

ANNUAL RESULTS
for the year ended
31 August 2023



Agenda

01 Review of the year

02 Financial results

03 Trading performance

04 Strategy and outlook

05 Questions





01

Review
of the year

Bertina Engelbrecht

Review of the year

- Performance continues to prove the resilience and defensiveness of the group
 - Adjusted dHEPS up **11.5%**
- Clicks opened 850th store and 700th pharmacy
- Market share gains in all categories
- Acquisitions of Sorbet, M-Kem and 180 Degrees
- Better performance from UPD in H2
- Record capital investment

ESG integrated into the business

- In FTSE4Good Index for last seven years
- AA ESG rating from MSCI
- Top Employer* in retail sector for 7th year
- Diversity leadership recognised in The Gender Mainstreaming Awards Africa
- Solar on all owned DCs and head office, and investing in solar battery storage
- Supporting national health initiatives
 - Girls on the Go / Students on the Go
 - Phelophepa clinic train and Gift of the Givers



* Top Employers Institute



02

Financial Results

Gordon Traill

Financial highlights

Turnover up

8.2%**

Retail turnover up
12.2%**

UPD reported turnover
up **1.5%**

Operating margin

up from 8.4%* to

8.7%

Adjusted dHEPS up

11.5%*

Total dHEPS up

1.1%

to 1 045 cps

**Cash generated
by operations**

R5.9 bn

**Returned to
shareholders**

R2.3 bn

2.8m shares repurchased

Return on equity

down from 48.0% to

43.6%

Total dividend up

6.6%

to 679 cps

* FY2022 adjusted for SASRIA insurance proceeds received

** Excluding vaccinations in both periods

Impact of insurance payout on base

R'm	2023	Reported 2022	Adjustment (see notes below)	Adjusted 2022	% change
Turnover	41 622	39 587		39 587	
Gross profit	9 314	8 432		8 432	
Other income	2 846	2 867	(325) ¹	2 542	
Expenses	(8 537)	(7 649)		(7 649)	
Operating profit	3 623	3 650	(325)	3 325	9.0
Capital items	(7)	163	(167) ²	(4)	
Taxation	(934)	(1 000)	136	(864)	
Headline earnings	2 543	2 523	(235)³	2 288	11.1
dHEPS (cents)	1 044.5	1 032.7	(96.1)	936.6	11.5

Notes:

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

Turnover

R'm	2023	2022	% change	% same stores growth*	% inflation
Retail	31 725	29 405	7.9	7.7	7.0
Distribution	17 175	16 922	1.5		1.0
Intragroup turnover	(7 278)	(6 740)	8.0		
Total group	41 622	39 587	5.1		4.9

- Retail turnover up 12.2% excluding vaccinations
 - Administered R4m vaccinations in 2023 versus R1.1bn in 2022
- UPD growth impacted by low SEP increase, post systems implementation and switch of products from preferred supplier to bulk distribution

* Excluding vaccinations in both periods

Total income

R'm	2023	2022	% change	2023 % margin	2022 % margin
Retail	10 836	9 662	12.2	34.2	32.9
Distribution	1 600	1 544	3.6	9.3	9.1
Intragroup turnover	(276)	(232)			
Total group	12 160	10 974	10.8	29.2	27.7

- Retail margin continued to benefit from recovery in Beauty, strong growth in private label and end of vaccination programme
- Improved shrink and waste in UPD

Note: FY2022 adjusted to exclude insurance payments of R325m

Operating expenditure – Retail

R'm	2023	2022	% change
Depreciation – PPE	511	462	10.7
Depreciation – ROU asset	903	820	10.0
Occupancy costs	187	160	17.2
Employment costs	4 035	3 678	9.7
Other operating costs	2 041	1 773	15.1
Total retail costs	7 677	6 893	11.4
% of turnover	24.2%	23.4%	
Finance costs – lease liability	200	183	8.9

- Comparable retail cost growth **7.4%**
- Other operating costs impacted by insurance and R40m diesel for generators

Operating expenditure – Distribution

R'm	2023	2022	% change
Depreciation – PPE	29	29	2.4
Depreciation – ROU asset	18	10	79.0
Occupancy costs	4	5	(26.1)
Employment costs	359	325	10.3
Other operating costs	703	613	14.8
Total distribution costs	1 113	982	13.4

- Employment costs increased during systems rollout
- R13.5m in diesel costs during load shedding
- Higher insurance premiums

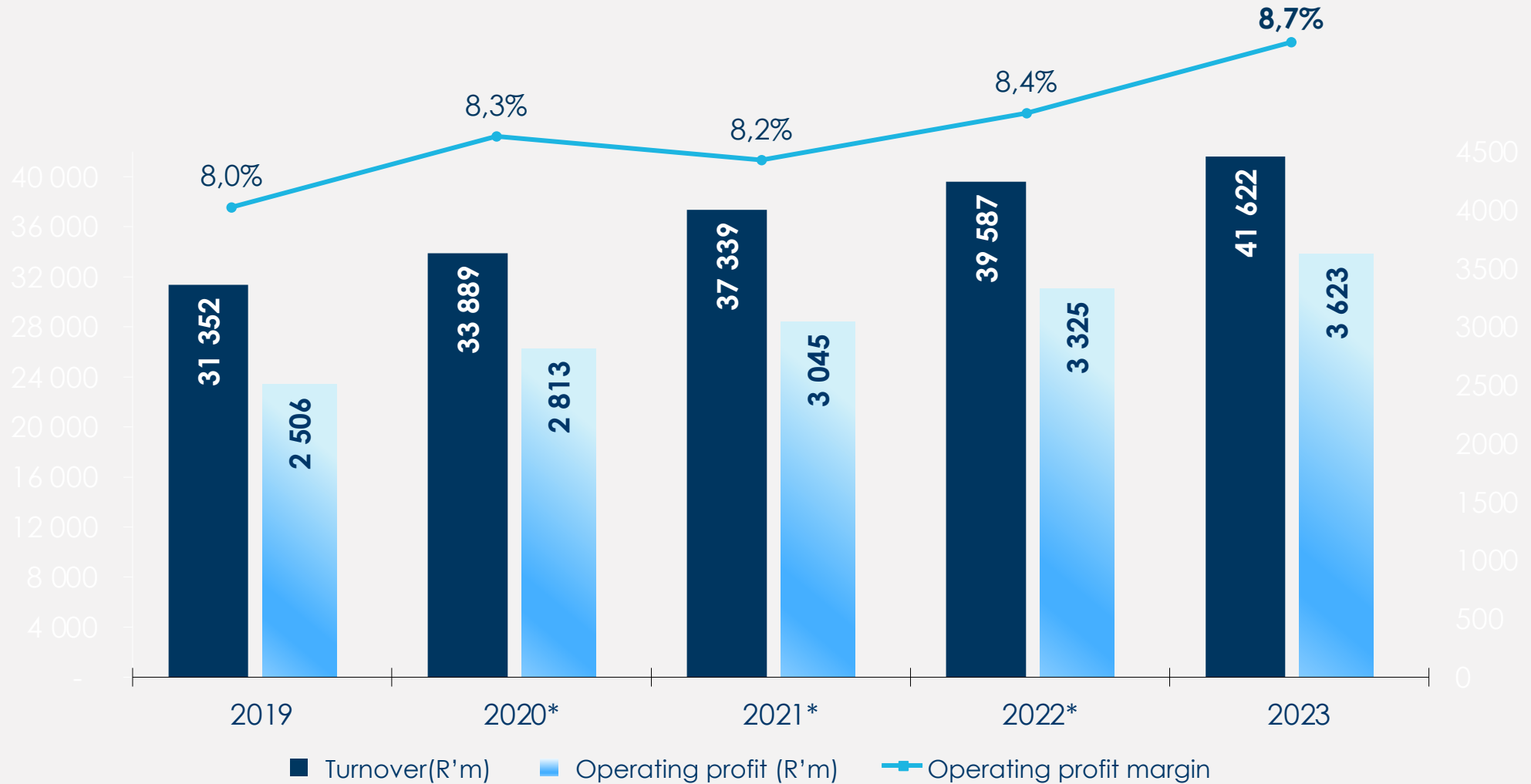
Operating profit

R'm	2023	2022	% change	2023 % margin	2022 % margin
Retail	3 159	2 769	14.1	10.0	9.4
Distribution	488	563	(13.4)	2.8	3.3
Intragroup	(24)	(7)			
Total group	3 623	3 325	9.0	8.7	8.4

- Benefit of recovery of higher margin categories in Retail; impact of low margin vaccinations in FY2022
- UPD impacted by load shedding, higher insurance costs, low SEP increase and labour cost inefficiencies in H1

Note: FY2022 adjusted for impact of civil unrest

Growth in turnover, profit and margin



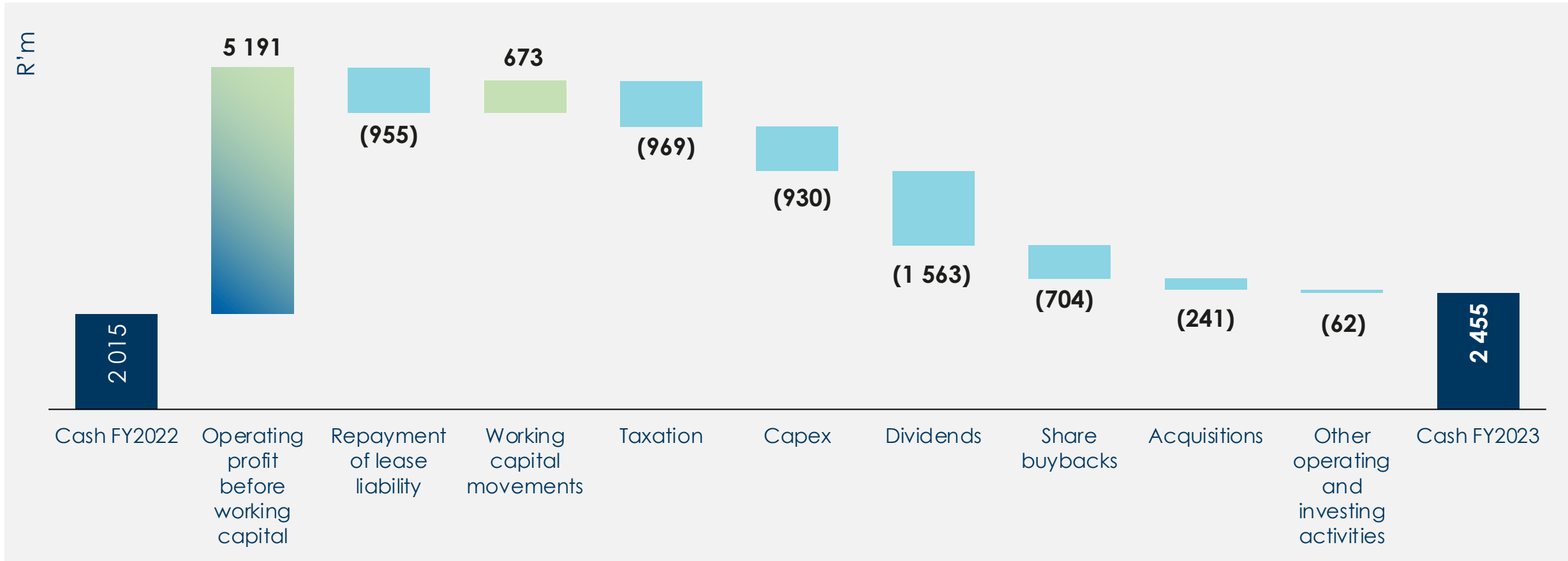
* Continuing operations, FY2021 and FY2022 operating profit and margin adjusted for impact of civil unrest

Inventory

	Days in stock		Inventory (R'm)		
	2023	2022	2023	2022	% change
Retail	75	71	4 656	4 109	13.3
Distribution	39	48	1 805	2 183	(17.3)
Intragroup inventory			(151)	(128)	
Total group	71	72	6 310	6 164	2.4

- Retail days in prior year benefited from much faster stock turn of vaccines
- Improved stock management in UPD and benefit of lower Covid stocks required

Cash management



- R392m additional shares repurchased post year end
- R1.2 billion final dividend to be paid to shareholders in January 2024

Acquisitions

-  **M-Kem** – 1 April 2023
 - 24-hour specialised pharmacy in Cape Town
 - Annual turnover of R240m and EBIT of R8-10m
-  **180°** – 1 May 2023
 - Pharmacy software development company
 - R40-50m p.a. cost efficiencies and revenue generation on 3-year roll out
-  **Sorbet** – 1 June 2023
 - Beauty salon franchise chain of 194 outlets; products sold in salons & Clicks stores
 - Annual EBIT of R25-30m

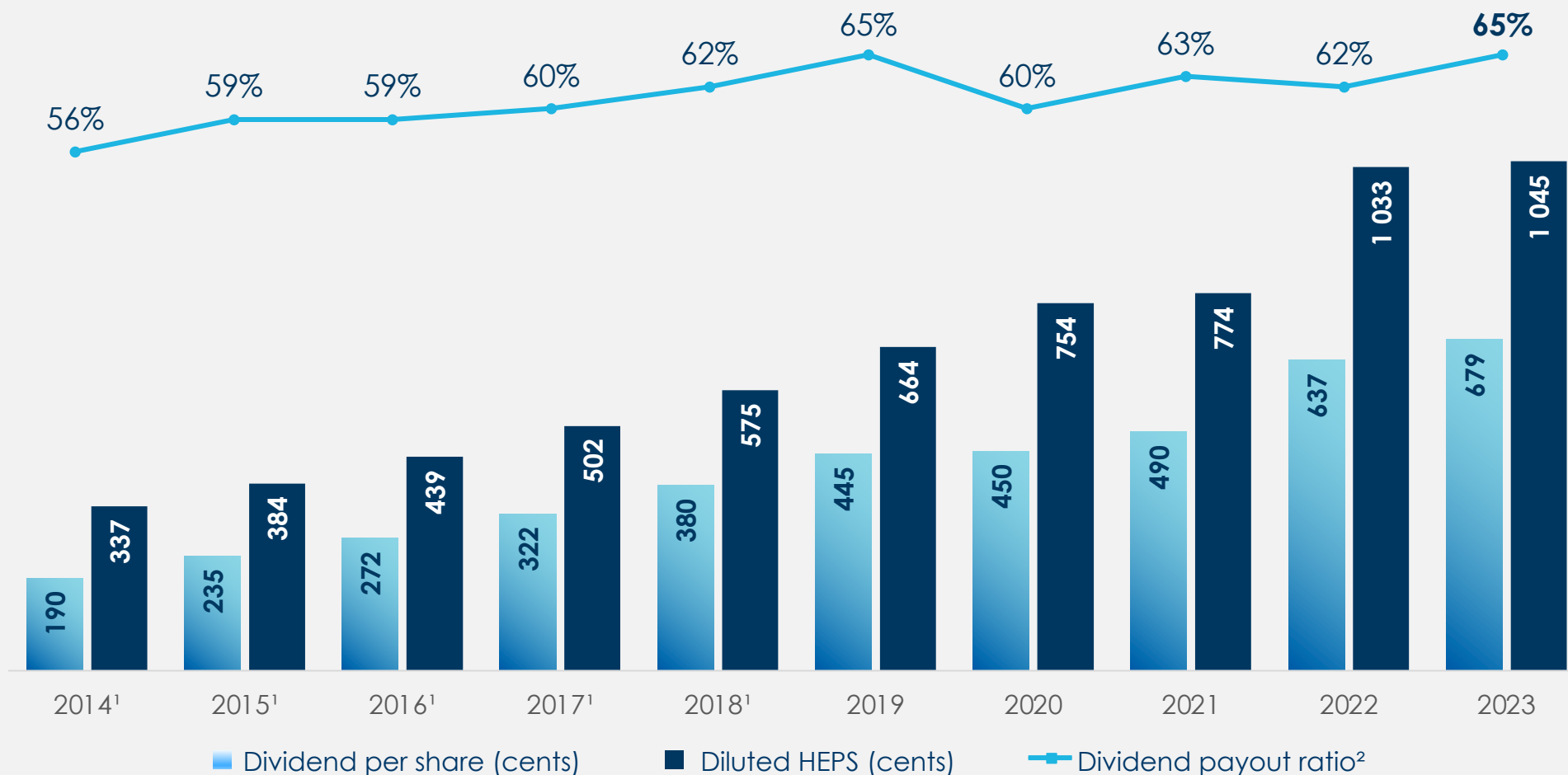
Capital expenditure

- **R880m** capex planned for FY2024
 - R487m on stores:
 - 40 – 50 new Clicks stores and 40 – 50 new pharmacies
 - 50 – 60 store refurbishments
 - R393m on infrastructure:
 - R77m on UPD IT and warehouse equipment
 - R316m on retail systems and infrastructure – including 6 000m² expansion of Centurion DC
 - Investment of R36m in solar and battery storage in FY2023 and FY2024

Medium-term financial targets

	Achieved in FY2023	Medium-term target
ROE (%)	43.6	40 – 50
ROIC excluding IFRS 16 (%)	41.5	40 – 50
ROIC (%)	28.4	20 – 30
ROA (%)	13.8	11 – 15
Net working capital days	34	30 – 35
Group operating margin (%)	8.7	8.0 – 9.0
Retail	10.0	9.0 – 10.0
Distribution	2.8	2.8 – 3.3
Dividend payout ratio (%)	65	60 – 65

Sustained financial performance



10-year CAGRs

Total shareholder return³:
19.8%

Diluted HEPS:
13.4%

Dividend per share:
15.0%

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	9.7	28.2
Front shop health	5.3	25.4
Beauty and personal care	18.3	31.0
General merchandise	15.1	15.4
Total turnover	12.2	100.0

- Comparable stores turnover growth of 7.7%*
 - Inflation 7.0%
 - Volume growth of 0.7%

* Excluding vaccinations in both periods

Market shares

%	2023	2022
Health		
Retail pharmacy*	24.0	23.6
Front shop health**	32.8	32.3
Baby**	21.0	20.5
Beauty		
Skincare**	43.6	42.1
Haircare**	33.0	32.3
Personal care**	21.1	20.2
General merchandise		
Small electrical appliances**	19.5	18.4

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

** Per AC Nielsen (restated)

Performance and strategy

- Maintaining **value**
 - Price competitive with all national retailers
 - Promotional sales +14.9% to 43.6% of turnover
 - In pharmacy, generics +8.8% to 59% of sales and 70% of volume
 - R689 million cashback paid to ClubCard members

Clicks price index* vs:	
Retailer A	98.2
Retailer B	99.0
Retailer C	99.4
Retailer D	94.8

* Excluding all promotional pricing, bulk deals and 3 for 2 promotions



Performance and strategy

- **Differentiating** our product offer
 - Private label +15.4% to 25.2% of sales (front shop 30.3%, pharmacy 11.3%)
 - Clicks Made 4 Baby nappy range won SA Product of the Year 2023
 - Roll out of new look beauty halls
 - Strong performance from Sorbet
 - Extending Clicks Baby store-in-stores and standalone stores



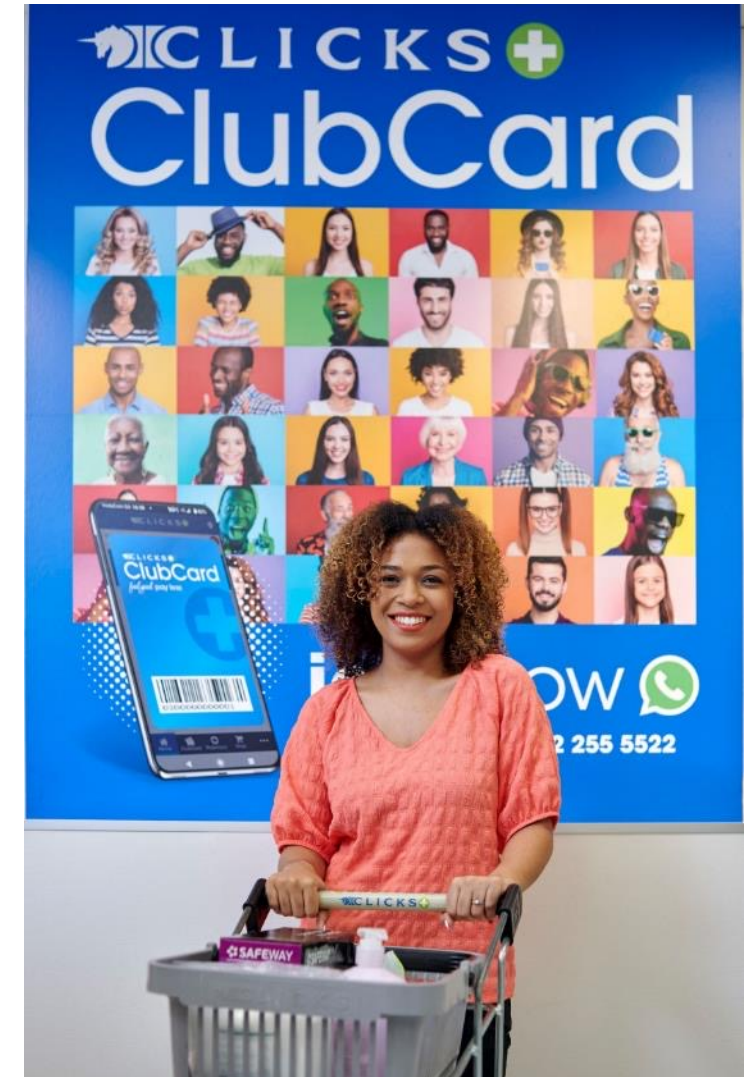
Performance and strategy

- Engaging customers through **personalisation**
 - 10.4m active ClubCard members, 80.2% of sales
 - Best strategic use of data analytics / CRM applications¹
 - Top brand for experience, function and meaning²
 - Coolest health and beauty store³

1. South African Loyalty Awards 2023

2. Kantar BrandZ 2023 Top 30 Most Valuable South African Brands

3. Sunday Times GenNext 2023 Awards



Performance and strategy

- Extending **convenience**
 - 885 Clicks stores with 711 pharmacies
 - 50% of population < 5.1km of a pharmacy
 - Successful onboarding of M-Kem
 - 228 stores located in low income areas (22.5% of retail turnover), with 18 stores opened this year
 - Online purchases 1.2% of front shop, and together with 'research online purchase offline' (ROPO), comprise 4% of sales

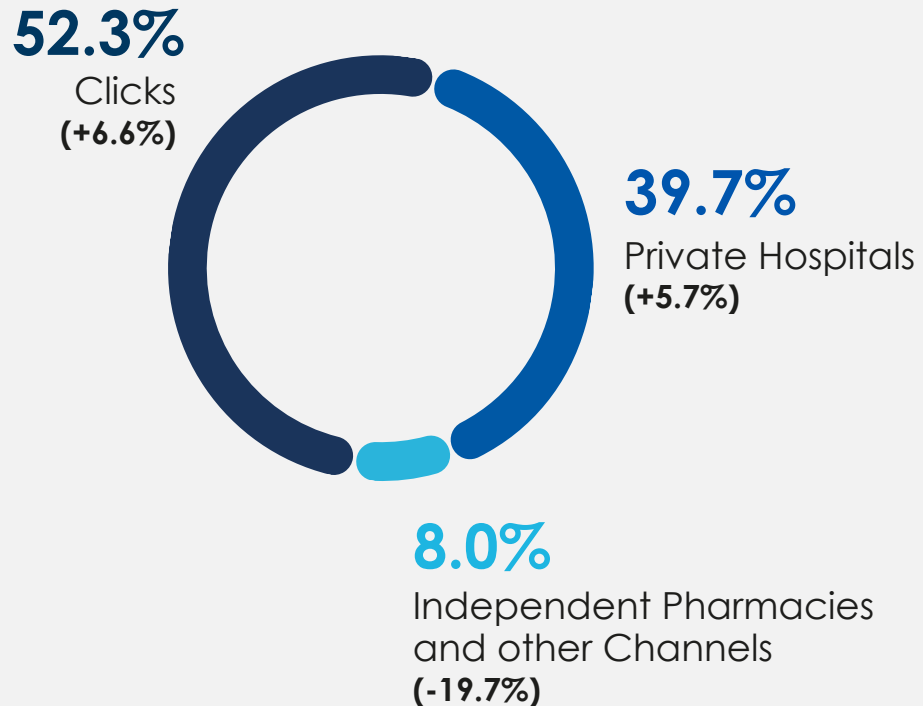
Format	Total
Convenience	664
Destination	221
Total	885



UPD business review



Fine wholesale turnover



- Wholesale turnover up 3.5%
- Impact of systems change on Clicks purchases from UPD in H1
- Hospital volumes +10.8% - shift in case and product mix
- Wholesale market share down from 28.8% to 28.0%*

* MAT per IQVIA (restated)

Review of the year

- Total managed turnover +4.8% to R32.1 bn
 - Rationalising portfolio to focus on profitable bulk contracts
- Proven business continuity credentials
- Improved H2 performance
- Generic medicines +5.3% to 73% of volume
- ERP and WMS implementation
 - Lea Glen DC went live on 1 September 2023
 - Systems are stable, with further efficiencies to be realised in FY2024



04

Strategy and outlook

Bertina Engelbrecht

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
- 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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