

# CLICKS GROUP LIMITED

**INTERIM RESULTS  
for the six months ended  
28 February 2023**

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# Presentation outline

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01

# Review of the period

Bertina Engelbrecht

# Review of the six months

- Performance continues to prove resilience and defensiveness
  - Adjusted dHEPS up **10.2%**
- Strong retail turnover and profit growth despite load shedding
- Continued post-Covid recovery benefiting beauty, personal care and impulse categories
- Sustained market share growth in all retail categories
- UPD impacted by low SEP increase and operational inefficiencies during IT systems transition
- Acquisition of national beauty salon chain, Sorbet



02

## Financial results

Gordon Traill

# Financial highlights

Turnover up

6.8%\*

Retail turnover  
up 11.9%\*

UPD reported turnover  
down 1.8%

Operating margin

up from 7.8%\*\* to  
8.2%

Adjusted dHEPS up

10.2%\*\*  
to 472.2 cps

Total dHEPS up

1.1%

Interim dividend up

2.8%

to 185.0 cps

Cash returned to  
shareholders

R1.1 bn

Return on equity,  
down from 47.2% to

41.2%

Cash balance  
at period end

R1.2 bn

\* Excluding vaccinations in both periods

\*\* H1 2022 adjusted for SASRIA insurance proceeds received

# Impact of insurance payout on base

R'm	H1 2023	Reported H1 2022	Adjustment (see notes below)	Adjusted H1 2022	% change
Turnover	20 006	19 558		19 558	
Gross profit	4 473	4 133		4 133	
Other income	1 301	1 337	(130) <sup>1</sup>	1 207	
Expenses	(4 132)	(3 805)		(3 805)	
<b>Operating profit</b>	<b>1 642</b>	<b>1 665</b>	<b>(130)</b>	<b>1 535</b>	7.0
Capital items	(1)	87	(87) <sup>2</sup>	-	
Taxation	(424)	(460)	60	(400)	
<b>Headline earnings</b>	<b>1 152</b>	<b>1 142</b>	<b>(94)<sup>3</sup></b>	<b>1 048</b>	9.9
<b>dHEPS (cents)</b>	<b>472.2</b>	<b>466.9</b>	<b>(38.3)</b>	<b>428.6</b>	<b>10.2</b>

**Notes:**

1. First SASRIA payment
2. PPE insurance portion
3. Insurance income portion after tax

# Turnover

R'm	H1 2023	H1 2022	% change	% same stores growth*	% inflation
Retail	15 376	14 574	5.5	8.3	6.6
Distribution	8 046	8 189	(1.8)		1.1
Intragroup turnover	(3 416)	(3 205)	6.6		
<b>Total group</b>	<b>20 006</b>	<b>19 558</b>	<b>2.3</b>		<b>4.7</b>

- Retail turnover up 11.9% excluding vaccinations
  - Administered R4m vaccinations in H1 2023 versus R832m in H1 2022
- UPD growth impacted by lower demand from independents and switch of products from preferred supplier to distribution

\* Excluding vaccinations in both periods



# Total income

R'm	H1 2023	H1 2022	% change	H1 2023 % margin	H1 2022 % margin
Retail	5 205	4 759	9.4	33.9	32.7
Distribution	707	714	(1.0)	8.8	8.7
Intragroup turnover	(138)	(133)	3.8		
<b>Total group</b>	<b>5 774</b>	<b>5 340</b>	<b>8.1</b>	<b>28.9</b>	<b>27.3</b>

- Retail margin benefiting from recovery in Beauty, strong growth in private label and fewer low margin vaccinations administered
- UPD impacted by low SEP increase (maximum of 3.28% vs 3.5% in H1 2022), partially offset by growth in distribution business

**Note:** H1 2022 adjusted to exclude insurance payment of R130m

# Operating expenditure – Retail

R'm	H1 2023	H1 2022	% change
Depreciation – PPE	247	220	12.3
Depreciation – ROU asset	446	409	9.0
Occupancy costs	90	78	15.4
Employment costs	1 958	1 841	6.4
Other operating costs	977	892	9.5
<b>Total retail costs</b>	<b>3 718</b>	<b>3 440</b>	<b>8.1</b>
% of turnover	24.2%	23.6%	
Finance costs – lease liability	95	93	2.2

- Comparable retail cost growth contained to **5.6%**
- Impact of higher insurance premiums, electrical waste levy and load shedding
- Occupancy costs in prior period benefited from rental relief for civil unrest

# Operating expenditure – Distribution

R'm	H1 2023	H1 2022	% change
Depreciation – PPE	15	14	
Depreciation – ROU asset	8	6	
Occupancy costs	2	3	
Employment costs	173	156	10.9
Other operating costs	332	289	14.9
<b>Total distribution costs</b>	<b>530</b>	<b>468</b>	<b>13.3</b>

- Employment costs increased to maintain service levels during systems rollout
- Load shedding – R9m in diesel costs for six months
- Delivery costs and insurance premiums
- Inefficiency of three rented DCs for bulk business

# Operating profit

R'm	H1 2023	H1 2022	% change	H1 2023 % margin	H1 2022 % margin
Retail	1 487	1 319	12.7	9.7	9.1
Distribution	176	246	(28.5)	2.2	3.0
Intragroup	(21)	(30)			
<b>Total group</b>	<b>1 642</b>	<b>1 535</b>	<b>7.0</b>	<b>8.2</b>	<b>7.8</b>

- Benefit of recovery of higher margin categories in Retail; impact of low margin vaccinations in H1 2022
- UPD impacted by load shedding and low SEP increase, and in the short-term by labour cost inefficiencies – margin expected to improve in H2

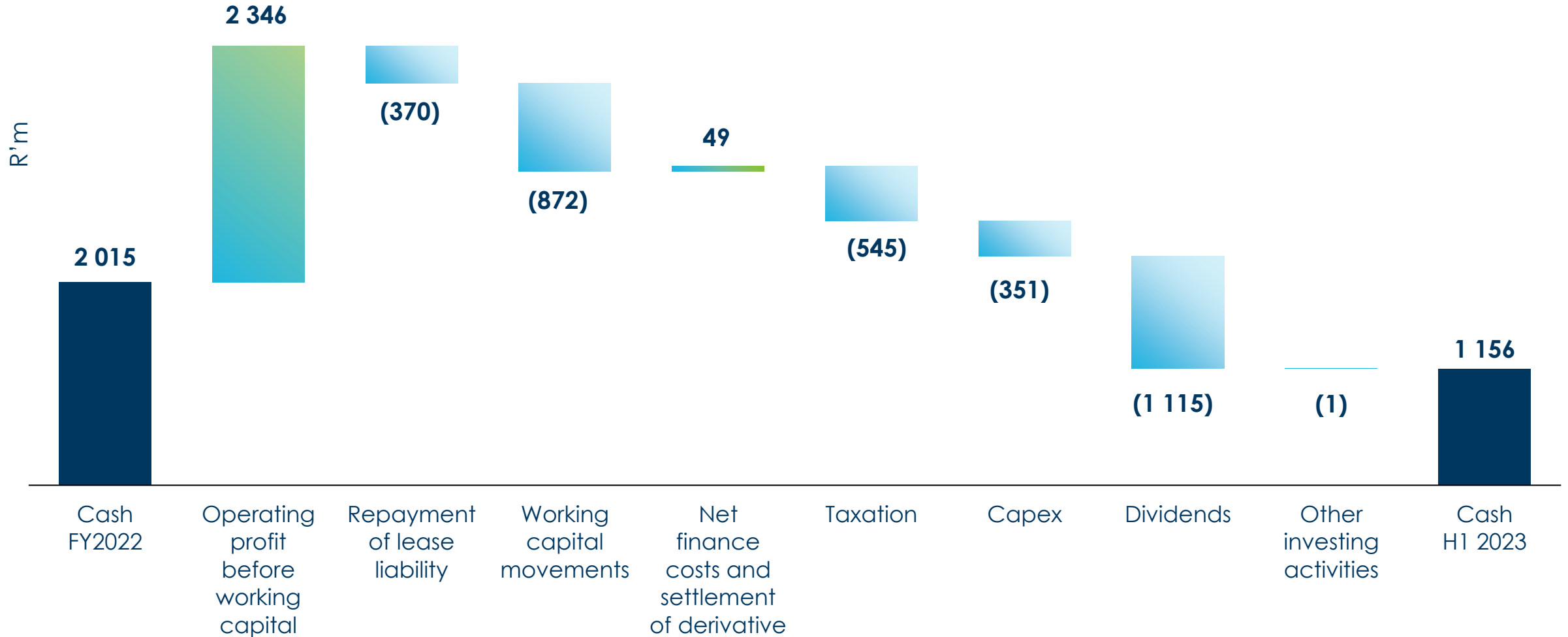
**Note:** H1 2022 adjusted for SASRIA insurance proceeds

# Inventory

	Days in stock		Inventory (R'm)		
	H1 2023	H1 2022	H1 2023	H1 2022	% change
Retail	85	81	4 740	4 357	8.8
Distribution	48	49	2 101	2 198	(4.4)
Intragroup inventory			(149)	(151)	
<b>Total group</b>	<b>81</b>	<b>78</b>	<b>6 692</b>	<b>6 404</b>	<b>4.5</b>

- Inventories well managed in both businesses
- Retail days in H1 2022 benefited from much faster stock turn of vaccines

# Cash management for the six months



# Capital expenditure

- R958m capex now planned for FY2023, including battery storage in UPD's Lea Glen DC
  - R477m on stores, including:
    - 50 new Clicks stores and 40 new pharmacies
    - 45 store refurbishments
  - R481m on infrastructure, including:
    - R210m on UPD IT and warehouse equipment
    - R271m on retail systems and infrastructure



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# Trading performance

Bertina Engelbrecht







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# Clicks business review

# Retail sales performance

	% change*	% contribution
Pharmacy	9.8	27.1
Front shop health	5.8	25.2
Beauty and personal care	18.0	32.1
General merchandise	14.1	15.6
<b>Total turnover</b>	<b>11.9</b>	<b>100.0</b>

- Comparable stores turnover growth of 8.3%
  - Inflation 6.6%
  - Volume growth of 1.7%

\* Excluding vaccinations in both periods

# Market shares

%	H1 2023	H1 2022
<b>Health</b>		
Retail pharmacy*	<b>23.6</b>	23.3
Front shop health**	<b>32.7</b>	32.2
Baby**	<b>21.6</b>	20.7
<b>Beauty and personal care</b>		
Skincare**	<b>42.8</b>	41.3
Haircare**	<b>32.6</b>	31.2
Personal care**	<b>20.5</b>	19.6
<b>General merchandise</b>		
Small electrical appliances***	<b>20.2</b>	18.6

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

# Performance and strategy

- Maintaining **value**
  - Price competitive with all national retailers
  - Promotional sales +14.3% to 43.3% of turnover
  - In pharmacy, generics +8.9% to 59% of sales and 70% of volume
  - Partnered with Discovery on launch of Flexicare medical insurance

Clicks price index* vs:	
Retailer A	91.0%
Retailer B	93.2%
Retailer C	93.8%
Retailer D	99.1%

\* Excluding 3 for 2 promotions



# Performance and strategy

- **Differentiating** our product offer
  - Private label up 15.1% to 25.3% of sales (front shop 30.3%, pharmacy 11.1%)
  - New look Beauty hall now in 33 stores
  - Four Clicks Baby stores performing strongly – one more planned in H2
  - New look The Body Shop store format and relaunched product driving strong growth



# Performance and strategy

- Engaging customers through **personalisation**
  - 10.0m active ClubCard members, 79.7% of sales
  - Clicks app downloaded by 3.5m customers
  - Best pharmacy customer experience<sup>1</sup>
  - Most used loyalty programme<sup>2</sup>
  - Best baby loyalty club<sup>3</sup>

1. 2022/23 Ask Afrika Orange Index Awards  
2. Truth & BrandMapp Loyalty Whitepaper  
3. BabyYumYum Awards



new  
issue  
live  
now!

# Performance and strategy

- Extending **convenience**
  - 861\* Clicks stores with 691 pharmacies
  - 209 stores located in low income areas (22.3% of retail turnover)
  - 50% of population < 5.2km of a pharmacy
  - M-Kem, a 24 hour pharmacy in the Western Cape, acquired effective April 2023
  - Online sales 1.2% of front shop sales
    - Adding in-store stock availability to online site

Mall location	Total*
Convenience	643
Destination	218
<b>Total</b>	<b>861</b>



\* Includes 4 Clicks Baby stores

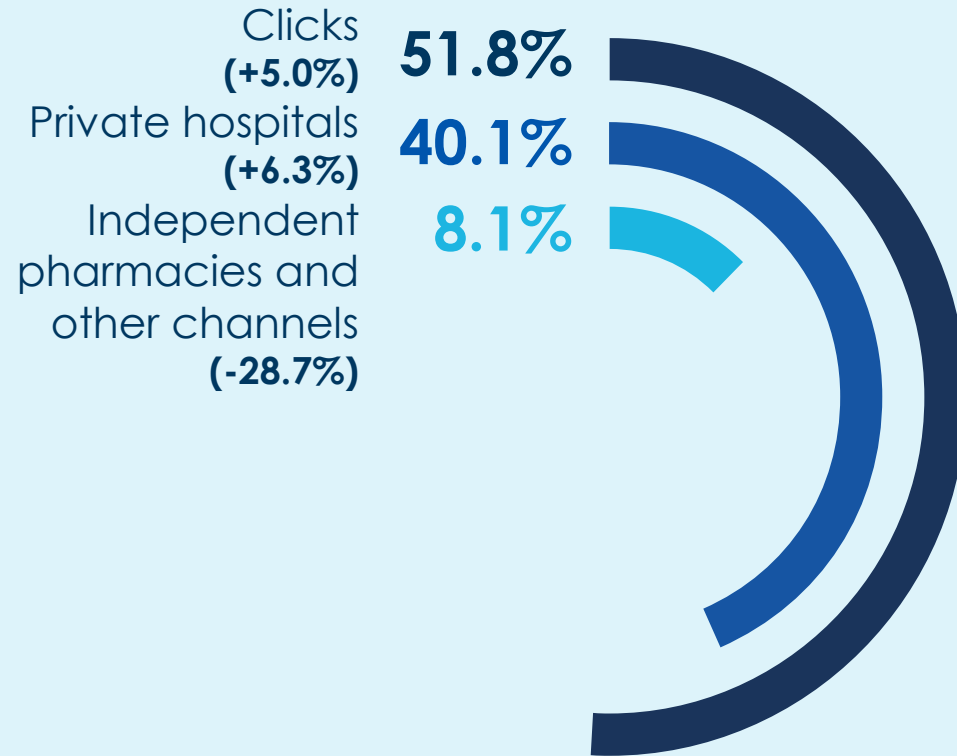


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# UPD business review



# Fine wholesale turnover



- Wholesale turnover up 1.6%
- Impact of consolidation of independent pharmacies and application of stricter credit terms
- Short-term impact of systems change on Clicks purchases from UPD
- Wholesale market share down from 30.1% to 28.4%\*

\* MAT per IQVIA

# Review of the six months

- Total managed turnover +7.8%
- Generic medicines +4.3% in volume (73% of volume)
- SAP ERP and Knapp WMS implementation update
  - Durban, Gqeberha and Cape Town DCs completed, with some transitional challenges
  - The systems are stable and implementation in final two DCs will commence in H2
- Cost pressures due to higher delivery and insurance costs
- Installation of solar panels at all DCs completed
  - Will be investing in battery storage at Lea Glen DC in H2

04

# Outlook

Bertina Engelbrecht



# Outlook for H2 2023

- Consumer environment will remain extremely constrained due to continued impact of load shedding and inflation
- Plan to open 50 Clicks stores in FY2023
- Sorbet acquisition awaiting competition approval
- M-Kem acquired effective 1 April 2023
- Strict oversight in UPD to manage the systems transition

# Outlook for H2 2023 (continued)

- Sustainable, ethical business practices
  - Increased investment in renewable energy
  - Social investment
    - New Clicks Foundation
    - Clicks Helping Hand Trust
- Earnings forecast for FY2023:
  - **8 – 13%** growth in adjusted\* dHEPS



\* FY2022 adjusted for SASRIA insurance proceeds received

05

Questions



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