



INTERIM RESULTS
FOR THE SIX MONTHS
ENDED 28 FEBRUARY 2019

CLICKS GROUP
LIMITED

PRESENTATION OUTLINE

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



pharmacy



joint supplements

women's health

vitamin c

omegas

heart & diabetes support

herbal & homeopathic



REVIEW OF THE PERIOD
VIKESH RAMSUNDER



REVIEW OF THE PERIOD

- Good health & beauty sales performance
 - Strong volume growth, with low inflation
 - Market share gains
- Strong performance from UPD
 - Benefiting from four new bulk distribution contracts
- Diluted headline earnings per share up **13.2%**
- Further **R1.5 billion** value created via BBEE share scheme
 - Total of R2.8 billion – average of R355 000 per employee
 - R100m donated to New Clicks Foundation to provide bursaries



FINANCIAL RESULTS

MICHAEL FLEMING



FINANCIAL HIGHLIGHTS

- Group turnover up **6.2%**
 - Health & beauty turnover up **8.5%**
 - UPD reported turnover up **5.1%**
- Operating margin up from 6.5% to **6.8%**
- Diluted HEPS up **13.2%** to 300.1 cps
- Further 8.1m shares issued for BBBEE share scheme
- Return on equity of **35.2%**
- Interim dividend of 118.0 cps, up **15.1%**

TURNOVER

R'm	Feb 2019	Feb 2018	% change	% same stores growth	% inflation
Retail	11 330	10 522	7.7	4.5	1.0
Health & beauty			8.5		
Musica			(11.0)		
Distribution	6 650	6 328	5.1		(0.2)
Intragroup turnover	(2 646)	(2 417)	9.5		
Total group	15 334	14 433	6.2		0.5

- Strong volume growth in health & beauty brands
- UPD total managed turnover increased 21.9%
(reported turnover does not include bulk distribution agency contracts)

TOTAL INCOME

	Feb 2019 R'm	Feb 2018* R'm	% change	Feb 2019 % margin	Feb 2018* % margin
Retail	3 813	3 525	8.2	33.7	33.5
Distribution	527	448	17.5	7.9	7.1
Intragroup	(88)	(68)			
Total group	4 252	3 905	8.9	27.7	27.1

- Retail margin growth driven by:
 - Shift to private label products
 - Mix impact
- UPD benefited from new contracts and timing of SEP increase

* Restated for IFRS 15

OPERATING EXPENDITURE - RETAIL

R'm	Feb 2019	Feb 2018	% change
Depreciation and amortisation	159	143	11.1
Occupancy costs	498	458	8.8
Employment costs	1 547	1 427	8.4
Other operating costs	745	707	5.4
Total retail costs	2 949	2 735	7.8
% of turnover	26.0%	26.0%	

- Opened net 33 Clicks stores and 35 pharmacies in the last 12 months
- Comparable retail cost growth contained to **5.4%**

OPERATING EXPENDITURE - DISTRIBUTION

R'm	Feb 2019	Feb 2018	% change
Depreciation and amortisation	18	17	4.9
Occupancy costs	2	2	15.7
Employment costs	131	118	11.5
Other operating costs	181	159	13.8
Total distribution costs	332	296	12.4

- Expenses impacted by new bulk distribution contracts

OPERATING PROFIT

	Feb 2019 R'm	Feb 2018* R'm	% change	Feb 2019 % margin	Feb 2018* % margin
Retail	864	789	9.4	7.6	7.5
Distribution	194	153	27.2	2.9	2.4
Intragroup	(14)	(4)			
Total group	1 044	938	11.3	6.8	6.5

- Both divisions leveraged margin despite low inflationary environment
- Musica remains profitable

* Restated for IFRS 9 and IFRS 15

INVENTORY

	<u>Days in stock</u>		<u>Inventory (R'm)</u>		
	Feb 2019	Feb 2018	Feb 2019	Feb 2018*	% change
Retail	79	81	3 264	3 100	5.3
Distribution	46	43	1 652	1 490	10.9
Intragroup inventory			(81)	(45)	
Total group	76	75	4 835	4 545	6.4

- UPD impacted by stock buy-in over SEP increase period
- Group net working capital days improved from 41 to 37 days

* Restated for IFRS 15

CASH GENERATION

R'm	Feb 2019	Feb 2018*
Profit before tax	1 059	939
Non-cash adjustments	204	172
Operating profit before working capital changes	1 263	1 111
Working capital changes	(413)	(53)
Net interest and tax paid	(115)	(168)
Cash inflow from operations	735	890

* Restated for IFRS 9 and IFRS 15

CASH UTILISATION

R'm	Feb 2019	Feb 2018
Cash inflow from operations	735	890
Capital expenditure	(264)	(269)
Dividends paid	(682)	(559)
Share buy-backs	(4)	-
Other investing activities	10	(4)
Other financing activities	134	128
Net cash (utilised)/generated	(71)	186
Cash and cash equivalents at period end	1 452	887

Note: R490m paid in March 2019 for tax on ESOP allocations (2018: R389m)

- Group continues to be cash generative
 - Multi-year investment programme for supply chain and IT
 - Supporting organic growth through store openings/refurbishments
- R701m capex planned for FY2019
 - R364m on stores
 - R337m on infrastructure, including:
 - Phase 2 expansion of Clicks Centurion DC
 - Enhancing UPD capacity and infrastructure
 - Group IT



pharmacy
clinic
health
home
beauty
baby
GNC

pharmacy
clinic
health
home
beauty
baby
GNC

TRADING PERFORMANCE

VIKESH RAMSUNDER



HEALTH & BEAUTY SALES PERFORMANCE

	% change	% contribution
Pharmacy	8.9	29.1
Front shop health	9.5	22.7
Beauty and personal care	6.7	31.5
General merchandise	10.0	16.7
Total turnover	8.5	100.0

- Comparable stores turnover growth of **5.2%**
 - Inflation only 0.7%
 - Volume growth of 4.5%

MARKET SHARE GAINS



%	Feb 2019	Feb 2018
Health		
Retail pharmacy*	23.8	23.0
Front shop health**	31.3	31.1
Baby**	15.7	14.4
Beauty and personal care		
Skincare**	36.1	36.4
Haircare**	28.3	27.7
Personal care**	17.2	16.6
General merchandise		
Small household appliances***	14.4	14.8

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

REVIEW OF THE PERIOD

- Good volumes in pharmacy
 - Generic sales +12.9%
 - OTC sales +13.8%
- Promotional sales +10.3%
 - 38.2% of turnover
- Private label and exclusive brands up from 22.1% to 22.9% of sales
 - Front shop at 29.7%
 - Pharmacy at 6.2%



PRIVATE LABEL COSMETICS



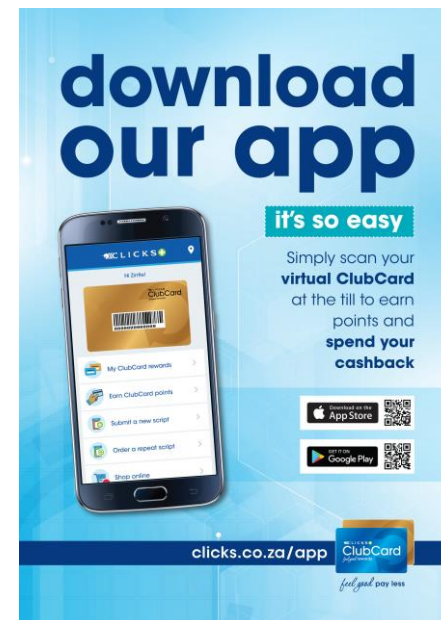
- Sorbet Cosmetics (launched March 2018)
 - 320 products
 - Largest range of foundation shades in SA market
- Exclusive brands include NYX, Max Factor, Revolution, Wet n Wild, The Body Shop
- 18% of cosmetics sales are private label and exclusive brands
 - Key differentiator



REVIEW OF THE PERIOD (CONTINUED)



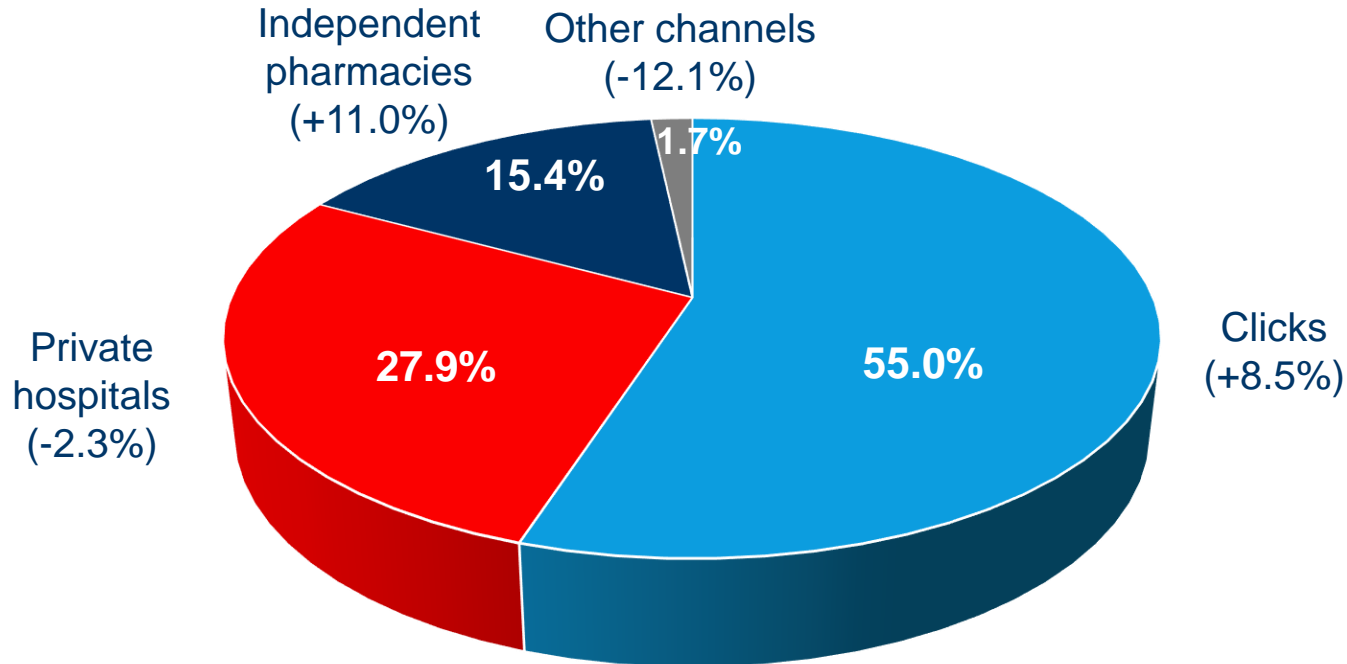
- 7.6 million active ClubCard members
 - 77% of sales
- Digital platform performing well
 - Enhancements to the ClubCard app
 - Online is the fastest growing store
- Expanding Clicks store network
 - 17 new stores
 - 18 new pharmacies
 - 31 revamps



Format	Opened	Total
Convenience	14	496
Destination	3	184
Total	17	680



FINE WHOLESALE TURNOVER



- Wholesale turnover up 5.2%
 - Independent pharmacies benefited from new buying group and buy-ins ahead of SEP increase
 - Hospitals impacted by genericisation and buy-in in prior period
- Wholesale market share up from 25.4% to 26.0%*

* MAT per IQVIA (restated)



- Total managed turnover +21.9% to R10.2bn
 - Four new bulk distribution contracts since June 2018
- SEP increase of 3.78% in Feb 2019 vs 1.26% in Mar 2018
- Cape Town DC expansion completed
- Investment in IT platform and warehouse management systems
 - Simplifying operations
 - Extracting efficiencies
 - Providing world-class reporting



OUTLOOK

VIKESH RAMSUNDER



OUTLOOK

- Consumer environment will remain very challenging
- Impact of electricity load shedding
- Selling price inflation to increase marginally in H2
- Health & beauty markets and business model are resilient
- Clicks will open 41 stores this year
- UPD to benefit from additional two bulk distribution contracts starting in H2 and slightly higher SEP increase
- Forecast **10 – 15%** growth in diluted HEPS for FY2019



 **CLICKS** 

OWN YOUR SHARE

THE CLICKS GROUP EMPLOYEE SHARE PROGRAM

#ShareWithClicks



THANK YOU



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