareholders' interest to total assets	(%)	38.3	34.0	
Interest-bearing debt, including cash, to shareholders' interest at year-end	(%)	(34.4)	(21.2)	
<b>Statistics</b>				
Number of permanent employees		15 067	14 673	2.7
Number of stores		837	795	5.4
Weighted retail trading area	(m <sup>2</sup> )	324 643	293 479	10.6
<b>Share statistics</b>				
Number of ordinary shares in issue (gross), excluding "A" shares	('000)	253 948	245 969	3.2
Number of ordinary shares in issue (net of treasury shares)	('000)	244 505	236 526	3.4
Weighted average number of shares in issue (net of treasury shares)	('000)	241 073	236 526	1.9
Weighted average diluted number of shares in issue (net of treasury shares)	('000)	255 385	252 641	1.1
Headline earnings per share – basic	(cents)	612.3	536.3	14.2
– diluted	(cents)	578.0	502.1	15.1
Dividend per share – interim	(cents)	102.5	88.0	16.5
– final	(cents)	277.5	234.0	18.6
Dividend payout ratio	(%)	62.1	60.0	
Share price – closing	(cents)	20 300	14 880	36.4
– high	(cents)	21 542	15 032	
– low	(cents)	18 206	11 146	
Net asset value per share	(cents)	1 811	1 395	29.8
Net tangible asset value per share	(cents)	1 574	1 158	35.9
Market capitalisation (gross)	(R'000)	51 551 444	36 600 187	40.9
Market capitalisation (net of treasury shares)	(R'000)	49 634 515	35 195 069	41.0
Price earnings ratio	(times)	35.1	29.6	
Volume of ordinary shares traded	('000)	295 190	195 979	
Percentage of ordinary shares traded	(%)	122.4	82.9	
Free float	(%)	96.1	95.9	
Shareholders' return	(cents)	5 800	3 092	
Increase in share price	(cents)	5 420	2 770	
Dividend per share	(cents)	380	322	
<b>Other information</b>				
Inflation rate				
CPI	(%)	4.9	4.8	
Internal selling price inflation	(%)	1.9	5.3	
Interest rates				
Prime overdraft rate – closing	(%)	10.00	10.25	
– average	(%)	10.00	10.46	
FTSE/JSE Africa share indices				
All Share Index		58 668	56 522	3.8
General Retailers Index		7 026	6 798	3.4
Food and Drug Retailers Index		12 450	11 637	7.0
Exchange rate				
Rand/US dollar – closing	(R/US\$)	14.71	13.02	13.0
– average	(R/US\$)	12.97	13.46	(3.6)

# COMMENTARY

## OVERVIEW

Clicks Group continued its strong growth momentum despite increasingly challenging trading conditions in the second half of the financial year. The group encountered several headwinds as consumer spending came under further pressure, selling price inflation declined to almost zero and the lower incidence of colds and flu compared to last winter depressed medicine sales.

Retail health and beauty sales increased by 11.7% as volume growth accelerated over the last year and Clicks gained market share in all product categories.

UPD, the group's pharmaceutical distributor, also performed well as it gained market share and maintained its operating margin despite the low increase granted in the single exit price (SEP) of medicines in 2018.

Diluted headline earnings per share (HEPS) increased by 15.1% to 578 cents. The total dividend grew by 18.0% to 380 cents per share, with the dividend payout ratio being increased from 60% to 62%. The group continues to deliver a high return on equity of 38.2%.

Over the past 10 years the group has returned more than R6.7 billion to shareholders and generated a compound annual total shareholder return of 32.5%. Diluted HEPS has grown by a compound rate of 16.0% per annum and dividend per share by 20.1% per annum.

## FINANCIAL PERFORMANCE

Group turnover increased by 9.1% to R29.2 billion, with retail sales growing by 10.8% and distribution turnover by 8.4%. Selling price inflation for the group averaged only 1.9% for the year compared to 5.3% in the previous year.

Total income grew by 10.5% to R7.9 billion. The group's total income margin strengthened by 30 basis points to 27.0% owing to the faster growth of the retail business.

Retail expense growth of 10.3% was contained below sales growth despite the extensive investment in new stores and pharmacies. Comparable retail costs increased by 5.1%. UPD continued to demonstrate good cost control with expenses up 6.5% on last year.

The group's operating profit increased by 12.6% to reach the R2.0 billion mark for the first time, with the group's operating margin expanding by 20 basis points to 7.0%.

Working capital continues to be well managed and the group's net working capital improved from 37 to 36 days through good trade debtor management and improved creditor days.

Cash generated by operations increased by 20.7% to R2.5 billion. The group returned R812 million to shareholders in dividends. Capital expenditure of R671 million (2017: R518 million) was invested mainly in new stores and pharmacies, store refurbishments, supply chain and information technology. Cash resources increased by R823 million over the previous year and the group ended the year with cash of R1.5 billion.

## TRADING PERFORMANCE

Retail health and beauty sales, including Clicks and the franchise brands of The Body Shop, GNC and Claire's, increased by 11.7%. Comparable stores sales grew by 6.2%, with selling price inflation of only 1.1%, reflecting volume growth of 5.1%.

Clicks opened a record 41 new stores and expanded the store footprint to 663. The pharmacy network was increased to 510 as a net 37 pharmacies were opened. Clicks ClubCard increased active membership by over 800 000 to 7.8 million, with the loyalty programme accounting for 77.2% of sales.

UPD grew turnover by 8.4% and increased market share from 25.6% to 26.0%. The business increased its bulk distribution portfolio to 23 clients by gaining three new contracts. UPD's total managed turnover, combining wholesale and bulk distribution, increased by 8.9% to R17.9 billion.





## OUTLOOK FOR 2019

The current pressures on consumer spending are unlikely to abate in the months ahead and the retail trading environment will therefore remain challenging.

Selling price inflation is expected to remain low in the first half of the new financial year and the SEP increase for 2019 is likely to be only marginally higher than 2018. The group will therefore continue to operate in a constrained environment.

The group's core health and beauty markets and business model are resilient. The business continues to trade well in these challenging economic conditions and management is confident of maintaining sales momentum and sustaining volume growth in the year ahead.

Capital investment of R700 million is planned for the 2019 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, and 60 store refurbishments. A significant investment will also be made in the retail and pharmaceutical supply chain as well as in IT systems to support the increased scale of the group.

## FINAL DIVIDEND

The board of directors has approved a final gross ordinary dividend of 277.5 cents per share (2017: 234.0 cents per share) and a 38.0 cents per ordinary "A" share (2017: 32.2 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 55.5 cents per ordinary share and 7.6 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 222.0 cents net of DT and ordinary "A" shareholders will receive a dividend of 30.4 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 final dividend:

Last day to trade "cum" the dividend	Tuesday, 22 January 2019
Shares trade "ex" the dividend	Wednesday, 23 January 2019
Record date	Friday, 25 January 2019
Payment to shareholders	Monday, 28 January 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 23 January 2019 and Friday, 25 January 2019, 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, 22 January 2019, 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

25 October 2018



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Year to 31 August 2018	Year to 31 August 2017	% change
Revenue	30 982 592	28 342 607	
<b>Turnover</b>	<b>29 239 688</b>	26 809 101	9.1
Cost of merchandise sold	(23 062 579)	(21 185 124)	8.9
<b>Gross profit</b>	<b>6 177 109</b>	5 623 977	9.8
Other income	1 717 147	1 523 005	12.7
<b>Total income</b>	<b>7 894 256</b>	7 146 982	10.5
Expenses	(5 852 575)	(5 333 405)	9.7
Depreciation and amortisation	(319 976)	(283 227)	13.0
Occupancy costs	(927 661)	(794 796)	16.7
Employment costs	(3 094 845)	(2 845 838)	8.7
Other costs	(1 510 093)	(1 409 544)	7.1
<b>Operating profit</b>	<b>2 041 681</b>	1 813 577	12.6
Loss on disposal of property, plant and equipment	(1 287)	(4 868)	
<b>Profit before financing costs</b>	<b>2 040 394</b>	1 808 709	12.8
Net financing income/(costs)	2 065	(37 337)	
Financial income	25 757	10 501	145.3
Financial expense	(23 692)	(47 838)	(50.5)
<b>Profit before earnings from associate</b>	<b>2 042 459</b>	1 771 372	15.3
Share of profit of an associate	2 541	2 900	(12.4)
<b>Profit before taxation</b>	<b>2 045 000</b>	1 774 272	15.3
Income tax expense	(569 790)	(496 630)	14.7
<b>Profit for the year</b>	<b>1 475 210</b>	1 277 642	15.5
<b>Other comprehensive income/(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	9 242	(6 561)	
Cash flow hedges	58 154	(13 234)	
Change in fair value of effective portion	80 770	(17 892)	
Deferred tax on movement of effective portion	(22 616)	4 658	
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>67 396</b>	(16 559)	
<b>Total comprehensive income for the year</b>	<b>1 542 606</b>	1 261 083	
<b>Reconciliation of headline earnings</b>			
Total profit for the year	1 475 210	1 277 642	
Adjusted for:			
Loss net of tax on disposal of property, plant and equipment	927	3 506	
Gain on consolidation of the New Clicks Foundation Trust	–	(12 596)	
<b>Headline earnings</b>	<b>1 476 137</b>	1 268 552	16.4
Headline earnings per share (cents)			
– basic	612.3	536.3	14.2
– diluted	578.0	502.1	15.1
Earnings per share (cents)			
– basic	611.9	540.2	13.3
– diluted	577.6	505.7	14.2
Weighted average number of shares in issue (net of treasury shares, '000)	241 073	236 526	1.9
Weighted average diluted number of shares in issue (net of treasury shares, '000)	255 385	252 641	1.1

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 31 August 2018	As at 31 August 2017
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>3 232 664</b>	2 854 281
Property, plant and equipment	1 843 402	1 533 935
Intangible assets	476 761	457 603
Goodwill	103 510	103 510
Deferred tax assets	477 352	572 223
Investment in associate	20 044	20 039
Loans receivable	15 003	4 500
Financial assets at fair value through profit or loss	82 482	27 580
Derivative financial assets	214 110	134 891
<b>Current assets</b>	<b>8 331 413</b>	6 866 834
Inventories	4 227 336	3 753 794
Trade and other receivables	2 331 531	2 212 719
Loans receivable	9 675	9 000
Cash and cash equivalents	1 523 815	700 473
Derivative financial assets	239 056	190 848
<b>Total assets</b>	<b>11 564 077</b>	9 721 115
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>4 427 868</b>	3 300 350
Share capital	2 686	2 752
Share premium	513 848	3 497
Treasury shares	(702 703)	(702 848)
Share option reserve	578 184	747 613
Cash flow hedge reserve	73 536	15 382
Foreign currency translation reserve	8 486	(756)
Distributable reserve	3 953 831	3 234 710
<b>Non-current liabilities</b>	<b>447 546</b>	402 257
Employee benefits	245 407	209 231
Operating lease liability	202 139	193 026
<b>Current liabilities</b>	<b>6 688 663</b>	6 018 508
Trade and other payables	6 198 435	5 475 182
Employee benefits	418 216	394 460
Provisions	4 993	6 733
Income tax payable	67 019	132 991
Derivative financial liabilities	-	9 142
<b>Total equity and liabilities</b>	<b>11 564 077</b>	9 721 115

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Number of shares '000	Share capital	Share premium
<b>Balance at 31 August 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 year</b>	–	–	–
Profit for the year	–	–	–
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	–	–
Withholding tax on distribution to shareholders*	–	–	–
<b>Total transactions with owners</b>	<b>7 979</b>	<b>(66)</b>	<b>510 351</b>
<b>Total comprehensive income for the year</b>	–	–	–
Profit for the year	–	–	–
Cash flow hedge reserve	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–
<b>Balance at 31 August 2018</b>	<b>244 505</b>	<b>2 686</b>	<b>513 848</b>

\* Release of withholding tax overprovision related to the 2012 interim dividend.



Treasury shares	Share option reserve	Cash flow hedge reserve	Foreign currency translation reserve	Distributable reserve	Total equity
(704 298)	483 188	28 616	5 805	2 632 679	2 452 241
-	-	-	-	(677 399)	(677 399)
-	264 425	-	-	-	264 425
1 450	-	-	-	(1 448)	-
1 450	264 425	-	-	(678 847)	(412 974)
-	-	(13 234)	(6 561)	1 280 878	1 261 083
-	-	-	-	1 277 642	1 277 642
-	-	-	-	3 236	3 236
-	-	(13 234)	-	-	(13 234)
-	-	-	(6 561)	-	(6 561)
<b>(702 848)</b>	<b>747 613</b>	<b>15 382</b>	<b>(756)</b>	<b>3 234 710</b>	<b>3 300 350</b>
-	-	-	-	(811 578)	(811 578)
145	(510 713)	-	-	-	(283)
-	(510 713)	-	-	-	-
145	-	-	-	-	-
-	-	-	-	-	(283)
-	341 284	-	-	-	341 284
-	-	-	-	49 855	49 855
(45 820)	-	-	-	45 820	-
45 820	-	-	-	4 035	49 855
-	-	-	-	5 634	5 634
145	(169 429)	-	-	(756 089)	(415 088)
-	-	58 154	9 242	1 475 210	1 542 606
-	-	-	-	1 475 210	1 475 210
-	-	58 154	-	-	58 154
-	-	-	9 242	-	9 242
<b>(702 703)</b>	<b>578 184</b>	<b>73 536</b>	<b>8 486</b>	<b>3 953 831</b>	<b>4 427 868</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Year to 31 August 2018	Year to 31 August 2017
<b>Cash effects from operating activities</b>		
Operating profit before working capital changes (refer note 1)	2 273 606	2 040 098
Working capital changes (refer note 2)	181 949	(5 790)
Cash generated by operations	2 455 555	2 034 308
Interest received	25 757	10 501
Interest paid	(9 456)	(41 591)
Taxation paid	(267 341)	(472 023)
Cash inflow from operating activities before dividends paid	2 204 515	1 531 195
Dividends paid to shareholders	(811 578)	(677 399)
Net cash effects from operating activities	1 392 937	853 796
<b>Cash effects from investing activities</b>		
Investment in property, plant and equipment and intangible assets to maintain operations	(121 286)	(111 666)
Investment in property, plant and equipment and intangible assets to expand operations	(549 947)	(406 184)
Proceeds from disposal of property, plant and equipment	2 179	3 485
Disposal of investments	16 744	–
Acquisition of investments	(62 414)	–
Acquisition of unlisted investment in associate	–	(2 500)
(Increase)/decrease in loan receivables	(12 176)	4 497
Net cash effects from investing activities	(726 900)	(512 368)
<b>Cash effects from financing activities</b>		
Proceeds from sale of treasury shares	49 855	–
Acquisition of derivative financial asset	(83 115)	(39 064)
Transaction cost on the issue of shares	(283)	–
Settlement of derivative financial asset	190 848	28 309
Net cash effects from financing activities	157 305	(10 755)
Net increase in cash and cash equivalents	823 342	330 673
Cash and cash equivalents at the beginning of the year	700 473	369 800
<b>Cash and cash equivalents at the end of the year</b>	<b>1 523 815</b>	<b>700 473</b>

## STORE FOOTPRINT

	Clicks*	Musica	The Body Shop	GNC	Claire's	Total retail
Number of stores at 31 August 2018	663	109	59	–	6	837
as at 31 August 2017	622	113	53	–	7	795
opened	47	2	7	–	–	56
closed	(6)	(6)	(1)	–	(1)	(14)
Presence in Clicks stores at 31 August 2018			170	454	168	
Number of pharmacies at 31 August 2018	510					510
as at 31 August 2017	473					473
opened	42					42
closed	(5)					(5)
Number of clinics at 31 August 2018	203					203

\* Including 44 Netcare front shops and 36 Medicross pharmacies as at 31 August 2018.

## NOTES TO THE CASH FLOW STATEMENT

R'000	Year to 31 August 2018	Year to 31 August 2017
<b>Cash flow information</b>		
<b>1 Profit before working capital changes</b>		
Profit before tax	2 045 000	1 774 272
Adjustment for:		
Depreciation and amortisation	339 142	297 066
Movement in operating lease liability	9 113	2 617
Release of cash flow hedge to profit or loss	(160 386)	(123 779)
Loss on disposal of property, plant and equipment	1 287	4 868
Equity-settled share option costs	50 752	58 909
(Increase)/decrease in financial assets at fair value through profit or loss	(9 232)	1 161
Gain on consolidation of the New Clicks Foundation Trust	–	(12 596)
Net (distributed)/undistributed profits of an associate	(5)	243
Net financing (income)/cost	(2 065)	37 337
	<b>2 273 606</b>	<b>2 040 098</b>
<b>2 Working capital changes</b>		
Increase in inventories	(473 542)	(275 077)
Increase in trade and other receivables	(118 812)	(200 023)
Increase in trade and other payables	730 347	329 611
Increase in employee benefits	45 696	139 905
Decrease in provisions	(1 740)	(206)
	<b>181 949</b>	<b>(5 790)</b>

## 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 2018	Aug 2017		Aug 2018	Aug 2017
Public Investment Corporation (SA)	13.3	14.2	South Africa and Namibia	30.1	33.9
Fidelity Management & Research (US)	6.5	5.2	Offshore holdings	69.9	66.1
Baillie Gifford & Co (UK)	5.2	5.5	USA and Canada	45.4	45.8
BlackRock (US and UK)	4.1	1.7	United Kingdom and Ireland	9.0	6.9
The Vanguard Group (US)	3.6	3.4	Europe	6.6	6.7
Mawer Investment Management (CA)	3.4	3.8	Other countries	8.9	6.7
GIC (Singapore)	3.3	4.3			
JPMorgan Asset Management (UK and US)	3.1	4.1			
<i>Fund manager no longer managing over 3%:</i>					
MFS Investment Management (US)	0.1	3.3			

## SEGMENTAL ANALYSIS

For the year ended 31 August 2018 R'000	Retail	
	31 Aug 2018	Restated* 31 Aug 2017
<b>Statement of financial position</b>		
Property, plant and equipment	1 584 924	1 307 706
Intangible assets	451 205	440 280
Goodwill	6 529	6 529
Inventories	2 926 887	2 531 317
Trade and other receivables	530 207	393 303
Cash and cash equivalents	1 482 311	680 170
Other assets	1 508 413	1 416 002
<b>Total assets</b>	<b>8 490 476</b>	<b>6 775 307</b>
Employee benefits – non-current	225 686	192 637
Operating lease liability	202 139	193 026
Trade and other payables	3 015 322	2 592 058
Employee benefits – current	374 671	356 278
Other liabilities	2 092 737	1 650 895
<b>Total liabilities</b>	<b>5 910 555</b>	<b>4 984 894</b>
<b>Net assets</b>	<b>2 579 921</b>	<b>1 790 413</b>
<b>Statement of comprehensive income</b>		
Turnover	21 062 952	19 015 139
Gross profit	6 056 384	5 436 817
Other income	1 022 930	920 438
Total income	7 079 314	6 357 255
Expenses	(5 374 753)	(4 870 989)
Depreciation and amortisation	(285 124)	(252 327)
Occupancy costs	(926 270)	(793 245)
Employment costs	(2 852 239)	(2 621 601)
Other operating costs	(1 311 120)	(1 203 816)
Operating profit	1 704 561	1 486 266
<b>Ratios</b>		
Increase in turnover	(%) 10.8	13.5
Selling price inflation	(%) 1.4	4.9
Comparable stores turnover growth	(%) 5.5	8.0
Gross profit margin	(%) 28.8	28.6
Total income margin	(%) 33.6	33.4
Operating expenses as a percentage of turnover	(%) 25.5	25.6
Increase in operating expenses	(%) 10.3	12.8
Increase in operating profit	(%) 14.7	13.7
Operating profit margin	(%) 8.1	7.8
Inventory days	71	69
Trade debtor days	5	6
Trade creditor days	44	44
Number of stores	837	795
as at 31 August 2017/2016		
opened	795	689
closed	56	120
closed	(14)	(14)
Number of pharmacies	510	473
as at 31 August 2017/2016		
new/converted	473	400
closed	42	74
closed	(5)	(1)
Total leased area	(m <sup>2</sup> ) 418 638	378 672
Weighted retail trading area	(m <sup>2</sup> ) 324 643	293 479
Weighted annual sales per m <sup>2</sup>	(R) 64 446	64 167
Number of permanent employees	14 557	14 135

\* The segmental analysis for the year ended 31 August 2017 has been restated due to a change in the composition of reporting segments. Clicks Direct Medicines was previously included in Distribution and is now included in Retail due to a change in management reporting. This has resulted in an increase of turnover of R121.6 million, R24.0 million in total assets and R15.4 million in total liabilities for the Retail segment whilst turnover was increased by R13.8 million, total assets was decreased by R3.6 million and total liabilities was increased by R4.9 million for the Distribution segment. The intragroup elimination for turnover was increased by R135.4 million and the elimination relating to total assets and total liabilities was increased by R20.3 million.

Distribution		Intragroup elimination		Total operations	
31 Aug 2018	Restated* 31 Aug 2017	31 Aug 2018	Restated* 31 Aug 2017	31 Aug 2018	31 Aug 2017
258 478	226 229	–	–	1 843 402	1 533 935
25 556	17 323	–	–	476 761	457 603
96 981	96 981	–	–	103 510	103 510
1 367 417	1 264 251	(66 968)	(41 774)	4 227 336	3 753 794
2 481 132	2 428 142	(679 808)	(608 726)	2 331 531	2 212 719
41 504	20 303	–	–	1 523 815	700 473
2 030 279	1 503 303	(2 480 970)	(1 960 224)	1 057 722	959 081
6 301 347	5 556 532	(3 227 746)	(2 610 724)	11 564 077	9 721 115
19 721	16 594	–	–	245 407	209 231
–	–	–	–	202 139	193 026
3 869 561	3 496 699	(686 448)	(613 575)	6 198 435	5 475 182
43 545	38 182	–	–	418 216	394 460
458 562	458 303	(2 479 287)	(1 960 332)	72 012	148 866
4 391 389	4 009 778	(3 165 735)	(2 573 907)	7 136 209	6 420 765
1 909 958	1 546 754	(62 011)	(36 817)	4 427 868	3 300 350
13 376 110	12 334 386	(5 199 374)	(4 540 424)	29 239 688	26 809 101
141 316	188 094	(20 591)	(934)	6 177 109	5 623 977
840 267	721 936	(146 050)	(119 369)	1 717 147	1 523 005
981 583	910 030	(166 641)	(120 303)	7 894 256	7 146 982
(619 269)	(581 318)	141 447	118 902	(5 852 575)	(5 333 405)
(34 852)	(30 900)	–	–	(319 976)	(283 227)
(2 679)	(2 604)	1 288	1 053	(927 661)	(794 796)
(242 606)	(224 237)	–	–	(3 094 845)	(2 845 838)
(339 132)	(323 577)	140 159	117 849	(1 510 093)	(1 409 544)
362 314	328 712	(25 194)	(1 401)	2 041 681	1 813 577
8.4	11.4	14.5	25.0	9.1	10.9
2.9	5.8	–	–	1.9	5.3
–	–	–	–	5.5	8.0
1.1	1.5	–	–	21.1	21.0
7.3	7.4	–	–	27.0	26.7
4.6	4.7	–	–	20.0	19.9
6.5	2.7	–	–	9.7	11.2
10.2	19.6	–	–	12.6	15.4
2.7	2.7	–	–	7.0	6.8
38	38	–	–	67	65
55	57	–	–	38	40
87	86	–	–	69	68
–	–	–	–	837	795
–	–	–	–	795	689
–	–	–	–	56	120
–	–	–	–	(14)	(14)
–	–	–	–	510	473
–	–	–	–	473	400
–	–	–	–	42	74
–	–	–	–	(5)	(1)
–	–	–	–	418 638	378 672
–	–	–	–	324 643	293 479
–	–	–	–	64 446	64 167
510	538	–	–	15 067	14 673



# 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

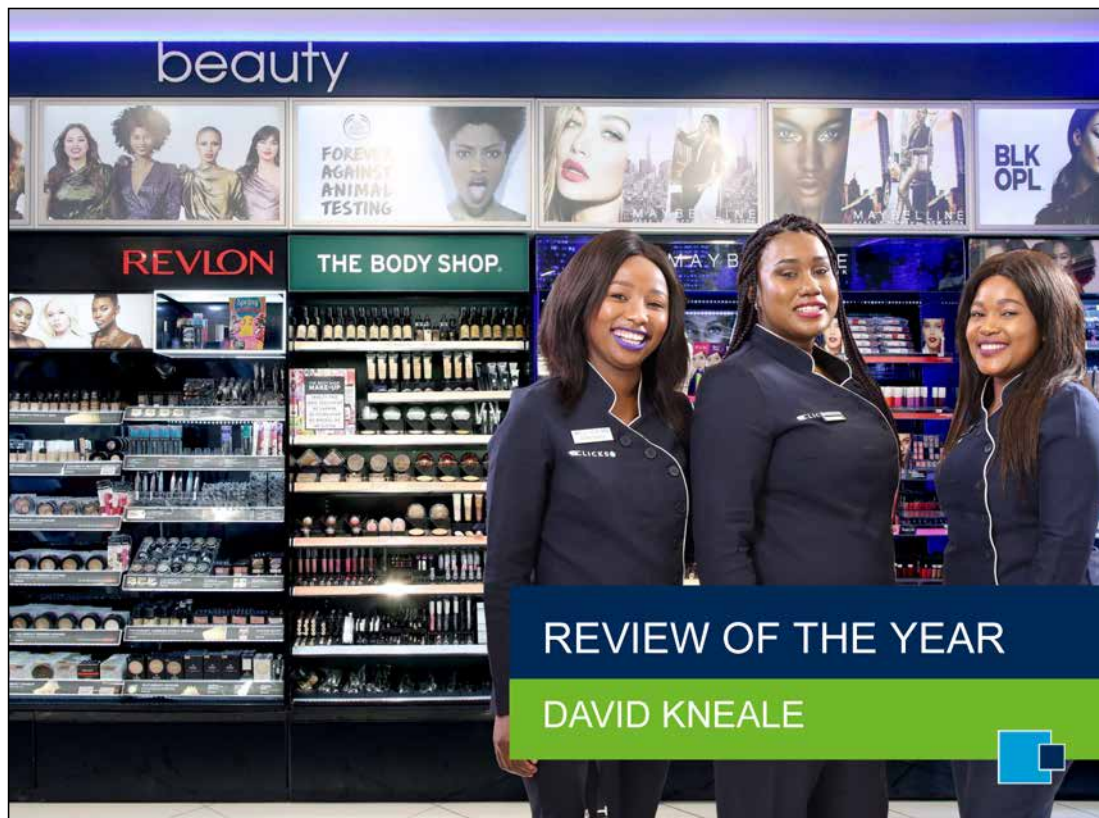


## PRESENTATION OUTLINE

- Review of the year
- Financial results
- Trading performance
- Strategy & outlook
- Questions

CLICKS GROUP ANNUAL RESULTS 2018 2

# PRESENTATION



## REVIEW OF THE YEAR

- Increasingly challenging conditions in second half
  - Consumers under further pressure
  - Very low selling price inflation
  - Lower incidence of colds & flu
- Clicks accelerated volume growth, opened 41 stores and increased market shares
- UPD maintained margin despite low SEP increase, gained new distribution contracts and grew market share



## REVIEW OF THE YEAR (CONTINUED)

- Investment in people
  - R1.3 billion paid out to beneficiaries of BBBEE share scheme
  - Company-funded health insurance extended to all employees
  - Recognised as Top Employer in retail sector\*
- Another record year of
  - Capital investment in stores, supply chain and IT
  - Cash generation
- Entered JSE Top 40 Index in June 2018

\* Per Top Employers Institute

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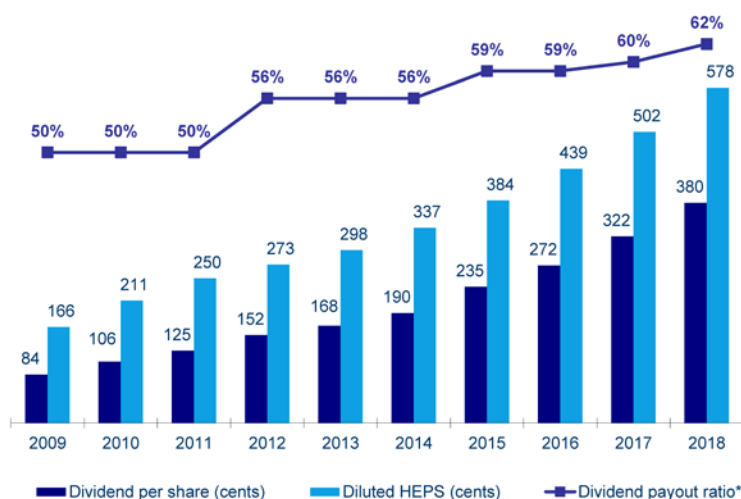
# PRESENTATION

## FINANCIAL HIGHLIGHTS

- Group turnover up **9.1%**
  - Health & Beauty turnover up **11.7%**
  - UPD reported turnover up **8.4%**
- Operating margin up from 6.8% to **7.0%**
- Diluted HEPS up **15.1%** to 578.0 cps
- Cash generated by operations **R2.5 billion**
- Total dividend of 380 cps, up **18.0%**
  - 62% dividend payout ratio
- Return on equity of **38.2%**

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## SUSTAINED FINANCIAL PERFORMANCE



**10-year CAGRs**

Diluted HEPS: **16.0%**

Dividend per share: **20.1%**

Total shareholder return<sup>\*\*</sup>: **32.5%**

\* Based on HEPS    \*\* Based on reinvestment of dividends paid and the closing share price

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## TURNOVER

R'm	2018	2017	% change	% same stores growth	% inflation
Retail	21 063	19 015	10.8	5.5	1.4
Health & Beauty			11.7		
Musica			(8.4)		
Distribution	13 376	12 334	8.4		2.9
Intragroup turnover	(5 199)	(4 540)			
<b>Total group</b>	<b>29 240</b>	<b>26 809</b>	<b>9.1</b>		<b>1.9</b>

- Good volume growth in health and beauty brands
- Strong H2 for UPD

CLICKS GROUP ANNUAL RESULTS 2018 9

## TOTAL INCOME

	2018 R'm	2017 R'm	% change	2018 % margin	2017 % margin
Retail	7 079	6 357	11.4	33.6	33.4
Distribution	982	910	7.9	7.3	7.4
Intragroup	(167)	(120)			
<b>Total group</b>	<b>7 894</b>	<b>7 147</b>	<b>10.5</b>	<b>27.0</b>	<b>26.7</b>

- UPD impacted by low SEP increase (1.26% in Mar 2018 vs 7.5% in Mar 2017)
- Group benefiting from stronger retail growth

CLICKS GROUP ANNUAL RESULTS 2018 10

# PRESENTATION

## OPERATING EXPENDITURE - RETAIL

R'm	2018	2017	% change
Depreciation and amortisation	285	252	13.0
Occupancy costs	926	793	16.8
Employment costs	2 853	2 622	8.8
Other operating costs	1 311	1 204	8.9
<b>Total retail costs</b>	<b>5 375</b>	<b>4 871</b>	<b>10.3</b>
% of turnover	25.5%	25.6%	

- Comparable retail costs up **5.1%**
- Depreciation and occupancy costs driven by higher number of new stores and pharmacies

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## OPERATING EXPENDITURE - DISTRIBUTION

R'm	2018	2017	% change
Depreciation and amortisation	35	31	12.8
Occupancy costs	3	3	2.9
Employment costs	242	224	8.2
Other operating costs	339	323	4.8
<b>Total distribution costs</b>	<b>619</b>	<b>581</b>	<b>6.5</b>

- Investment in onboarding new distribution clients in H2

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## OPERATING PROFIT

	2018 R'm	2017 R'm	% change	2018 % margin	2017 % margin
Retail	1 705	1 486	14.7	8.1	7.8
Distribution	362	329	10.2	2.7	2.7
Intragroup	(25)	(1)			
<b>Total group</b>	<b>2 042</b>	<b>1 814</b>	<b>12.6</b>	<b>7.0</b>	<b>6.8</b>

- Musica profit R19m lower
- Both divisions benefiting from increased scale

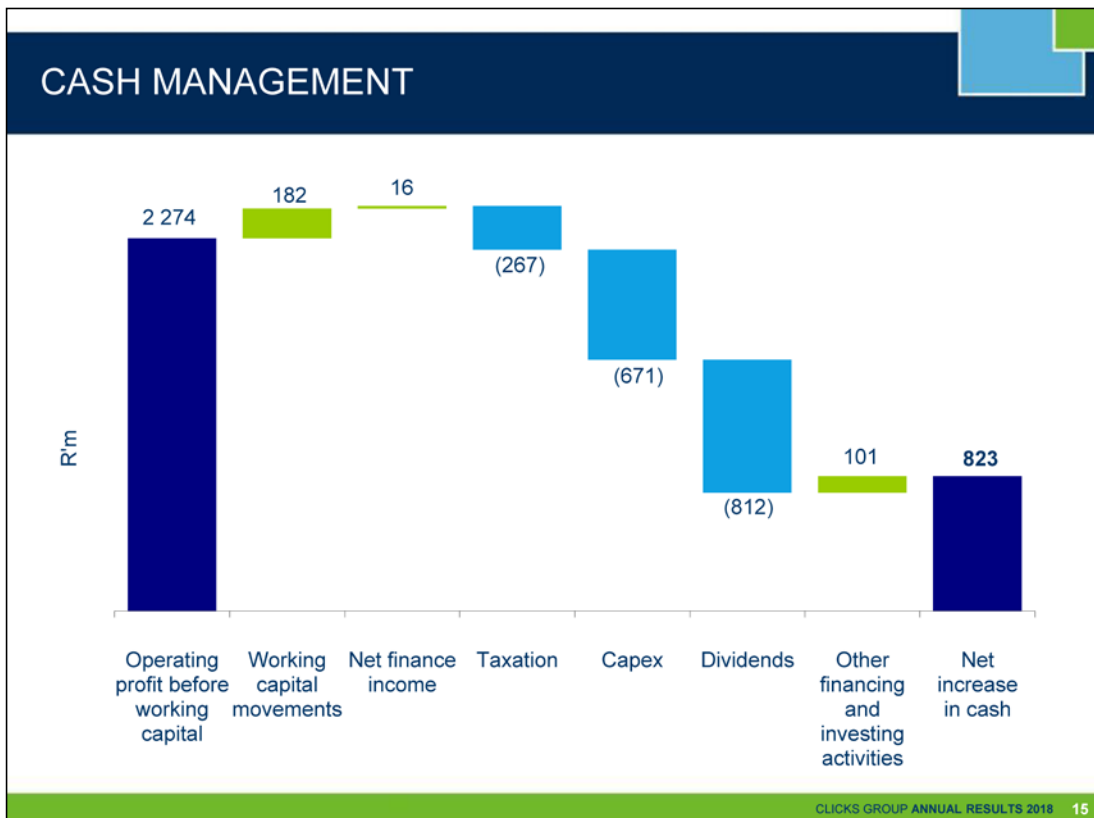
CLICKS GROUP ANNUAL RESULTS 2018 13

## INVENTORY

	Days in stock		Inventory (R'm)		
	2018	2017	2018	2017	% change
Retail	71	69	2 927	2 531	15.6
Distribution	38	38	1 367	1 264	8.2
Intragroup inventory			(67)	(41)	
<b>Total group</b>	<b>67</b>	<b>65</b>	<b>4 227</b>	<b>3 754</b>	<b>12.6</b>

- Net working capital days improved from 37 to 36 days

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- ### CAPITAL EXPENDITURE
- R700m capex planned for FY2019
    - R371m on stores, including:
      - 25 – 30 new Clicks stores
      - 30 – 35 new pharmacies
      - 60 store refurbishments
    - R329m on infrastructure, including:
      - Clicks Centurion DC expansion (2<sup>nd</sup> phase)
      - R77m on UPD
  - Capex of R650m – R700m p.a. over the next three years
- CLICKS GROUP ANNUAL RESULTS 2018 16

## MEDIUM-TERM FINANCIAL TARGETS

	Achieved in FY2018	Medium- term target
ROE (%)	38.2	50 – 60
ROA (%)	13.9	14 – 18
Net working capital days	36	33 – 38
Group operating margin (%)	7.0	6.5 – 7.5
Retail	8.1	7.5 – 8.5
Distribution	2.7	2.5 – 3.0
Dividend payout ratio (%)	62	60 – 65

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**CLICKS+**

pharmacy  
clinic  
health  
home  
beauty  
baby

please pay here

Savings  
to make you  
smile  
(3 for 2)

pharmacy  
clinic  
health  
home  
beauty

**TRADING PERFORMANCE**

DAVID KNEALE



# PRESENTATION

HEALTH & BEAUTY SALES PERFORMANCE		
	% change	% contribution
Pharmacy	13.2	30.8
Front shop health	14.1	23.3
Beauty and personal care	7.6	30.2
General merchandise	13.1	15.7
<b>Total turnover</b>	<b>11.7</b>	<b>100.0</b>

- Comparable stores turnover +6.2%
  - Inflation only 1.1%
  - Volume growth of 5.1%

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MARKET SHARE GAINS		
	Aug 2018	Aug 2017
<b>Health</b>		
Retail pharmacy*	23.3	22.1
Front shop health**	30.8	30.0
Baby**	15.1	13.7
<b>Beauty</b>		
Skincare**	36.1	36.0
Haircare**	28.2	26.7
<b>General merchandise</b>		
Small electrical appliances***	17.9	17.4

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

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## REVIEW OF THE YEAR



### ▪ Maintaining value

- Price competitive with all national retailers
- Promotional sales +14.7% to 35.0% of turnover

#### Clicks price index\* vs:

<b>Retailer A</b>	<b>99.8%</b>
<b>Retailer B</b>	<b>94.8%</b>
<b>Retailer C</b>	<b>97.8%</b>
<b>Retailer D</b>	<b>91.8%</b>

\* Excluding 3 for 2 promotions

### ▪ Differentiating our product offer

- Private label maintained at 22% of sales (front shop 28.2%, pharmacy 5.6%)
- Over 700 new SKUs
- Sorbet cosmetics successfully launched – rolling out to a further 60 stores in FY2019



## REVIEW OF THE YEAR (CONTINUED)



### ▪ Engaging customers

- 7.8m active ClubCard members, 77.2% of sales
- Clicks app downloaded by over 250 000 customers

### ▪ Improving customer care

- R102m invested in training
- Pharmacy staff turnover down to 15%

### ▪ Extending convenience

- 663 Clicks stores with 510 pharmacies
- 71 SA stores still to get a pharmacy
- Online sales equivalent to a medium-sized store



# PRESENTATION

**50<sup>th</sup> BIRTHDAY CELEBRATIONS**

**CLICKS+**  
*feel good pay less*

**CLICKS STORES**

**50 YEARS of value**

**save**

**OPENING TIMETABLE**

**Girls**

**Instagram**

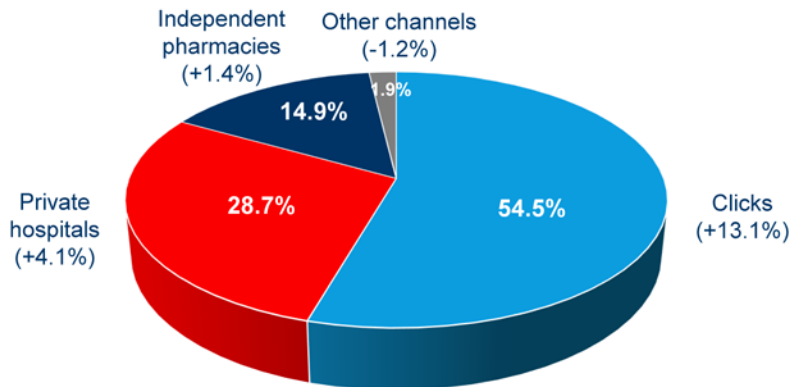
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**UPD**  
WE DELIVER HEALTHCARE

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## FINE WHOLESALE TURNOVER



- Wholesale turnover up 8.2%
- Wholesale market share up from 25.6% to 26.0%\*

\* MAT per IQVIA

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## REVIEW OF THE YEAR



- Generic medicines +13.2% (69% of volume)
- Lower incidence of colds & flu
- Business managed efficiently
  - Inventory management
  - Labour productivity
  - Transport optimisation
- Total managed turnover +8.9% to R17.9bn
  - 23 distribution clients – 1 more started in October



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# PRESENTATION



## STRATEGIC FOCUS

- Group strategy remains unchanged
- Retail focus will be on delivering:

<b>Convenience</b>	Goal of <b>900</b> Clicks stores in South Africa
<b>Differentiation</b>	<b>25 - 30%</b> share for private label and exclusive brands
<b>Personalisation</b>	Leveraging customer loyalty through ClubCard

- Further capacity to grow UPD
- Continued investment in supply chain, IT and people



## OUTLOOK FOR FY2019

- Consumer environment will remain challenging
  - Confident of sustaining volumes
- Selling price inflation to stay low at least for H1
  - 2019 SEP increase likely to be only slightly higher than 2018
- Health & beauty markets and business model are resilient
- Strong leadership team in place
- Confident of the group's continuing ability to deliver

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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

**Directors:** DM Nurek\* (Chairman), F Abrahams\*, JA Bester\*, F Daniels\*, BD Engelbrecht, M Fleming (Chief Financial Officer), NN Gobodo\*, 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

### Tier 1 Investor Relations:

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[www.clicksgroup.co.za](http://www.clicksgroup.co.za)

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