



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

CLICKS GROUP
LIMITED

PRESENTATION OUTLINE

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





REVIEW OF THE PERIOD

DAVID KNEALE



REVIEW OF THE PERIOD

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



stomach



pain & fever



eye care



FINANCIAL RESULTS

MICHAEL FLEMING



FINANCIAL HIGHLIGHTS

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

TURNOVER

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

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

TOTAL INCOME

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

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

OPERATING EXPENDITURE - RETAIL

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

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

OPERATING EXPENDITURE - DISTRIBUTION

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

OPERATING PROFIT

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

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

INVENTORY

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

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

CASH GENERATION

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

CASH UTILISATION

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

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

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



pharmacy
clinic
health
home
beauty
baby
GNC

TRADING PERFORMANCE

DAVID KNEALE



HEALTH & BEAUTY SALES PERFORMANCE

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

- Comparable stores turnover **+8.0%**

MARKET SHARE GAINS



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

* Per Quintiles IMS (Private Retail Pharmacy S1-6)

** Per AC Nielsen (restated)

*** Per GfK (restated)

REVIEW OF THE PERIOD

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



LAUNCH OF SORBET COSMETICS

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



Makeup
GETS REAL



REVIEW OF THE PERIOD (CONTINUED)

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



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

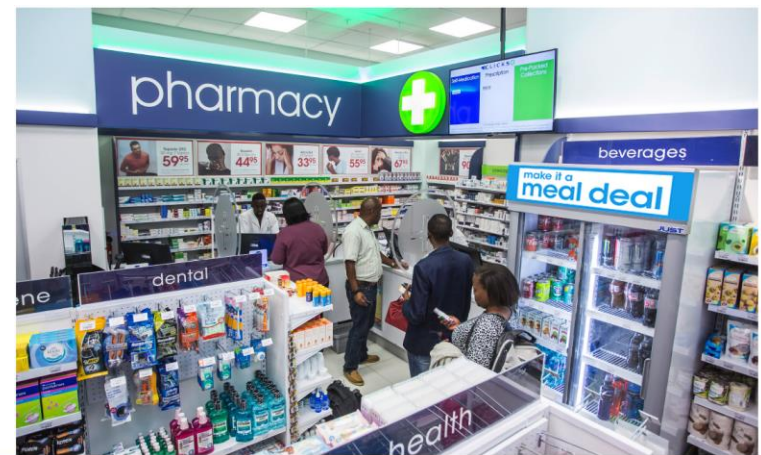
CONVENIENT STORE NETWORK



V&A Waterfront extension to 1 300m²



Discovery head office store, 45m²



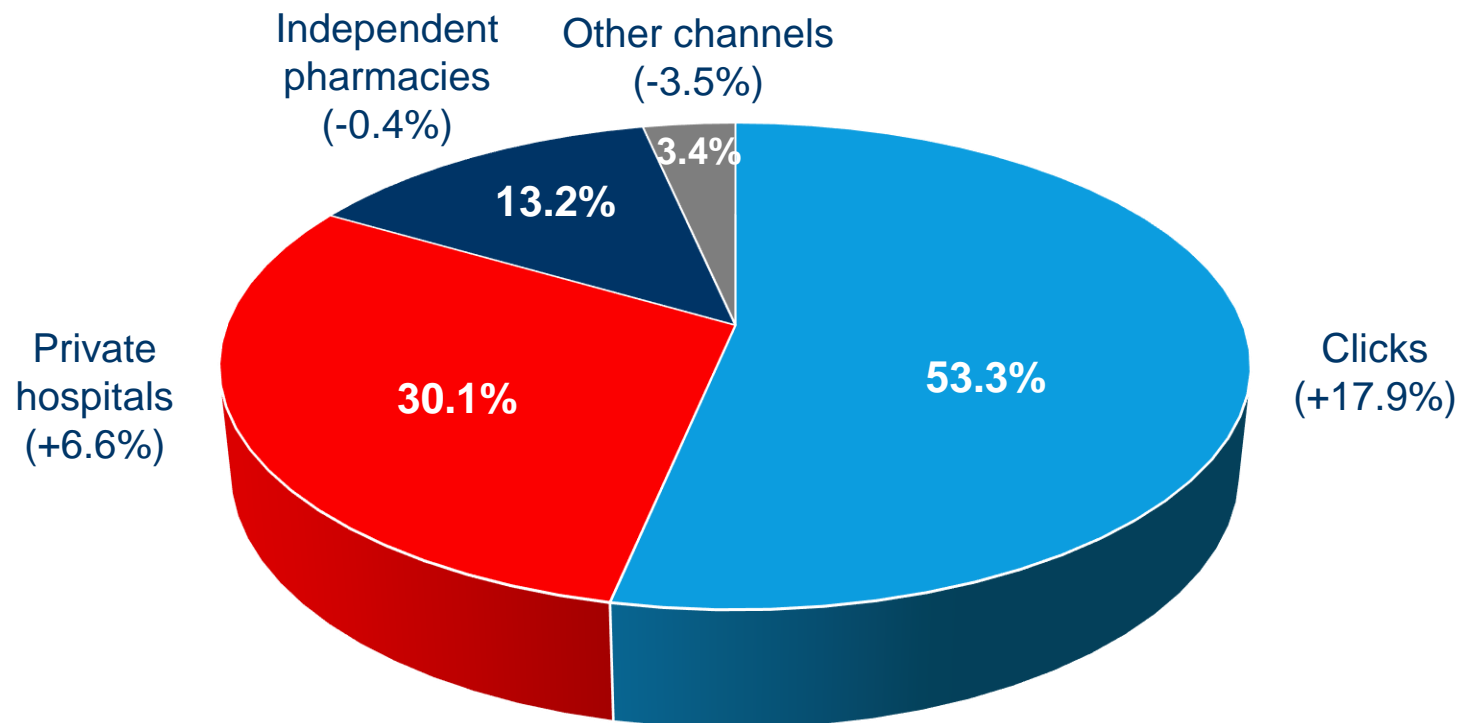
CONVENIENT STORE NETWORK

Opened 500th pharmacy at Park Station, Johannesburg in April 2018





FINE WHOLESALE TURNOVER



- Wholesale turnover up 10.9%
- Wholesale market share up from 24.6% to 25.9%*

* MAT per Quintiles IMS



- Total managed turnover +6.0% to R8.4bn
 - H1 2017 turnover boosted by customers buying in ahead of the SEP increase
- SEP increase of 1.26% in Mar 2018 vs 7.5% in Mar 2017
- Business managed efficiently
 - Higher stock availability and improved order fulfilment
 - Labour productivity improvements
 - Controllable waste reduced
- Cape Town DC expansion in progress



beauty

REV

PROFESSION

DELIAANE POKAN
MEMBER
3 in 2 PROMOTION

OUTLOOK

DAVID KNEALE



OUTLOOK

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

 CLICKS+

50
YEARS
of value

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