

CLICKS GROUP LIMITED

ANNUAL RESULTS
for the year ended
31 August 2022



Presentation outline

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02 Financial results

03 Trading performance

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01

Review of the year

Bertina Engelbrecht

Review of the year

- Performance continues to prove the resilience and defensiveness of the group
 - Continuing adjusted dHEPS up **11.9%**
- Clicks administered over 2.9 million Covid vaccinations
- Strong recovery in Beauty category
- UPD impacted by high base in hospital business in 2021
- Record investment in new stores, pharmacies, supply chain and information technology

ESG integrated into the business

- Included in FTSE4Good Index for last six years
- AA ESG rating from MSCI
- Recognised as Top Employer* in retail sector for 6th year
- Investing in alternative energy solutions

* Top Employers Institute





02

Financial results

Michael Fleming

Financial highlights

Turnover up

6.0%

Retail turnover up **11.7%**,
with 3.5% uplift from
vaccinations

UPD reported turnover
down **2.6%**

Operating margin

up from 8.2% to

8.4%*

Continuing adjusted dHEPS up

11.9%*

Group dHEPS up

33.5%

to 1 033 cps

Cash generated by operations

R4.3 bn

Returned to shareholders

R1.7 bn

Return on equity up

from 38.2% to

48.0%

Dividend up

30.0%

to 637 cps

* Both years adjusted for impact of civil unrest

Impact of civil unrest

R'm	Reported 2022	Adjustment (see notes below)	Adjusted 2022	Adjusted 2021*	% change
Turnover	39 587		39 587	37 339	
Gross profit	8 432		8 432	7 606	
Other income	2 867	(325) ¹	2 542	2 392	
Expenses	(7 649)		(7 649)	(6 953)	
Operating profit	3 650	(325)	3 325	3 045	9.2
Capital items	163	(167) ²	(4)	(4)	
Taxation	(1 000)	136	(864)	(786)	
Headline earnings	2 523	(235)³	2 288	2 068	10.7
dHEPS (cents)	1 032.7	(96.1)	936.6	836.8	11.9

Notes:

1. Second and third SASRIA payments
2. PPE insurance portion
3. Insurance income portion after tax

* FY2021 adjusted to exclude stock write-off of R334m, costs of R31m and insurance proceeds of R217m

Turnover

R'm	2022	2021	% change	% same stores growth	% inflation
Retail	29 405	26 329	11.7	8.4	4.0
Distribution	16 922	17 378	(2.6)		1.5
Intragroup turnover	(6 740)	(6 368)	5.8		
Total group	39 587	37 339	6.0		3.0

- Administered 2.9m vaccines in the year with turnover of R1.1bn, an uplift of 3.5% to retail sales and 2.5% to group sales
- Retail turnover up 9.4% in H2 (excluding vaccinations)
- UPD growth impacted by high base in 2021 due to the severity of the second and third Covid-19 waves

Total income

R'm	2022	2021	% change	2022 % margin	2021 % margin
Retail	9 662	8 746	10.5	32.9	33.2
Distribution	1 544	1 494	3.4	9.1	8.6
Intragroup turnover	(232)	(243)			
Total group	10 974	9 997	9.8	27.7	26.8

- Retail margin impacted by lower margin vaccinations and return of cold & flu season
- UPD benefited from new bulk distribution contracts

Note: FY2022 adjusted to exclude insurance payments of R325m and FY2021 adjusted to exclude stock write-off of R334m and insurance proceeds of R217m

Operating expenditure – Retail

R'm	2022	2021	% change
Depreciation – PPE	462	399	15.7
Depreciation – ROU asset	820	744	10.3
Occupancy costs	160	160	(0.3)
Employment costs	3 678	3 358	9.5
Other operating costs	1 773	1 576	12.6
Total retail costs	6 893	6 237	10.5
% of turnover	23.4%	23.7%	
Finance costs – lease liability	183	195	(6.0)

- Comparable retail cost growth contained to **5.0%**

Note: FY2021 adjusted to exclude R26m costs related to civil unrest

Operating expenditure – Distribution

R'm	2022	2021	% change
Depreciation – PPE	29	30	(5.3)
Depreciation – ROU asset	10	6	48.8
Occupancy costs	5	3	103.5
Employment costs	325	301	8.0
Other operating costs	613	584	4.9
Total distribution costs	982	924	6.2

- Cost growth contained below total managed turnover growth of 7.6%

Note: FY2021 adjusted to exclude R5m costs related to civil unrest

Operating profit

R'm	2022	2021	% change	2022 % margin	2021 % margin
Retail	2 769	2 509	10.3	9.4	9.5
Distribution	563	569	(1.2)	3.3	3.3
Intragroup	(7)	(33)			
Total group	3 325	3 045	9.2	8.4	8.2

- Impact of very low margin of vaccinations in Retail
- Lower wholesale turnover in UPD largely offset by new contracts

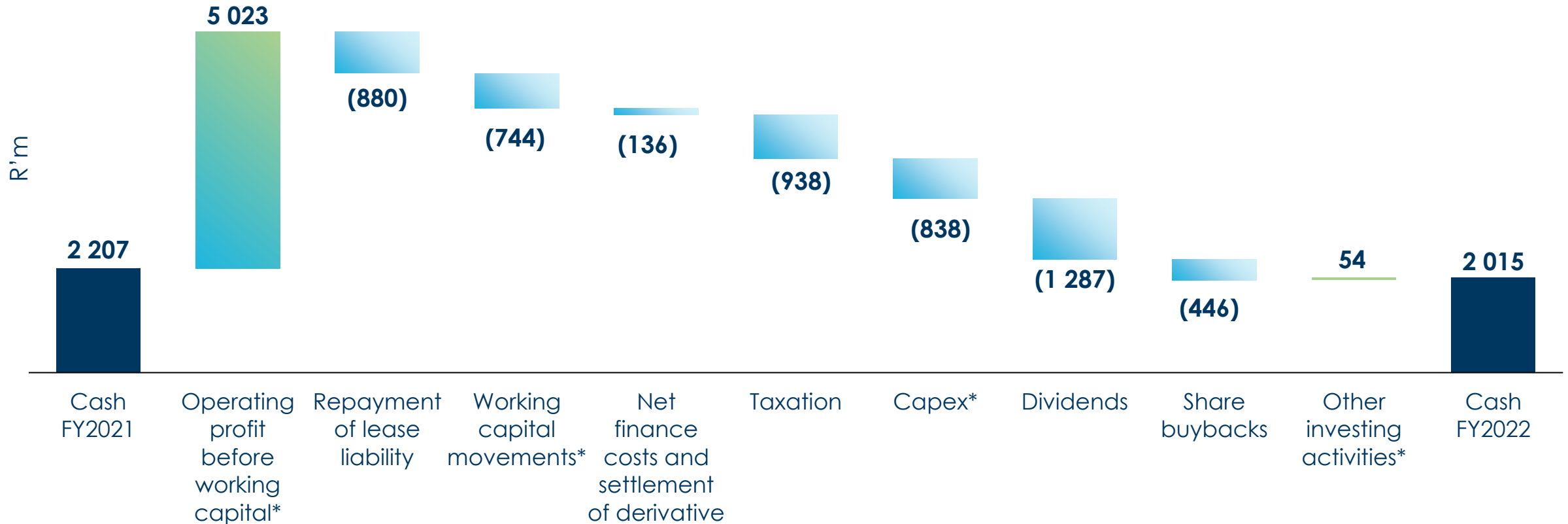
Note: Both years adjusted for impact of civil unrest

Inventory

	Days in stock		Inventory (R'm)		
	2022	2021	2022	2021	% change
Retail	71	74	4 109	3 913	5.0
Distribution	48	35	2 183	1 657	31.8
Intragroup inventory			(128)	(121)	
Total group	72	66	6 164	5 449	13.1

- UPD inventory impacted by lower hospital demand, but already normalising post year end

Cash management



- R1.1 billion final dividend to be paid to shareholders in January 2023

* Impacted by civil unrest (receipt of insurance payments, extension of creditor terms from August to September/October 2021, and PPE replacement)

Capital expenditure

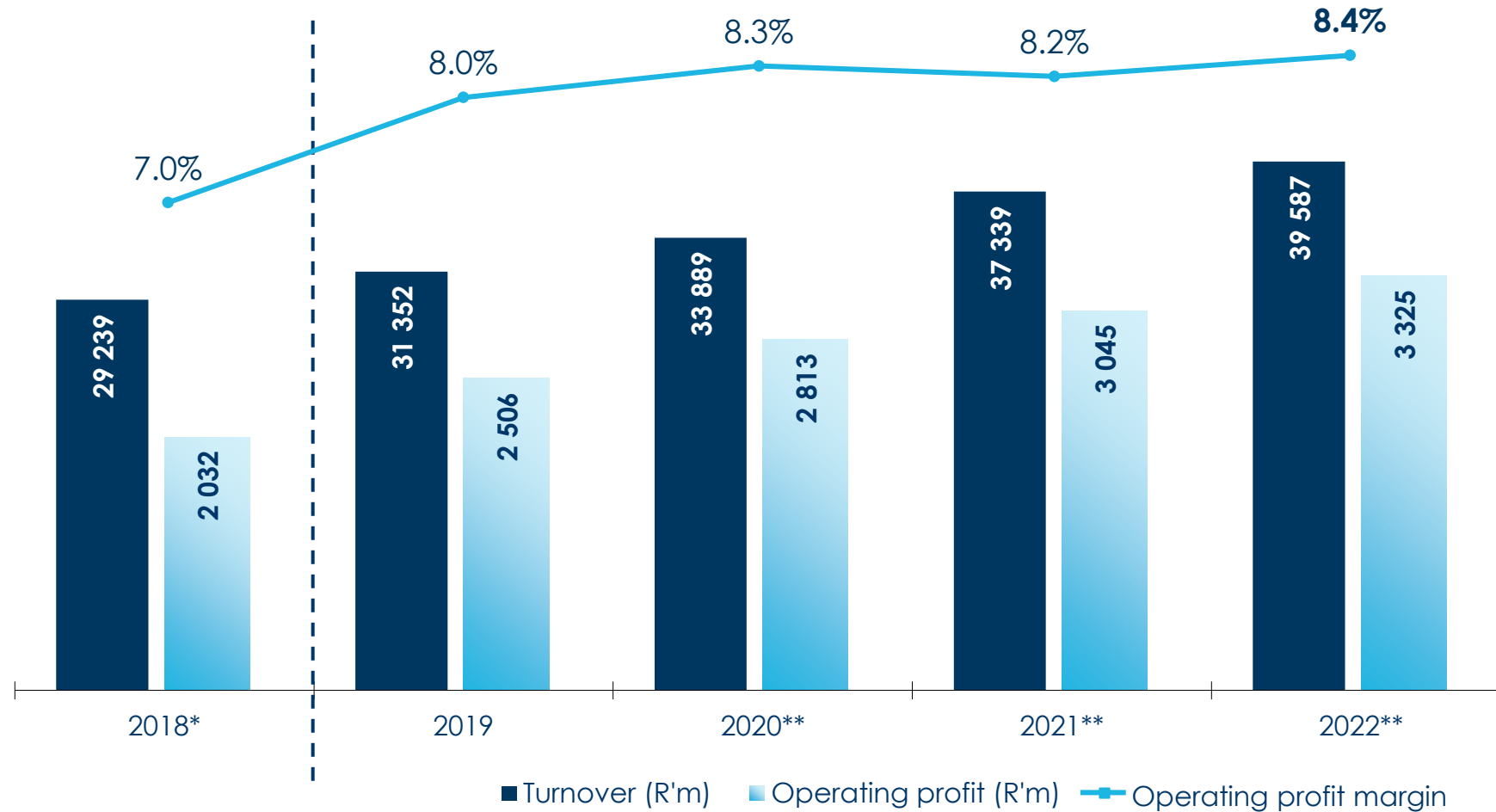
- R936m capex planned for FY2023, including R32m rolled forward from FY2022
 - R477m on stores, including:
 - 40 - 50 new Clicks stores and 40 - 50 new pharmacies
 - 60 store refurbishments
 - R459m on infrastructure, including:
 - R189m on UPD IT and warehouse equipment
 - R270m on retail systems and infrastructure

Medium-term financial targets

	Achieved in FY2022	Medium-term target
ROE (%)	48.0	40 – 50
ROIC (%)	29.6	20 – 30
ROA (%)	14.4	11 – 15
Net working capital days	36	30 – 35
Group operating margin (%)	8.4*	8.0 – 9.0
Retail	9.4*	9.0 – 10.0
Distribution	3.3*	2.8 – 3.3
Dividend payout ratio (%)	61.7	60 – 65

* Adjusted for impact of civil unrest

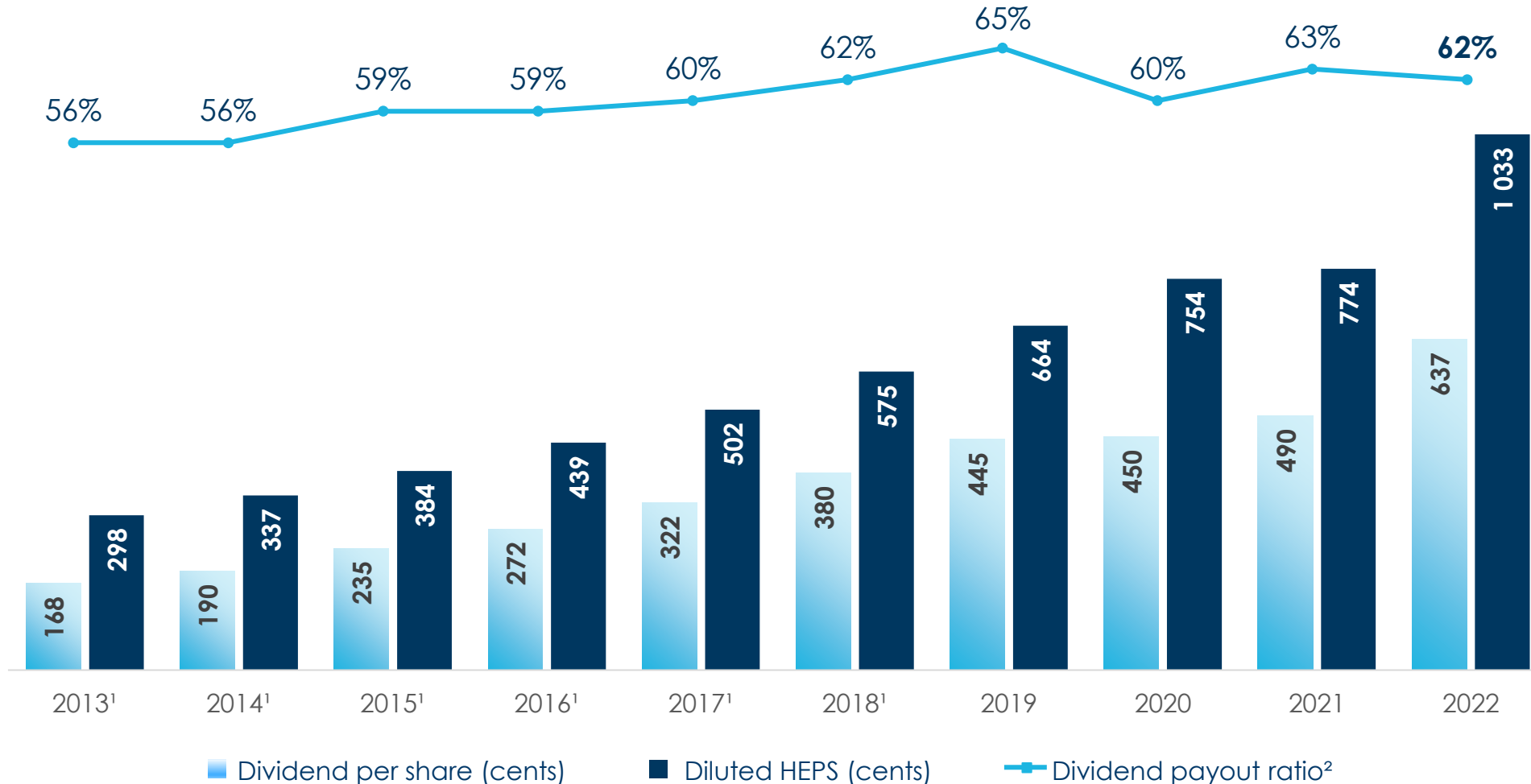
Growth in turnover, profit and margin



* Pre-IFRS 16 operating profit and margin

** Continuing operations, FY2021 and FY2022 adjusted for impact of civil unrest

Sustained financial performance



10-year CAGRs

Total shareholder return³: **20.9%**

Diluted HEPS: **14.2%**

Dividend per share: **15.4%**

¹ Pre-IFRS 16 ² Based on HEPS ³ Based on reinvestment of dividends paid and the closing share price



03

Trading performance

Bertina Engelbrecht



Clicks business review

Retail sales performance

	% change	% contribution
Pharmacy	7.7	27.6
Vaccinations	>100	3.9
Front shop health	3.9	25.8
Beauty and personal care	13.1	28.3
General merchandise	8.2	14.4
Total turnover	11.7	100.0

- Comparable stores turnover growth of 8.4%
 - Inflation 4.0%
 - Volume growth of 4.4%

Market shares

%	2022	2021
Health		
Retail pharmacy*	23.7	23.2
Front shop health**	32.4	32.4
Baby**	19.2	19.9
Beauty and personal care		
Skincare**	42.7	41.4
Haircare**	32.0	30.9
Personal care**	21.7	20.6
General merchandise		
Small electrical appliances***	18.6	17.2

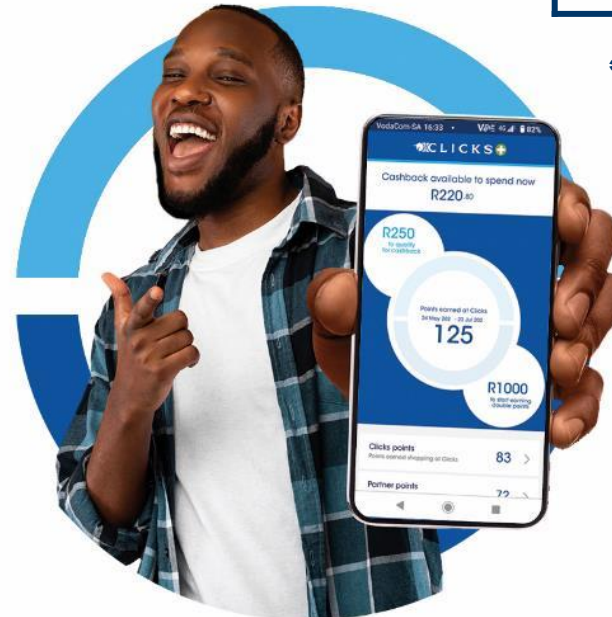
* Per IQVIA (Private Retail Pharmacy S1-6) (restated)

** Per AC Nielsen as at July, as August not yet available (restated)

*** Per GfK (restated)

Performance and strategy

- Maintaining **value**
 - Price competitive with all national retailers
 - Promotional sales +8.5% to 42.3% of turnover
 - In pharmacy, generics +9.9% to 58% of sales and 70% of volume
 - R601 million cashback paid to ClubCard members



Clicks price index* vs:	
Retailer A	92.7%
Retailer B	92.5%
Retailer C	90.3%
Retailer D	98.6%

* Excluding 3 for 2 promotions

Performance and strategy

- **Differentiating** our product offer
 - Private label now 24.2% of sales (front shop 29.6%, pharmacy 10.2%)
- impact of exclusive beauty brands exiting the country
 - New look beauty hall piloted and now being rolled out
 - Four Clicks Baby stores now open



Performance and strategy

- Engaging customers through **personalisation**
 - 9.7m active ClubCard members, 80.2% of sales
 - Clicks app downloaded by 3.0m customers
 - Voted best loyalty programme¹
 - Coolest health and beauty brand²
 - Best experience and function³

1. South African Loyalty Awards
2. Sunday Times GenNext Awards
3. Kantar BrandZ Top 30 Most Valuable South African Brands



Performance and strategy

- Extending **convenience**

- 837 Clicks stores with 673 pharmacies*
- 210 stores located in low income areas (22.7% of retail turnover)
- 50% of population < 5.3km of a pharmacy
- Remaining 14 of 25 Pick n Pay pharmacies now included, one transferred to a new Clicks store
- Online sales stabilised at 1.3% of front shop sales (3-year CAGR of 60.9%)

* Excludes 3 Clicks Baby stores and includes stores still closed due to civil unrest damage

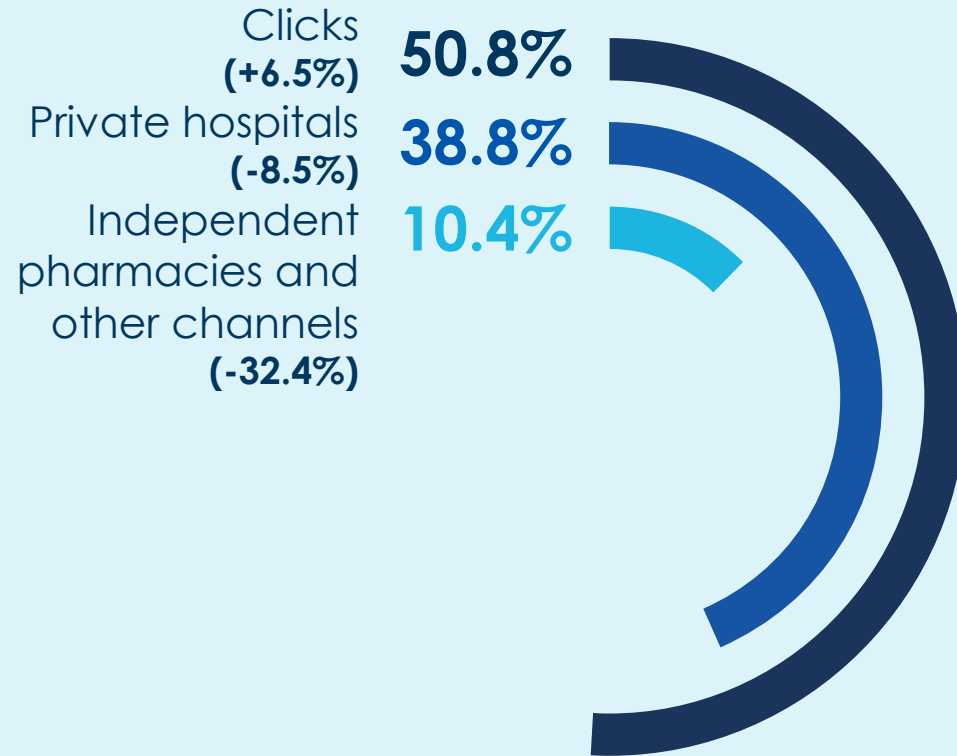
Format	Total*
Convenience	624
Destination	213
Total	837





UPD business review

Fine wholesale turnover



- Wholesale turnover down 5.2%
- Hospitals had a strong base due to Covid-19 (up 37.5% in FY2021 and 3-year CAGR of 22.0% to FY2022)
- Impact of consolidation of independent pharmacies
- Wholesale market share down from 31.1% to 28.8%*

* MAT per IQVIA (restated)

Review of the year

- Total managed turnover +7.6% to R30.6bn
 - Two new bulk distribution clients in H1 and one in H2
- Generic medicines +11.2% (73% of volume)
- ERP and WMS implementation
 - Gqeberha DC completed in July 2022
 - Cape Town DC due to be completed end November 2022
- Installation of solar panels at all DCs completed
- Second Cape Town DC should become operational from November 2022

Group strategic objectives

1

Increase customer appeal and access by expanding the store, pharmacy and online presence

2

Accelerate market share gains in pharmacy and core front shop categories

3

Promote UPD's national pharmaceutical wholesale and distribution services to grow market share

4

Deliver operational excellence with an efficient centralised supply chain

5

Create an inclusive and transformed organisation with a strong talent pipeline to support business growth

6

Ensure sustainability through efficient cash and capital management and adopt robust environmental, social and governance practices

- Consumer environment will remain extremely constrained
 - Continued impact of loadshedding and inflation
- New target of **1 200 Clicks stores**
 - Plan to open 40 - 50 stores and pharmacies per year
- Focus on innovation in technology, products and service
- Commitment to carbon neutrality
- Business model remains resilient, with proven ability to adapt to changing market dynamics
- Confident of the group's ability to continue delivering on medium-term targets

05

Questions



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