

CLICKS GROUP LIMITED

Unaudited interim
condensed consolidated
results for the six months
ended 28 February 2023



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Group turnover up

6.8%*

Retail turnover up

11.9%*

Adjusted operating margin up

40bps**

to 8.2%

Adjusted diluted HEPS up

10.2%**

Interim dividend up

2.8%***

to 185 cents per share

R1.1 billion

returned to shareholders

Return on equity

41.2%

* Excluding vaccines in the current and prior periods

** Excluding the insurance proceeds in the prior period

*** Based on the unadjusted HEPS growth consistent with the prior year

Financial summary

		Six months to 28 February 2023	Six months to 28 February 2022	% change	Year to 31 August 2022
Consolidated statement of comprehensive income					
Turnover	R'000	20 005 786	19 557 596	2.3%	39 587 142
Gross profit	R'000	4 473 179	4 132 969	8.2%	8 432 257
Total income	R'000	5 774 090	5 469 888	5.6%	11 299 681
Headline earnings	R'000	1 152 127	1 142 354	0.9%	2 522 870
Net financing cost	R'000	(61 603)	(83 443)	(26.2%)	(164 835)
Consolidated statement of financial position					
Equity	R'000	5 727 773	4 700 212	21.9%	5 698 807
Total assets	R'000	17 462 718	17 000 203	2.7%	17 863 916
Consolidated statement of cash flows					
Net cash effects from operating activities	R'000	(136 514)	(257 717)		1 917 075
Capital expenditure	R'000	350 552	352 232	(0.5%)	837 599
Capital commitments	R'000	606 988	523 628	15.9%	935 837
Depreciation and amortisation	R'000	746 681	674 999	10.6%	1 374 610
Performance					
Turnover growth	%	2.3	9.0		6.0
Comparable stores turnover growth	%	1.7	10.2		8.4
Gross profit growth	%	8.2	11.7		16.0
Gross profit margin	%	22.4	21.1		21.3
Total income growth	%	5.6	13.3		14.4
Total income margin	%	28.9	28.0		28.5
Operating margin	%	8.2	8.5		9.2
Net working capital days		47	39		36
Inventory days		81	78		72
Trade debtor days		32	35		27
Trade creditor days		66	74		63
Current ratio	:1	1.2	1.1		1.1
Return on total assets	%	12.5	12.9		14.4
Return on shareholders' interest	%	41.2	47.2		48.0
Shareholders' interest to total assets	%	32.8	27.6		31.9
Interest-bearing debt, including cash, to shareholders' interest at period-end	%	36.2	50.4		19.0
Statistics					
Number of permanent employees		17 476	16 286	7.3%	16 492
Number of stores		921	858	7.3%	898
Weighted retail trading area	m ²	420 712	391 426	7.5%	397 120
Share statistics					
Number of ordinary shares in issue	'000	243 970	243 970	0.0%	243 970
Weighted average number of shares in issue	'000	243 970	244 647	(0.3%)	244 306
Weighted average diluted number of shares in issue	'000	243 970	244 647	(0.3%)	244 306
Headline earnings per share	cents	472.2	466.9	1.1%	1 032.7
- basic	cents	472.2	466.9	1.1%	1 032.7
- diluted	cents	472.2	466.9	1.1%	1 032.7
Dividend per share	cents	185	180.0		180.0
- interim	cents	185	180.0		180.0
- final	cents	-	-		457.0
Dividend payout ratio	%	39.2	38.6		61.7
Share price	cents	26 750	29 895	(10.5%)	29 802
- closing	cents	26 750	29 895	(10.5%)	29 802
- high	cents	31 764	30 229		32 107
- low	cents	25 883	29 252		26 830
Net asset value per share	cents	2 348	1 927	21.8%	2 336
Net tangible asset value per share	cents	2 015	1 606	25.5%	1 998
Market capitalisation	R'000	65 261 975	72 934 832	(10.5%)	72 707 939
Price earnings ratio	times	30.3	34.3		28.9
Volume of ordinary shares traded	'000	94 332	94 254		203 684
Percentage of ordinary shares traded	%	38.7	38.5		83.4
Free float	%	99.9	99.9		99.9
Shareholders' return	cents	(2 867)	(181)		183
Change in share price	cents	(3 052)	(361)		(454)
Dividend per share	cents	185	180		637
Other information					
Inflation rate					
CPI	%	7.0	5.7		7.6
Internal selling price inflation	%	4.7	3.1		3.0
Interest rates					
Prime overdraft rate	%	10.75	7.50		9.00
- closing	%	10.75	7.50		9.00
- average	%	10.33	7.21		7.77
FTSE/JSE Africa share indices					
All Share Index		77 734	76 091	2.2%	67 257
General Retailers Index		6 124	6 336	(3.3%)	6 209
Food and Drug Retailers Index		13 668	13 201	3.5%	13 584
Exchange rate					
Rand/US dollar	R/US\$	18.45	15.35	20.2%	16.89
- closing	R/US\$	18.45	15.35	20.2%	16.89
- average	R/US\$	17.57	15.23	15.4%	15.58

Commentary

Financial reporting for impact of civil unrest

In line with the group's recent reporting practice, certain financial information for the prior period has been adjusted for the impact of the KwaZulu-Natal civil unrest in July 2021 and the subsequent insurance recoveries, to present a normalised view of the underlying operating performance of the group.

Overview

Clicks Group again proved the resilience and defensiveness of its core retail business in challenging trading conditions as adjusted diluted headline earnings per share (HEPS) increased by 10.2% for the first half of the 2023 financial year.

Clicks delivered strong turnover and profit growth despite increased load shedding and mounting pressures on consumer disposable income. Growth in Clicks was driven by the sustained post-Covid recovery in the beauty and personal care categories, supported by the Clicks ClubCard loyalty programme which passed the 10 million active member milestone. Clicks reported market share gains in all product categories against the comparative six month period.

UPD's performance was impacted by the lower increase in the regulated single exit price (SEP) of medicines granted by the Department of Health and operational challenges during the systems transition at three of its distribution centres.

In November 2022 the group announced the planned acquisition of Sorbet Holdings, the owners of the national franchise chain of Sorbet beauty salons, for R105 million. The transaction is currently awaiting competition authority approval.

Financial performance

Group turnover increased by 6.8% (excluding vaccinations) to R20.0 billion, with retail turnover increasing by 11.9%. Distribution turnover declined by 1.8% due to lost sales opportunities to Clicks during the systems implementation, lower demand from independent pharmacies and the shift of products within UPD from the preferred supplier to bulk distribution channel. Management is taking the necessary remedial action to restore turnover growth.

Adjusted total income grew by 8.1% to R5.8 billion. The retail margin expanded by 120 basis points and benefited from the strong growth in higher margin private label products, the recovery in the beauty category and fewer vaccinations

administered in the period. The increase in the distribution margin was limited to 10 basis points as the growth in the bulk distribution business was offset by the lower SEP increase. The group total income margin expanded by 160 basis points to 28.9% due to the stronger growth of retail relative to distribution.

Retail costs were impacted by higher insurance premiums, load shedding and the recently introduced levy on imported electrical products, increasing by 8.1%. Comparable retail cost growth was contained to growth of 5.6%. Distribution costs increased by 13.3% due to higher fuel, security and insurance costs, load shedding as well as increased employment costs to maintain service levels during the systems implementation.

Adjusted group operating profit increased by 7.0% to R1.6 billion while the group's adjusted operating margin increased by 40 basis points to 8.2%.

Headline earnings grew by 0.9% to R1.2 billion. Earnings per share declined by 4.2% to 472.1 cents with diluted HEPS increasing by 1.1% to 472.2 cents.

Inventory levels were well managed in both retail and distribution and grew by 4.5%. Group inventory days increased to 81 days (H1 2022: 78 days), with the prior period benefiting from faster stock turn of vaccines.

Cash generated from operating activities before dividends paid totalled R978 million. Capital expenditure of R351 million (H1 2022: R352 million) was invested mainly in new stores and pharmacies, store refurbishments, supply chain and information technology.

The group returned R1.1 billion to shareholders in dividend payments. No share-buybacks were undertaken during the period. At end February 2023, the group held cash resources of R1.2 billion.

Trading performance

Retail sales, which includes Clicks and the international franchise brands GNC and The Body Shop, increased by 11.9% (excluding vaccinations). Comparable store sales grew by 8.3% with volume growth of 1.7%.

Clicks expanded its retail footprint to 861 stores with the opening of a net 21 new stores in the first half of the year. A further 18 pharmacies were opened, extending the national pharmacy presence to 691.

UPD's total managed turnover, combining wholesale and bulk distribution, increased by 7.8%. Wholesale turnover increased by 1.6%, reflecting the impact of lost sales opportunities to Clicks during the systems implementation and further consolidation of independent pharmacies.

Outlook

Management expects trading conditions to remain extremely constrained owing to high levels of inflation placing pressure on consumer disposable income while load shedding will continue to disrupt trading patterns.

Clicks plans to open 50 new stores and 40 pharmacies for the full financial year and remains committed to its longer-term target of 1 200 stores. After the end of the reporting period the group acquired M-Kem, a long-established 24-hour pharmacy in the Western Cape. This will be Clicks' first 24-hour pharmacy.

Record capital investment of R958 million is planned for the full financial year. This includes R477 million for new stores and pharmacies and the refurbishment of 45 stores. R481 million will be invested in supply chain, technology and infrastructure, including battery storage at UPD's main distribution centre.

Full-year earnings forecast

The directors forecast that the group's earnings for the financial year ending 31 August 2023 will increase over the 2022 financial year as follows:

Adjusted diluted headline earnings per share: Increase of 8% to 13% (FY2022: 936.6 cents).

Diluted headline earnings per share: Range of -2% to 3% (FY2022: 1 032.7 cents).

This forecast is based on the assumptions that the trading environment will remain constrained in the second half of the 2023 financial year, with continued high levels of consumer inflation and trading disruption caused by electricity load shedding, and no changes in the regulatory environment.

Shareholders are advised that this forecast is the responsibility of the board of directors and has not been reviewed or reported on by the group's independent auditor.

Interim dividend

The board of directors has approved an interim gross ordinary dividend for the period ended 28 February 2023 of 185.0 cents per share (2022: 180.0 cents per share). The source of the dividend will be from distributable reserves and paid in cash.

Additional information

Dividends Tax (DT) of 20% amounting to 37.0 cents per ordinary share will be withheld in terms of the Income Tax Act. Ordinary shareholders who are not exempt from DT will therefore receive a dividend of 148.0 cents net of DT.

The company has 243 969 611 ordinary shares and its income tax reference number is 9061/745/71/8.

Shareholders are advised of the following salient dates in respect of the interim dividend:

Last day to trade "cum" the dividend	Tuesday, 27 June 2023
Shares trade "ex" the dividend	Wednesday, 28 June 2023
Record date	Friday, 30 June 2023
Payment to shareholders	Monday, 3 July 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 June 2023 and Friday, 30 June 2023, both days inclusive.

David Nurek

Chairman

Bertina Engelbrecht

Chief executive officer

Gordon Traill

Chief financial officer

Cape Town
20 April 2023

Consolidated statement of comprehensive income

R'000	Six months to 28 February 2023	Six months to 28 February 2022	% change	Year to 31 August 2022
Revenue	21 353 432	20 914 471		42 500 019
Turnover	20 005 786	19 557 596	2.3	39 587 142
Cost of merchandise sold	(15 532 607)	(15 424 627)	0.7	(31 154 885)
Gross profit	4 473 179	4 132 969	8.2	8 432 257
Other income	1 300 911	1 206 544	7.8	2 541 537
Insurance proceeds – civil unrest	–	130 375		325 887
Total income	5 774 090	5 469 888	5.6	11 299 681
Expenses	(4 132 444)	(3 804 883)	8.6	(7 649 266)
Depreciation and amortisation	(716 436)	(648 907)	10.4	(1 320 795)
Occupancy costs	(90 866)	(80 212)	13.3	(163 250)
Employment costs	(2 130 179)	(1 996 573)	6.7	(4 003 148)
Other costs	(1 200 459)	(1 066 334)	12.6	(2 147 507)
Impairment recovery/(allowance) – IFRS 9 ECL	5 496	(12 857)	(142.7)	(14 566)
Operating profit	1 641 646	1 665 005	(1.4)	3 650 415
Loss on disposal of property, plant and equipment	(508)	(33)		(4 460)
Insurance proceeds on property, plant and equipment – civil unrest	–	87 016		167 002
Profit before financing costs	1 641 138	1 751 988	(6.3)	3 812 957
Net financing expense	(61 603)	(83 443)	(26.2)	(164 835)
Financial income	46 735	19 956	134.2	45 453
Financial expense	(108 338)	(103 399)	4.8	(210 288)
Profit before earnings from associates	1 579 535	1 668 545	(5.3)	3 648 122
Share of loss of associates	(3 945)	(3 244)		(8 974)
Profit before taxation	1 575 590	1 665 301	(5.4)	3 639 148
Income tax expense	(423 834)	(459 623)	(7.8)	(1 000 468)
Profit for the period	1 151 756	1 205 678	(4.5)	2 638 680
Other comprehensive income:				
Items that will not be subsequently reclassified to profit or loss, net of tax				
Remeasurement of post-employment benefit obligations	–	–		1 033
Items that may be subsequently reclassified to profit or loss, net of tax				
Exchange differences on translation of foreign subsidiaries	6 140	12 417		11 837
Cash flow hedges	22 927	13 282		37 211
Cost of hedging reserve	(8 649)	(8 718)		(17 791)
Other comprehensive income for the period, net of tax	20 418	16 981		32 290
Total comprehensive income for the period	1 172 174	1 222 659		2 670 970
Earnings per share (cents)	472.1	492.8	(4.2)	1 080.1
Diluted earnings per share (cents)	472.1	492.8	(4.2)	1 080.1

Consolidated statement of financial position

R'000	As at 28 February 2023	As at 28 February 2022	As at 31 August 2022
ASSETS			
Non-current assets	6 601 366	6 283 476	6 491 054
Property, plant and equipment	2 443 186	2 219 998	2 374 962
Right-of-use assets	2 874 607	2 813 626	2 827 826
Intangible assets	710 059	679 870	720 988
Goodwill	102 806	102 806	102 806
Deferred tax assets	156 684	124 303	108 145
Investment in associates	35 348	24 355	25 389
Loans receivable	97 210	79 729	91 814
Financial assets at fair value through profit or loss	164 551	146 673	145 052
Derivative financial assets	16 915	92 116	94 072
Current assets	10 861 352	10 716 727	11 372 862
Inventories	6 692 060	6 404 160	6 164 453
Trade and other receivables	2 958 128	3 377 100	3 047 040
Loans receivable	16 703	1 852	34 582
Cash and cash equivalents	1 155 523	837 501	2 014 553
Derivative financial assets	38 938	96 114	112 234
Total assets	17 462 718	17 000 203	17 863 916
EQUITY AND LIABILITIES			
Equity	5 727 773	4 700 212	5 698 807
Share capital	2 440	2 440	2 440
Share premium	1 064 953	1 064 953	1 064 953
Cash flow hedge reserve	(8 550)	4 400	7 234
Cost of hedging reserve	(3 188)	(6 435)	(4 983)
Foreign currency translation reserve	(720)	(6 280)	(6 860)
Distributable reserve	4 672 838	3 641 134	4 636 023
Non-current liabilities	2 314 979	2 341 133	2 238 914
Lease liabilities	2 184 338	2 220 410	2 087 725
Employee benefits	94 697	120 723	129 854
Deferred tax liabilities	35 944	-	21 335
Current liabilities	9 419 966	9 958 858	9 926 195
Trade and other payables	8 071 611	8 611 327	8 368 721
Lease liabilities	1 046 852	986 634	1 012 159
Employee benefits	203 542	249 698	354 552
Income tax payable	97 961	109 794	190 063
Derivative financial liabilities	-	1 405	700
Total equity and liabilities	17 462 718	17 000 203	17 863 916

Consolidated statement of changes in equity

R'000	Number of shares '000	Share capital	Share premium
Balance at 1 September 2021	245 557	2 456	1 064 953
Transactions with owners, recorded directly in equity			
Dividends paid to shareholders	-	-	-
Shares repurchased and cancelled	(1 587)	(16)	-
Total transactions with owners	(1 587)	(16)	-
Total comprehensive income for the period			
Profit for the period	-	-	-
Cash flow hedge reserve	-	-	-
Cost of hedging reserve	-	-	-
Exchange differences on translation of foreign subsidiaries	-	-	-
Transfer of reserves to inventory	-	-	-
Balance at 28 February 2022	243 970	2 440	1 064 953
Transactions with owners, recorded directly in equity			
Dividends paid to shareholders	-	-	-
Total transactions with owners	-	-	-
Total comprehensive income for the period			
Profit for the period	-	-	-
Cash flow hedge reserve	-	-	-
Cost of hedging reserve	-	-	-
Exchange differences on translation of foreign subsidiaries	-	-	-
Transfer of reserves to inventory	-	-	-
Balance at 31 August 2022	243 970	2 440	1 064 953
Transactions with owners, recorded directly in equity			
Dividends paid to shareholders	-	-	-
Total transactions with owners	-	-	-
Total comprehensive income for the period			
Profit for the period	-	-	-
Cash flow hedge reserve	-	-	-
Cost of hedging reserve	-	-	-
Exchange differences on translation of foreign subsidiaries	-	-	-
Transfer of reserves to inventory	-	-	-
Balance at 28 February 2023	243 970	2 440	1 064 953

Cash flow hedge reserve	Cost of hedging reserve	Foreign currency translation reserve	Distributable reserve	Total equity
34 817	(7 167)	(18 697)	3 728 831	4 805 193
-	-	-	(847 794)	(847 794)
-	-	-	(445 581)	(445 597)
-	-	-	(1 293 375)	(1 293 391)
13 282	(8 718)	12 417	1 205 678	1 222 659
-	-	-	1 205 678	1 205 678
13 282	-	-	-	13 282
-	(8 718)	-	-	(8 718)
-	-	12 417	-	12 417
(43 699)	9 450	-	-	(34 249)
4 400	(6 435)	(6 280)	3 641 134	4 700 212
-	-	-	(439 146)	(439 146)
-	-	-	(439 146)	(439 146)
23 929	(9 073)	(580)	1 434 035	1 448 311
-	-	-	1 433 002	1 433 002
23 929	-	-	1 033	24 962
-	(9 073)	-	-	(9 073)
-	-	(580)	-	(580)
(21 095)	10 525	-	-	(10 570)
7 234	(4 983)	(6 860)	4 636 023	5 698 807
-	-	-	(1 114 941)	(1 114 941)
-	-	-	(1 114 941)	(1 114 941)
22 927	(8 649)	6 140	1 151 756	1 172 174
-	-	-	1 151 756	1 151 756
22 927	-	-	-	22 927
-	(8 649)	-	-	(8 649)
-	-	6 140	-	6 140
(38 711)	10 444	-	-	(28 267)
(8 550)	(3 188)	(720)	4 672 838	5 727 773

Consolidated statement of cash flows

R'000	Six months to 28 February 2023	Six months to 28 February 2022	Year to 31 August 2022
Cash effects from operating activities			
Operating profit before working capital changes (refer note 1)	2 346 050	2 313 896	5 022 565
Working capital changes (refer note 2)	(871 924)	(1 137 341)	(744 466)
Cash generated by operations	1 474 126	1 176 555	4 278 099
Interest received	46 735	19 956	45 453
Interest paid	(102 319)	(109 309)	(197 663)
Taxation paid	(544 724)	(513 410)	(938 159)
Acquisition of derivative financial asset used to hedge the long term incentive scheme	-	(64 230)	(64 230)
Settlement of derivative financial asset used to hedge the long term incentive scheme	104 609	80 515	80 515
Cash inflow from operating activities before dividends paid	978 427	590 077	3 204 015
Dividends paid to shareholders	(1 114 941)	(847 794)	(1 286 940)
Net cash effects from operating activities	(136 514)	(257 717)	1 917 075
Cash effects from investing activities			
Investment in property, plant and equipment and intangible assets to maintain operations	(105 245)	(148 733)	(337 616)
Investment in property, plant and equipment and intangible assets to expand operations	(245 307)	(203 499)	(499 983)
Proceeds from disposal of property, plant and equipment	635	827	1 503
Investment in associate	(7 570)	-	(8 715)
Loan to associate	-	(105 783)	(153 721)
Repayment of loan by associate	4 717	46 808	46 808
Decrease in other loans receivable	296	300	707
Insurance proceeds on property, plant and equipment – civil unrest	-	87 016	167 002
Net cash effects from investing activities	(352 474)	(323 064)	(784 015)
Cash effects from financing activities			
Shares repurchased	-	(445 597)	(445 597)
Repayment of lease liabilities	(370 042)	(342 748)	(879 537)
Net cash effects from financing activities	(370 042)	(788 345)	(1 325 134)
Net decrease in cash and cash equivalents	(859 030)	(1 369 126)	(192 074)
Cash and cash equivalents at the beginning of the period	2 014 553	2 206 627	2 206 627
Cash and cash equivalents at the end of the period	1 155 523	837 501	2 014 553

Notes to the cash flow statement

R'000	Six months to 28 February 2023	Six months to 28 February 2022	Year to 31 August 2022
Cash flow information			
1. Profit before working capital changes			
Profit before tax	1 575 590	1 665 301	3 639 148
Adjustment for:			
Depreciation and amortisation	746 681	674 999	1 374 610
Loss on disposal of property, plant and equipment	508	33	4 460
Insurance proceeds on property, plant and equipment – civil unrest	–	(87 016)	(167 002)
Release of cash flow hedge to profit or loss	(23 914)	(5 317)	12 994
Fair value adjustments on financial assets at fair value through profit or loss	(19 499)	(20 791)	(19 170)
Impairment of loan	–	–	1 765
Net loss of associates	5 081	3 244	10 925
Net financing expense	61 603	83 443	164 835
	2 346 050	2 313 896	5 022 565
2. Working capital changes			
Increase in inventories	(525 148)	(953 779)	(711 961)
Decrease in trade and other receivables	88 912	95 974	426 034
Decrease in trade and other payables	(243 502)	(120 687)	(396 173)
Decrease in employee benefits	(192 186)	(158 849)	(62 366)
	(871 924)	(1 137 341)	(744 466)

Segmental analysis

For the six months to 28 February 2023

R'000	Retail ¹		
	28 February 2023	28 February 2022	
Statement of financial position			
Property, plant and equipment	2 160 615	1 963 769	
Right-of-use assets	2 818 695	2 746 482	
Intangible assets	551 223	575 237	
Goodwill	6 529	6 529	
Inventories	4 740 397	4 357 528	
Trade and other receivables	780 905	1 857 525	
Cash and cash equivalents	1 167 561	840 073	
Other assets	1 024 009	1 062 781	
Total assets	13 249 934	13 409 924	
Employee benefits – non-current	90 923	115 708	
Lease liabilities	3 178 501	3 140 399	
Trade and other payables	4 859 200	5 192 050	
Employee benefits – current	191 775	225 126	
Other liabilities	3 228 515	3 543 290	
Total liabilities	11 548 914	12 216 573	
Net assets	1 701 020	1 193 351	
Statement of comprehensive income			
Turnover	15 375 622	14 573 346	
Gross profit	4 442 460	4 081 761	
Other income	763 018	775 438	
Total income	5 205 478	4 857 199	
Expenses	(3 718 374)	(3 440 138)	
Depreciation and amortisation	(692 984)	(629 094)	
Occupancy costs	(89 762)	(78 412)	
Employment costs	(1 957 624)	(1 840 465)	
Other costs	(984 142)	(878 310)	
Impairment recovery/(allowance) – IFRS 9 ECL	6 138	(13 857)	
Operating profit/(loss)	1 487 104	1 417 061	
Ratios			
Increase/(decrease) in turnover ²	%	5.5	13.6
Selling price inflation	%	6.6	3.7
Comparable stores turnover growth	%	1.7	10.2
Gross profit margin	%	28.9	28.0
Total income margin	%	33.9	33.3
Operating expenses as a percentage of turnover	%	24.2	23.6
Increase in operating expenses ²	%	8.1	12.2
Increase/(decrease) in operating profit ²	%	4.9	20.4
Operating profit margin	%	9.7	9.7
Inventory days		85	81
Trade debtor days		7	35
Trade creditor days		55	65
Net working capital days		37	51
Number of stores		921	858
as at 28 February 2022 ²		858	822
opened		71	43
closed ²		(8)	(7)
Number of pharmacies		691	646
as at 28 February 2022		646	601
new/converted		53	47
closed		(8)	(2)
Total leased area	m ²	523 691	488 463
Weighted retail trading area	m ²	420 712	391 426
Weighted annual sales per m ²	R	67 517	68 820
Number of permanent employees		16 866	15 689
Capital expenditure	R	259 983	309 397

¹ Retail includes Total Clicks + The Body Shop + Group Services

² Total continuing operations comparative excludes the impact of the Musica business discontinued in the prior year

Distribution		Intragroup elimination		Total continuing operations	
28 February 2023	28 February 2022	28 February 2023	28 February 2022	28 February 2023	28 February 2022
282 571	256 229	-	-	2 443 186	2 219 998
55 912	67 144	-	-	2 874 607	2 813 626
158 836	104 633	-	-	710 059	679 870
96 277	96 277	-	-	102 806	102 806
2 101 379	2 198 064	(149 716)	(151 432)	6 692 060	6 404 160
2 926 188	2 778 778	(748 965)	(1 259 203)	2 958 128	3 377 100
(12 038)	(2 572)	-	-	1 155 523	837 501
3 163 075	3 475 890	(3 660 735)	(3 973 529)	526 349	565 142
8 772 200	8 974 443	(4 559 416)	(5 384 164)	17 462 718	17 000 203
3 774	5 015	-	-	94 697	120 723
52 689	66 645	-	-	3 231 190	3 207 044
3 968 261	4 685 365	(755 850)	(1 266 088)	8 071 611	8 611 327
11 767	24 572	-	-	203 542	249 698
564 197	539 510	(3 658 807)	(3 971 601)	133 905	111 199
4 600 688	5 321 107	(4 414 657)	(5 237 689)	11 734 945	12 299 991
4 171 512	3 653 336	(144 759)	(146 475)	5 727 773	4 700 212
8 045 869	8 189 285	(3 415 705)	(3 205 035)	20 005 786	19 557 596
51 580	79 632	(20 861)	(28 424)	4 473 179	4 132 969
655 137	666 771	(117 244)	(105 290)	1 300 911	1 336 919
706 717	746 403	(138 105)	(133 714)	5 774 090	5 469 888
(530 324)	(468 036)	116 254	103 291	(4 132 444)	(3 804 883)
(23 452)	(19 813)	-	-	(716 436)	(648 907)
(1 928)	(2 588)	824	788	(90 866)	(80 212)
(172 555)	(156 108)	-	-	(2 130 179)	(1 996 573)
(331 747)	(290 527)	115 430	102 503	(1 200 459)	(1 066 334)
(642)	1 000	-	-	5 496	(12 857)
176 393	278 367	(21 851)	(30 423)	1 641 646	1 665 005
(1.8)	0.6	6.6	5.9	2.3	9.0
1.1	1.9	-	-	4.7	3.1
-	-	-	-	1.7	10.2
0.6	1.0	-	-	22.4	21.1
8.8	9.1	-	-	28.9	28.0
6.6	5.7	-	-	20.7	19.5
13.3	8.4	-	-	8.6	11.8
(36.6)	8.2	-	-	(1.4)	16.6
2.2	3.4	-	-	8.2	8.5
48	49	-	-	81	78
47	47	-	-	32	35
69	82	-	-	66	74
26	14	-	-	47	39
-	-	-	-	921	858
-	-	-	-	858	822
-	-	-	-	71	43
-	-	-	-	(8)	(7)
-	-	-	-	691	646
-	-	-	-	646	601
-	-	-	-	53	47
-	-	-	-	(8)	(2)
-	-	-	-	523 691	488 463
-	-	-	-	420 712	391 426
-	-	-	-	67 517	68 820
610	597	-	-	17 476	16 286
90 569	42 835	-	-	350 552	352 232

Accounting policies and notes

- 1.1. These condensed consolidated financial statements for the six months ended 28 February 2023 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The information contained in the interim report has neither been audited nor reviewed by the group's external auditors. These condensed consolidated financial results have been prepared under the supervision of G Traill (CA), the chief financial officer of the group.

The accounting policies used in the preparation of the financial results for the six months ended 28 February 2023, are in terms of IFRS and are consistent with those applied in the Audited Annual Financial Statements for the year ended 31 August 2022.

- 1.2. Related party transactions for the current period are similar to those disclosed in the group's annual financial statements for the year ended 31 August 2022. No significant related party transactions arose during the current period.
- 1.3. The carrying values of all financial instruments approximate fair value. All financial instruments are held at amortised cost, with the exception of derivative instruments which are designated as hedging instruments, the investment in Guardrisk Insurance Company Limited and investments held by the New Clicks Foundation Trust, which are accounted for at fair value through profit or loss. The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques; if all significant inputs required to fair value an instrument are observable, the instrument is included in level 2 and if the significant inputs required to fair value an instrument are unobservable, the instrument is included in level 3. The derivative instruments comprise equity derivative hedges which are calculated using a Monte Carlo option pricing model with reference to the closing share price, 250-day historical volatility, the 12-month trailing dividend yield and the risk-free rate; and forward exchange contracts which are calculated using standard market calculation conventions with reference to the relevant closing market spot rates, forward foreign exchange rates and interest rates, both of which are classified as level 2 instruments. All financial instruments accounted for at fair value through profit or loss are considered to be level 2 instruments with the exception of investments held by the New Clicks Foundation Trust which are considered to be level 1 instruments, since the investments are listed instruments with a valuation based on listed prices. There have been no transfers between levels 1, 2 and 3 instruments during the period. The group applies hedge accounting and where derivative instruments are designated as hedging instruments in a cash flow hedge, fair value gains/losses are recognised in other comprehensive income and released either to profit or loss or the hedged item when the forecast transaction takes place.
- 1.4. The majority of the current and non-current derivative financial assets are to hedge obligations under the cash-settled share compensation scheme.

1.5. Revenue	Unaudited six months to 28 February 2023	Six months to 28 February 2022	Year to 31 August 2022
R'000			
The group's revenue from contracts with customers is disaggregated as disclosed below:			
Goods sold to customers	20 005 786	19 557 596	39 587 142
Other income	1 300 911	1 206 544	2 541 537
Distribution and logistics fees	596 194	586 518	1 266 787
Cost recoveries and other	704 717	620 026	1 274 750
Revenue from contracts with customers	21 306 697	20 764 140	42 128 679
Insurance proceeds – civil unrest	–	130 375	325 887
Financial income	46 735	19 956	45 453
Revenue	21 353 432	20 914 471	42 500 019

1.6. Headline earnings reconciliation

R'000	Unaudited six months to 28 February 2023	Six months to 28 February 2022	% change	Year to 31 August 2022
Total profit for the period	1 151 756	1 205 678	(4.5)	2 638 680
Adjusted for:				
Loss on disposal of property, plant and equipment	508	33		4 460
Insurance proceeds on property, plant and equipment – civil unrest	-	(87 016)		(167 002)
Total tax effects on adjustments	(137)	23 659		46 732
Headline earnings	1 152 127	1 142 354	0.9	2 522 870
Headline earnings per share (cents)	472.2	466.9	1.1	1032.7
Diluted headline earnings per share (cents)	472.2	466.9	1.1	1032.7

1.7. Impact of civil unrest

The civil unrest in KwaZulu-Natal (KZN) in July 2021 impacted 52 Clicks stores and one The Body Shop store, as well as two of the group's distribution centres. The group suffered significant physical damage and loss to its fixed assets, cash on hand and inventory in the affected stores and distribution centres. The group has adequate South African Special Risks Insurance Association (SASRIA) and general insurance cover for material damage to assets, stock and business interruption.

As disclosed in the group's 2022 annual financial statements, the group entered into a full and final settlement agreement with SASRIA amounting to R710.3 million. An amount of R523.9 million was recovered for loss of stock, R19.4 million for other costs and R167.0 million for replacement of fixed assets.

The group headline earnings excluding the impact of the civil unrest is disclosed as follows:

R'000	Unaudited six months to 28 February 2023	Six months to 28 February 2022	% change	Year to 31 August 2022
Headline earnings	1 152 127	1 142 354	0.9	2 522 870
Adjusted for:				
Insurance proceeds related to non-capital items – civil unrest	-	(130 375)		(325 887)
Total tax effects on adjustments	-	36 505		91 248
Adjusted headline earnings	1 152 127	1 048 484	9.9	2 288 231
Group adjusted headline earnings per share (cents)	472.2	428.6	10.2	936.6
Group diluted adjusted headline earnings per share (cents)	472.2	428.6	10.2	936.6

1.8. Acquisition of Sorbet Holdings (Proprietary) Limited and its subsidiaries

Effective 8 November 2022, the group signed a binding agreement to acquire Sorbet Holdings (Proprietary) Limited and its subsidiaries for a consideration of R105 million, payable in cash. The Sorbet group is a group of companies with interests in the franchising of hair and beauty salons, including Sorbet and Sorbet Man. The group operates in South Africa.

The transaction will result in the Clicks group holding 100% of the issued share capital of all Sorbet group entities, including Sorbet Brands (Proprietary) Limited in which the Clicks group already holds 25% as an investment in associate.

The acquisition date is expected to be the first day of the month following the approval of the transaction by the relevant competition authorities. As the transaction has not yet been concluded and final approvals are pending, the initial accounting for the business combination is incomplete. The acquisition date fair values of the assets and liabilities acquired will be disclosed following completion of the transaction.

Clicks Group corporate information

Clicks Group Limited

Incorporated in the
Republic of South Africa

Registration number

1996/000645/06

Income tax number

9061/745/71/8

JSE share code: CLS

ISIN: ZAE000134854

ADR ticker symbol: CLCGY

ADR CUSIP code: 18682W205

Directors

DM Nurek* (Chairman),
JA Bester*, BD Engelbrecht
(Chief Executive Officer),
NNA Matyumza*^, PM Osiris
(née Moumakwa)*, MJN Njeke*,
SS Ntsaluba*, KC Ramon*°,
GD Traill*† (Chief Financial
Officer)

* Independent non-executive
^ Appointed 1 September 2022
+ Appointed 1 January 2023
° Appointed 7 February 2023
† British

Registered address

Cnr Searle and Pontac Streets
Cape Town 8001
T +27 (0)21 460 1911

Postal address

PO Box 5142
Cape Town 8000

Company secretary

M Welz, LLB
E-mail: [companysecretary@
clicksgroup.co.za](mailto:companysecretary@clicksgroup.co.za)

Auditors

Ernst & Young Inc. (EY)

Principal bankers

First National Bank

JSE sponsor

Investec Bank Limited

Transfer secretaries

Computershare Investor
Services (Proprietary) Limited
Rosebank Towers,
15 Biermann Avenue
Rosebank 2196
Private Bag X9000
Saxonwold 2132
T +27 (0)11 370 5000

Investor relations consultants

Tier 1 Investor Relations
Telephone: +27 (0)21 702 3102
E-mail: ir@tier1ir.co.za



For more information, please visit [clicksgroup.co.za](https://www.clicksgroup.co.za)