



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

CLICKS GROUP
LIMITED

PRESENTATION OUTLINE

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





REVIEW OF THE YEAR

DAVID KNEALE



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

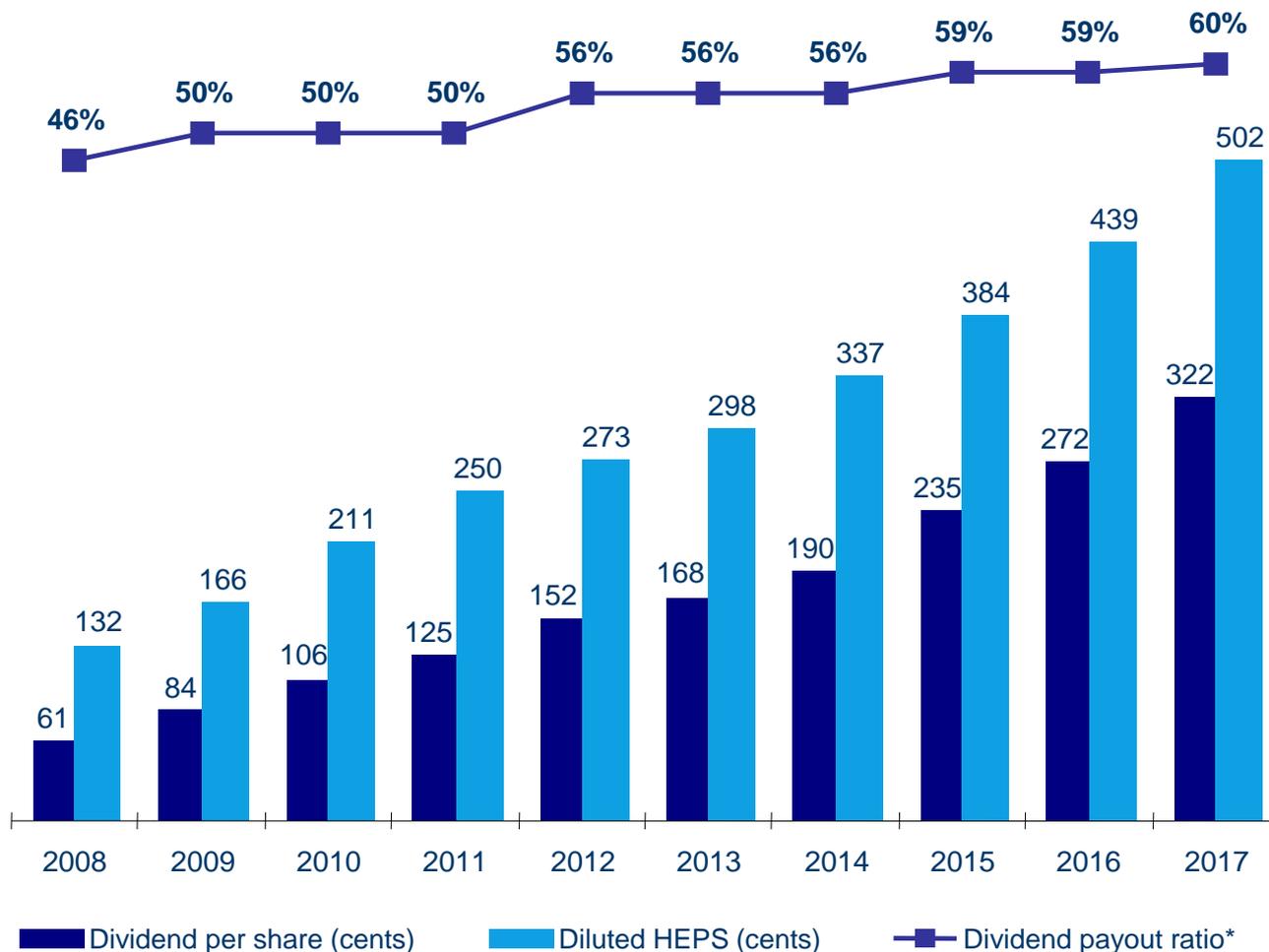
MICHAEL FLEMING



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%**

SUSTAINED FINANCIAL PERFORMANCE



10-year CAGRs

Diluted HEPS: **17.2%**

Dividend per share: **20.9%**

Total shareholder return^{**}: **28.9%**

* Based on HEPS

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

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%

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

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%**

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

OPERATING PROFIT

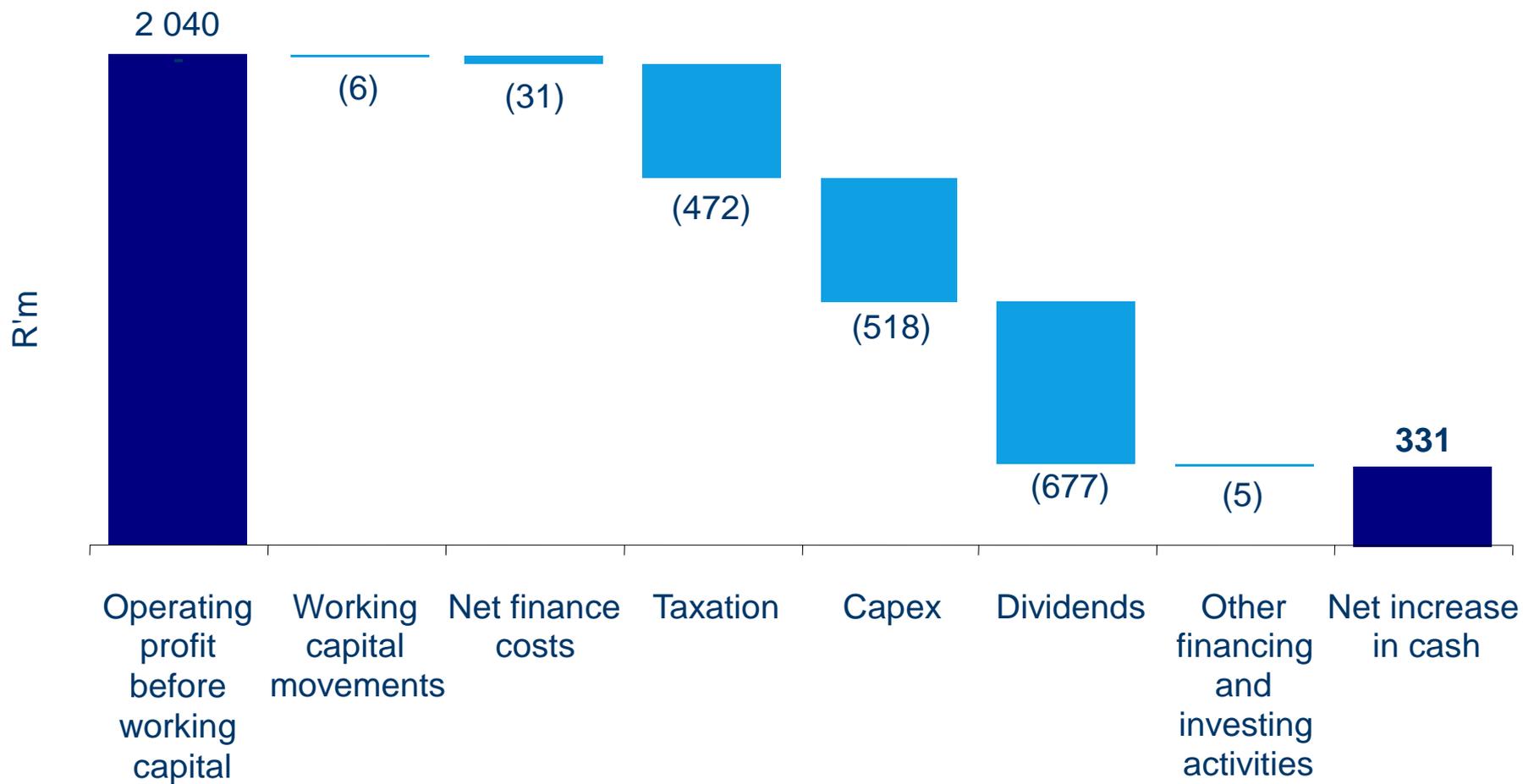
	2017 R'm	2016 R'm	% change	2017 % margin	2016 % margin
Retail	1 485	1 306	13.7	7.9	7.8
Distribution	330	276	19.6	2.7	2.5
Intragroup	(1)	(10)			
Total group	1 814	1 572	15.4	6.8	6.5

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

INVENTORY

	<u>Days in stock</u>		<u>Inventory (R'm)</u>		
	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

CASH MANAGEMENT



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

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



pharmacy
clinic
health
home
beauty
baby



pharmacy
clinic
health
home
beauty
baby

TRADING PERFORMANCE

DAVID KNEALE



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%

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



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

Available on the App Store | Available on Google play

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

MARKET SHARES



%	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)



MUSICA
A WORLD AWAITS





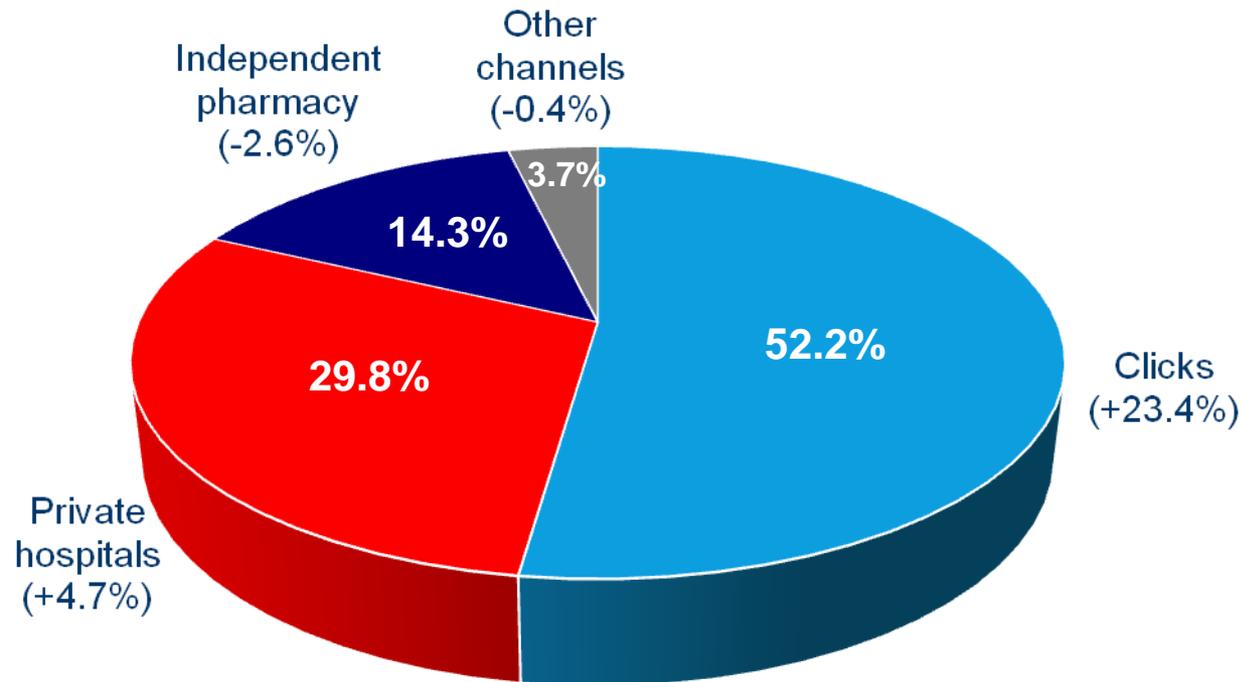
	Turnover		Market share*	
	% change	% contribution	Aug 2017	Aug 2016
Music	(12.8)	39.1	77.6%	69.2%
Movies	(7.9)	21.8	59.8%	52.3%
Gaming	(4.3)	18.1	13.9%	15.0%
Technology	6.6	21.0		
Total turnover	(7.0)	100.0		

- 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)



FINE WHOLESALE TURNOVER



- Wholesale turnover up 12.1%
- Benefit of two SEP increases and core customer growth
- Wholesale market share 25.6%*

* MAT per IMS



- Total managed turnover +8.8% to R16.5bn
 - 20 distribution clients
- Ongoing margin pressure from product mix
 - Generics increased from 47.2% to 49.1% of wholesale turnover
- Business continues to identify efficiency improvements
 - Service levels further improved – over 96% order fulfillment
- Increasing capacity through DC expansion and reorganisation
 - Additional 30% distribution space being created



OUTLOOK

DAVID KNEALE



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



THANK YOU



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