



CLICKS GROUP
LIMITED

ANNUAL RESULTS
FOR THE YEAR ENDED 31 AUGUST 2019

PRESENTATION OUTLINE

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





REVIEW OF THE YEAR
VIKESH RAMSUNDER



REVIEW OF THE YEAR

- Strong health & beauty sales performance, especially in H2
 - Good volume growth, despite consumers being under pressure
 - Increased market shares
- Opened 700th Clicks store
- UPD grew margin due to new distribution contracts, offsetting low SEP increase, and gained market share
- Continued investment in stores, supply chain and IT
- Strong cash generation
- Diluted headline earnings per share up **16.8%**

REVIEW OF THE YEAR (CONTINUED)

- Customer engagement
 - Over 8 million active ClubCard members
 - Voted number 1 in both Health & Beauty Stores and Pharmaceutical Outlets categories*
- Investment in people
 - Further R1.5 billion paid out to beneficiaries of BBEE share scheme
 - Company-funded health insurance extended to all employees
 - Recognised as Top Employer in retail sector**
- Commitment to ESG
 - Included in FTSE4Good Index

* Per Sunday Times / Sowetan Shopper Survey

** Per Top Employers Institute



FINANCIAL RESULTS

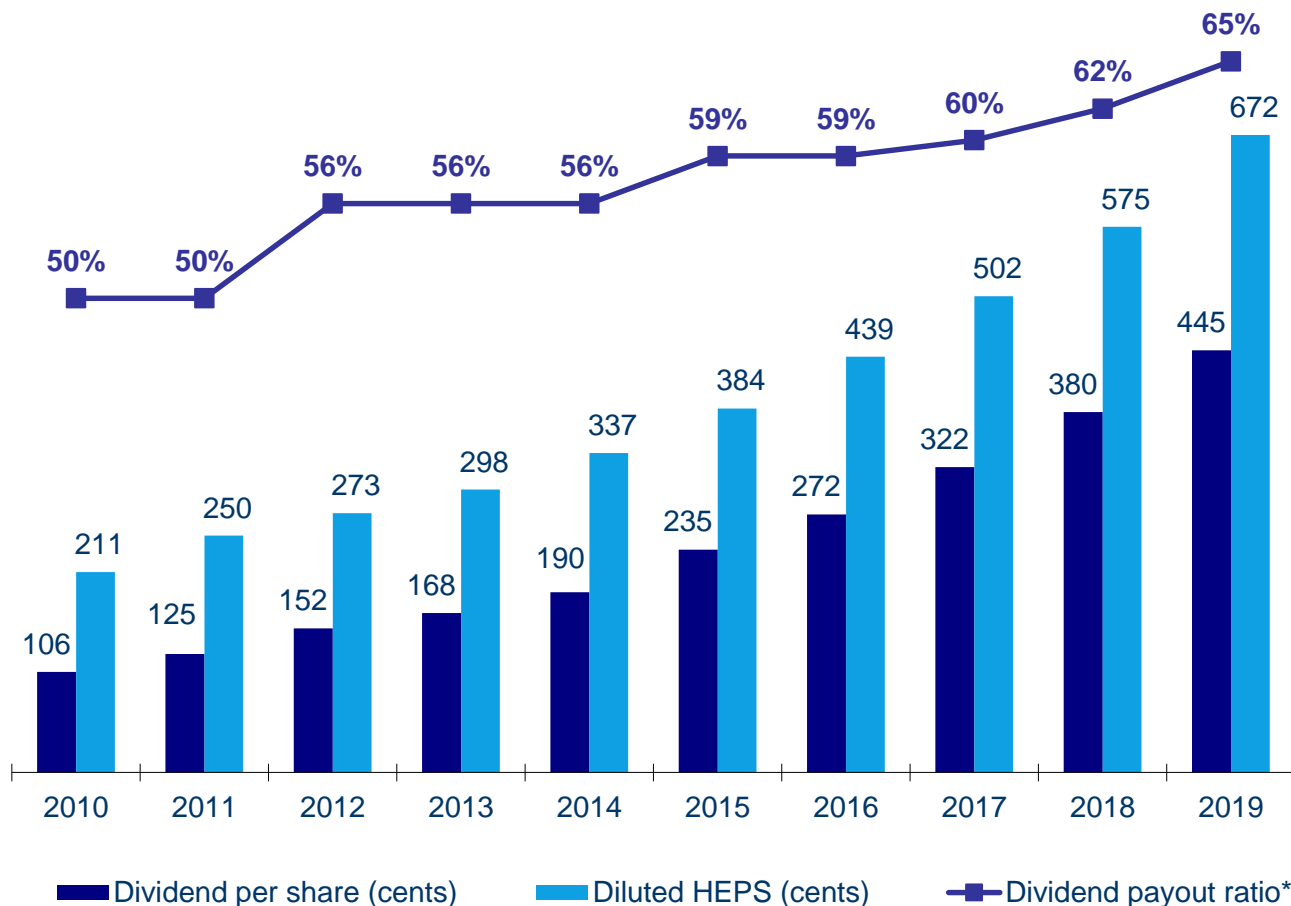
MICHAEL FLEMING



FINANCIAL HIGHLIGHTS

- Group turnover up **7.2%**
 - Health & Beauty turnover up **10.5%**
 - UPD reported turnover up **4.0%**
- Operating margin up from 7.0% to **7.4%**
- Diluted HEPS up **16.8%** to 672.2 cps
- Cash generated by operations **R2.9 billion**
- Return on equity at **36.5%**
- Total dividend of 445 cps, up **17.1%**
 - 65% dividend payout ratio

SUSTAINED FINANCIAL PERFORMANCE



10-year CAGRs

Diluted HEPS: **15.0%**

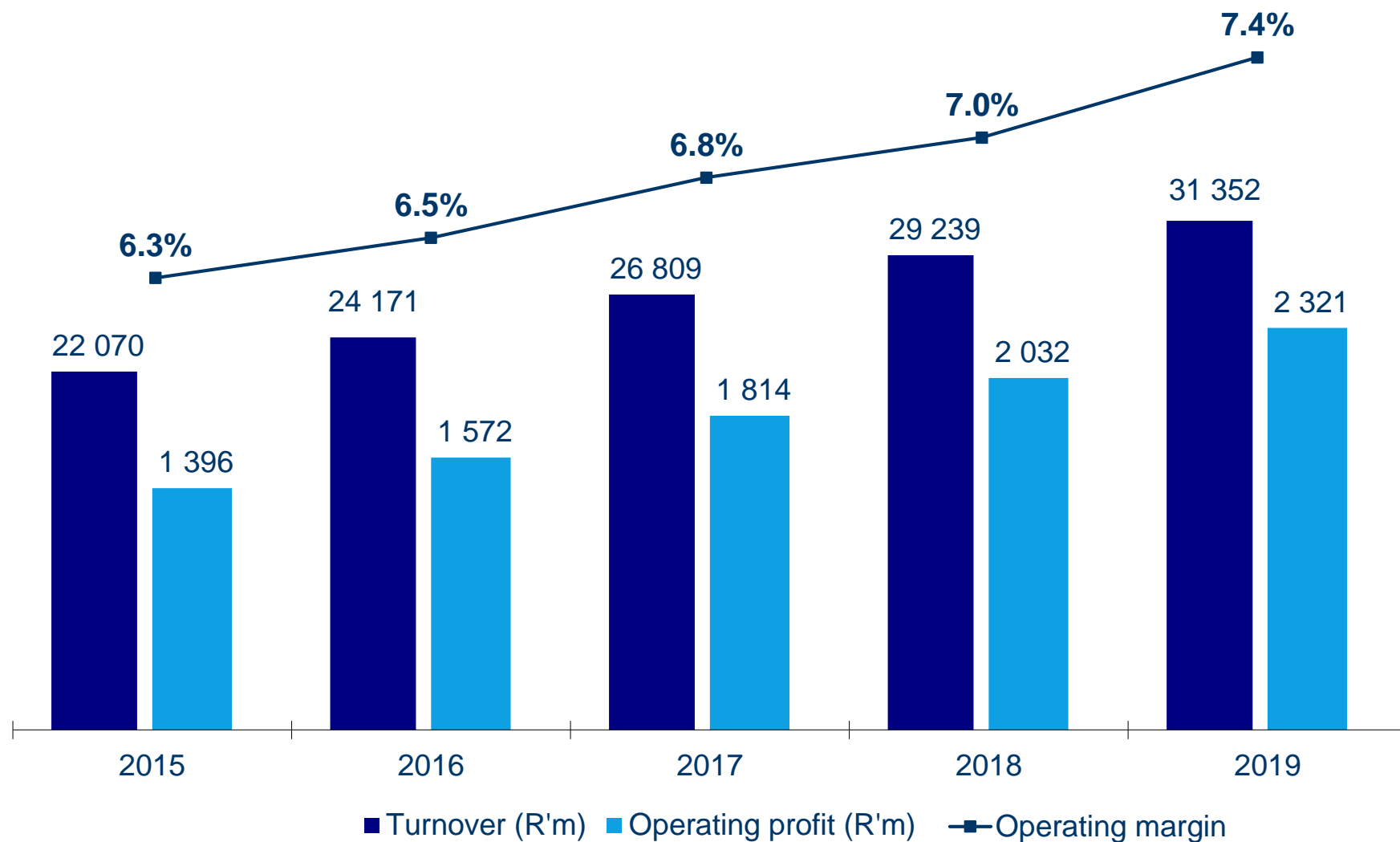
Dividend per share: **18.1%**

Total shareholder return^{**}: **28.6%**

* Based on HEPS

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

GROWTH IN TURNOVER, PROFIT AND MARGIN



TURNOVER

R'm	2019	2018*	% change	% same stores growth	% inflation
Retail	23 105	21 062	9.7	6.4	1.5
Health & Beauty			10.5		
Musica			(11.7)		
Distribution	13 909	13 376	4.0		0.9
Intragroup turnover	(5 662)	(5 199)	8.9		
Total group	31 352	29 239	7.2		1.2

- Strong volume growth in health and beauty brands
- UPD total managed turnover increased by 17.6%
(reported turnover does not include bulk distribution agency contracts)

* Restated for IFRS 15

TOTAL INCOME

	2019 R'm	2018* R'm	% change	2019 % margin	2018* % margin
Retail	7 692	7 070	8.8	33.3	33.6
Distribution	1 137	982	15.8	8.2	7.3
Intragroup	(178)	(167)			
Total group	8 651	7 885	9.7	27.6	27.0

- Retail margin growth impacted by mix and increased transport costs
- UPD benefited from new contracts and slightly higher SEP increase (3.78% in March 2019 vs 1.26% in March 2018)

* Restated for IFRS 15

OPERATING EXPENDITURE - RETAIL

R'm	2019	2018	% change
Depreciation and amortisation	330	285	15.9
Occupancy costs	1 010	926	9.1
Employment costs	3 072	2 853	7.7
Other operating costs	1 398	1 311	6.6
Total retail costs	5 810	5 375	8.1
% of turnover	25.1%	25.5%	

- Depreciation and occupancy costs driven by higher number of new stores and pharmacies
- Comparable retail costs contained to **5.6%**

OPERATING EXPENDITURE - DISTRIBUTION

R'm	2019	2018	% change
Depreciation and amortisation	38	35	10.1
Occupancy costs	4	3	28.4
Employment costs	270	242	11.3
Other operating costs	370	339	9.2
Total distribution costs	682	619	10.2

- Includes costs related to new bulk distribution clients
- Expenses contained well below growth in total managed turnover

OPERATING PROFIT

	2019 R'm	2018* R'm	% change	2019 % margin	2018* % margin
Retail	1 881	1 695	11.0	8.1	8.0
Distribution	454	362	25.4	3.3	2.7
Intragroup	(14)	(25)			
Total group	2 321	2 032	14.2	7.4	7.0

- Both divisions leveraged margin despite low inflationary environment

* Restated for IFRS 9 and IFRS 15

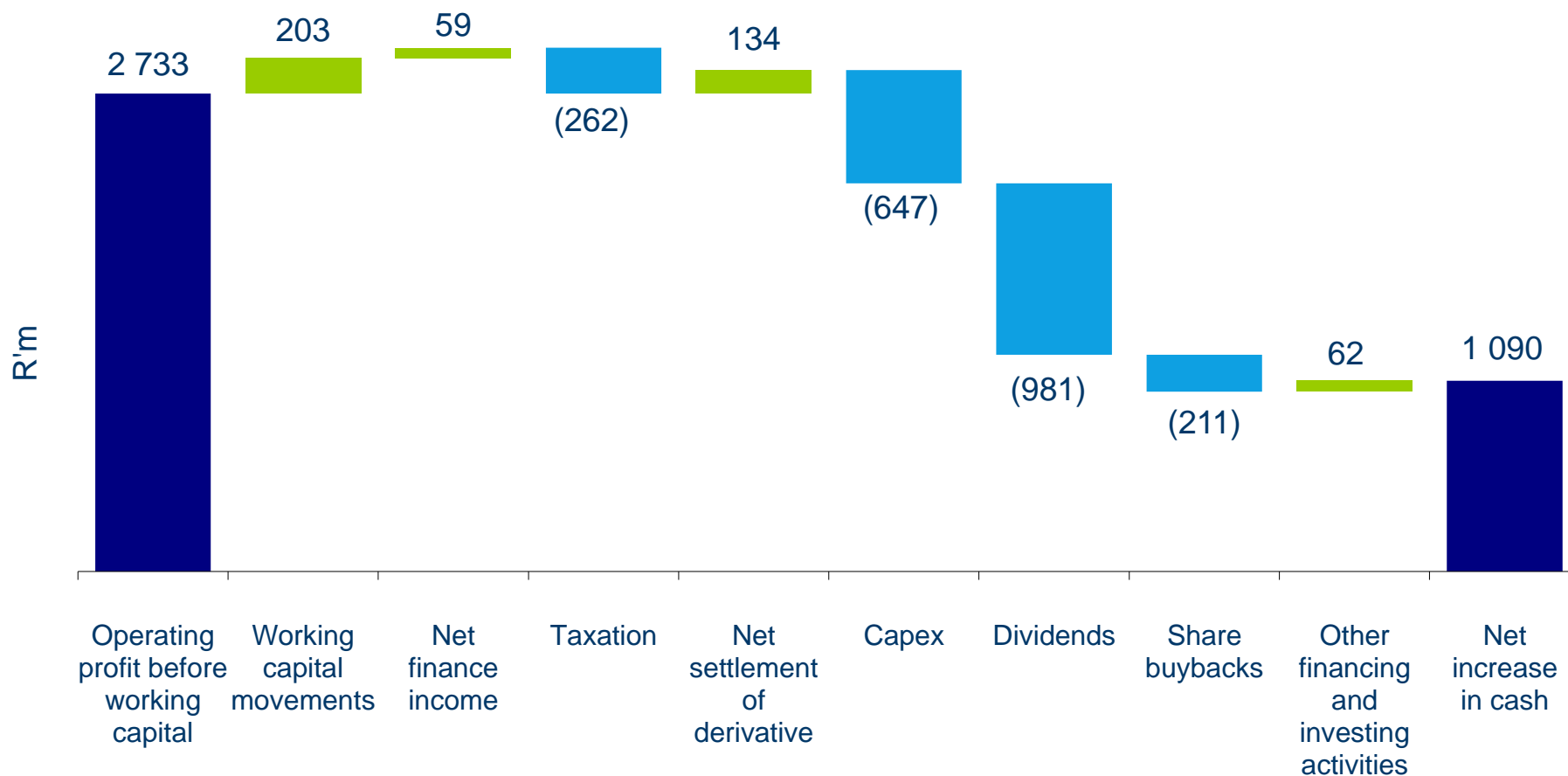
INVENTORY

	<u>Days in stock</u>		<u>Inventory (R'm)</u>		
	2019	2018	2019	2018*	% change
Retail	72	71	3 255	2 935	10.9
Distribution	41	38	1 536	1 383	11.1
Intragroup inventory			(81)	(67)	
Total group	70	67	4 710	4 251	10.8

- Impact of new retail stores
- Net working capital days improved from 36 to 34 days
- Investing in single-pick retail facility in Centurion

* Restated for IFRS 15

CASH MANAGEMENT



- Accounts payable only settled post year end
- Roll forward of IT capex in UPD
- R857m final dividend to be paid

CAPITAL EXPENDITURE

- R718m capex planned for FY2020
 - R404m on stores, including:
 - 25 – 30 new Clicks stores
 - 30 – 35 new pharmacies
 - 60 store refurbishments
 - R314m on infrastructure, including:
 - R83m on UPD IT and warehouse equipment
 - R231m on retail systems and infrastructure
- Approximately R700m and R620m capex expected for FY2021 and FY2022

CLICKS+



Celebrating
700
+ stores +

TRADING PERFORMANCE
VIKESH RAMSUNDER



HEALTH & BEAUTY SALES PERFORMANCE

	% change	% contribution
Pharmacy	9.6	30.5
Front shop health	10.8	23.6
Beauty and personal care	9.6	30.0
General merchandise	13.4	15.9
Total turnover	10.5	100.0

- Comparable stores turnover growth of **6.9%**
 - Inflation only 1.1%
 - Volume growth of 5.8%

MARKET SHARE GAINS



%	Aug 2019	Aug 2018
Health		
Retail pharmacy*	24.9	23.9
Front shop health**	31.4	31.2
Baby**	17.0	16.0
Beauty		
Skincare**	37.6	36.3
Haircare**	29.5	28.4
Personal care**	17.9	17.0
General merchandise		
Small electrical appliances***	16.4	14.4

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

■ Maintaining value

- Price competitive with all national retailers
- Promotional sales +19.5% to 38.4% of turnover
- R504 million cashback paid to ClubCard members
- In pharmacy, generics +13.2% to 54% of sales and 66% of volume

Clicks price index* vs:

Retailer A	98.5%
Retailer B	95.7%
Retailer C	98.0%
Retailer D	98.1%

* Excluding 3 for 2 promotions



■ Differentiating our product offer

- Private label maintained at 22% of sales (front shop 29.1%, pharmacy 7.1%)
- 1 920 new SKUs
- Launched higher tier private label – Clicks Expert range
- GNC sales +30.4%
- The Body Shop sales in Clicks +14.8%

CLICKS+
expert
specialised care
FACE • BODY • KIDS



■ Engaging customers through **personalisation**

- 8.1m active ClubCard members, 77.6% of sales
- 476 000 Baby Club members (+7%)
- 1.1m Seniors Club members (+20%)
- Clicks app downloaded by 525 000 customers
- Online-only product ranges
 - Premium beauty
 - Baby hardware
 - Health mobility



■ Extending **convenience**

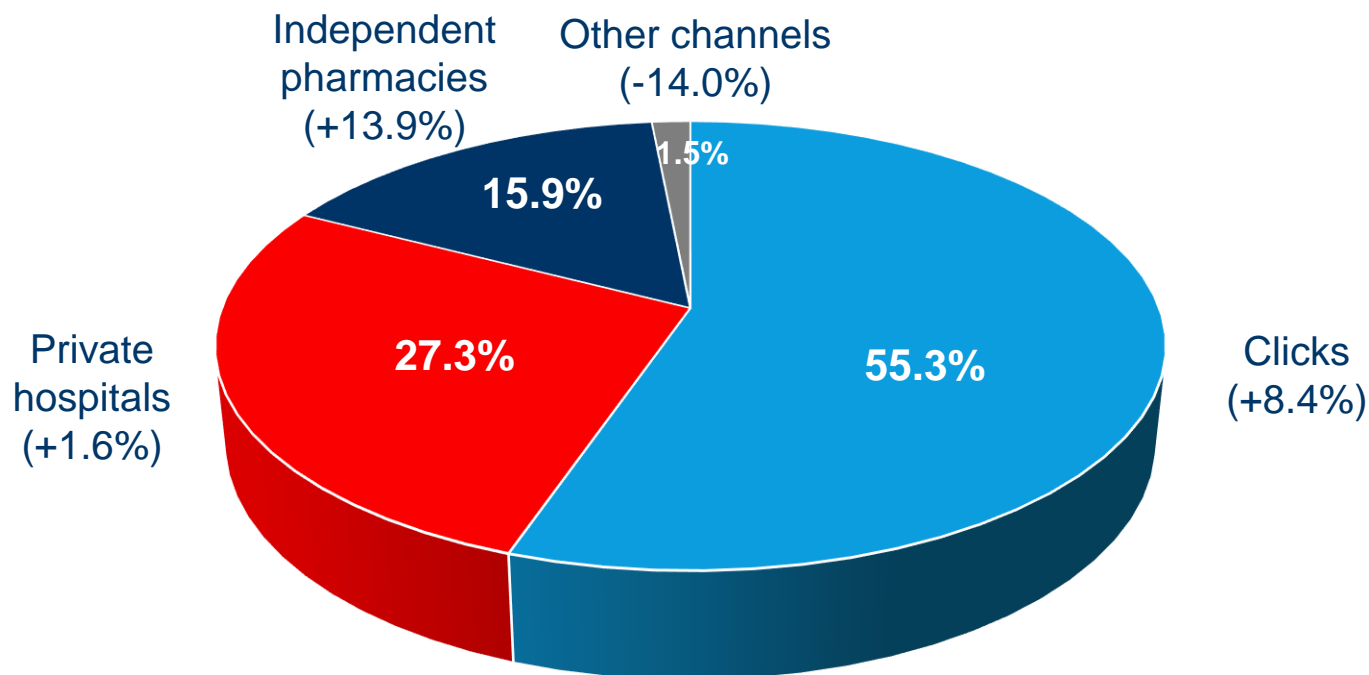
- 704 Clicks stores with 545 pharmacies
- 51% of customers < 6km of a pharmacy
- 76 SA stores still to get a dispensary
- 56 Clicks stores refurbished
- Online is the fastest growing store, Click & Collect is 48% of online

Format	Opened	Total
Convenience	38	519
Destination	3	185
Total	41	704





FINE WHOLESALE TURNOVER



- Wholesale turnover up 6.8%
- Wholesale market share up from 26.0% to 27.0%*

* MAT per IQVIA

REVIEW OF THE YEAR



- Total managed turnover +17.6% to R21.1bn
 - Annualised 3 clients gained in FY2018
 - 4 new distribution contracts in FY2019
- Generic medicines +11.0% (68% of volume)
- Extending distribution capacity in Gauteng with rented DC
- Investment in IT platform and warehouse management systems





TAKE A TICKET

STEP 1 Choose a service you need Select a service Medication or other prescription	STEP 2 Take your ticket 066 or enter your mobile number to get an SMS ticket	STEP 3 Wait to be called or continue shopping until you get an SMS notifying you.
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STRATEGY & OUTLOOK

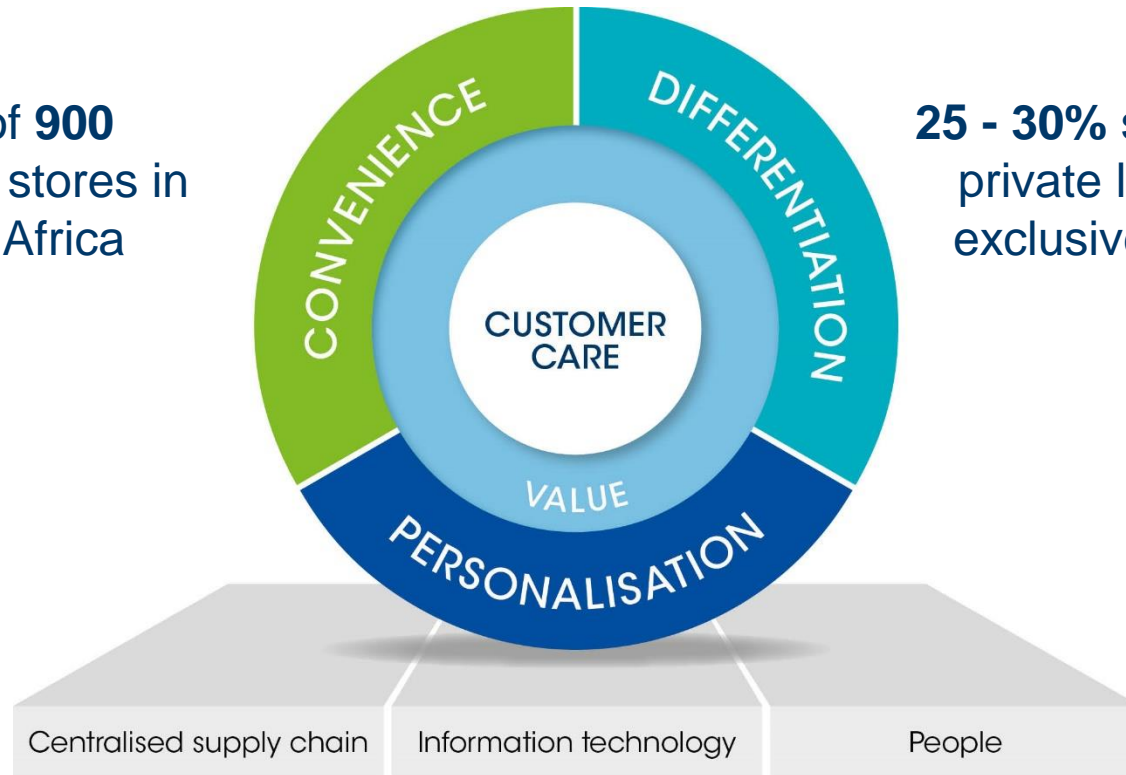
VIKESH RAMSUNDER



GROUP STRATEGY

- Retail focus will be on delivering:

Goal of **900**
Clicks stores in
South Africa



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

- Consumer environment will remain highly constrained
 - Confident of sustaining volume growth
- Selling price inflation expected to remain low for H1
 - 2020 SEP increase should be slightly higher than 2019
- Health & beauty markets are growing and defensive
- Strategy and business model are resilient
- Strong leadership team in place
- Confident of the group's ability to continue delivering

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CLICKS+



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