

CLICKS GROUP LIMITED  
(Incorporated in the Republic of South Africa)  
Registration number: 1996/000645/06  
JSE share code: CLS  
ISIN: ZAE000134854  
CUSIP: 18682W205  
LEI: 378900E967958A677472  
("Clicks Group" or "the group")

INTERIM GROUP RESULTS  
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

- Group turnover up 9.9%
- Retail health and beauty sales up 9.6%
- UPD turnover up 12.3%
- Profit after tax up 12.9%
- Earnings per share up 10.2%
- Diluted headline earnings per share up 14.4%
- Cash on hand R2.3 billion

OVERVIEW

Clicks Group continued its strong growth trend and delivered a highly competitive performance against a background of low economic growth, constrained consumer spending and extensive trading disruption due to electricity load shedding.

Retail health and beauty sales increased by 9.6% as Clicks gained market share across all its core product categories. UPD reported strong sales growth of 12.3% and continued to gain market share after securing new wholesale contracts.

The strong performances from both the retail and distribution businesses, together with efficient capital management, contributed to the group's diluted headline earnings per share increasing by 14.4% to 338 cents.

Owing to the economic upheaval arising from the Covid-19 pandemic, the board has decided to preserve cash and consider an annual dividend at year-end once there is greater certainty.

FINANCIAL PERFORMANCE

Group turnover increased by 9.9% to R16.9 billion. Retail sales grew by 8.6% and by 5.0% in comparable stores, with selling price inflation of 2.7%. Distribution turnover increased by 12.3% with price inflation of 2.4% for the half-year.

Total income grew by 8.2% to R4.6 billion, with the group's total income margin declining by 40 basis points to 27.3%. The retail margin was impacted by higher operating costs at the retail Centurion distribution centre due to the implementation of a centralised single picking project. The UPD margin strengthened by 20 basis points as the business gained new wholesale contracts.

Retail expenses grew by 7.3% as the group invested in a net 41 new Clicks stores and 44 new pharmacies over the past 12 months. Comparable retail costs were contained to an increase of 3.8%. UPD expenses, which include the costs related to the new wholesale contracts, grew by 14.5%.

Group operating profit increased by 9.4% to R1.2 billion with the group's operating margin constant at 7.4%. The retail and distribution businesses both did well to hold margins despite the low inflationary environment and challenging trading conditions.

Headline earnings grew by 13.1% to R851.2 million. Earnings per share and headline earnings per share increased by 10.2% and 10.4% respectively to 338 cents.

Working capital continues to be efficiently managed and the group's net working capital improved from 37 to 35 days. Retail inventory levels were 12.3% higher owing to increased front shop stock levels shipped earlier due to Covid-19 challenges being experienced in China. The new wholesale contracts in UPD, together with strategic stock buy-ins due to anticipated supply chain challenges in Asia and the annual increase in the single exit price of medicines, have resulted in group inventory increasing by 22.1%. These stock levels are expected to normalise in the second half of the year.

Cash generated by operating activities before dividends paid increased by 2.9% to R1.2 billion for the six months. Capital expenditure of R309 million (2019: R264 million) was invested mainly in new stores and pharmacies, store refurbishments, supply chain and information technology. The group returned R822 million to shareholders in dividend payments, 20.5% higher than the prior period. Cash and cash equivalents increased by R857 million and the group had cash resources of R2.3 billion at the end of February 2020.

Subsequent to the reporting period the group repurchased 2 862 264 shares for a total consideration of R653.3 million as part of its ongoing capital management strategy aimed at enhancing returns to shareholders. The repurchases were made under a closed period mandate approved by the JSE. In order to preserve cash no further share repurchases have been made since South Africa entered the lockdown period.

TRADING PERFORMANCE

Retail health and beauty sales, which includes Clicks and the franchise brands GNC, The Body Shop and Claire's, increased by 9.6%, driven by competitive pricing, differentiated product ranges, the Clicks ClubCard and new stores. Sales in comparable stores increased by 5.8%, with volume growth of 3.5% and inflation of 2.3% for the six months.

Clicks opened 17 stores in the six months to expand its retail footprint to 721 stores and increased its pharmacy network to 572 following the opening of 27 pharmacies. Clicks increased its share of the retail pharmacy market from 24.1% to 24.6% at February 2020 (source IQVIA).

UPD grew wholesale turnover by 17.6% as the business gained new private hospital and buying group contracts. This contributed to UPD increasing its market share from 26.0% to 27.2% at February 2020 (source IQVIA).

TRADING UPDATE FOR SEVEN WEEKS TO 19 APRIL 2020

Following the declaration of the state of disaster in South Africa in response to the Covid-19 pandemic and the subsequent announcement of the national lockdown, Clicks experienced unprecedented

levels of sales demand by customers across stores nationally, particularly in hygiene and healthcare products. However, this trend has reversed during the lockdown period.

Retail sales for the seven weeks to 19 April 2020 (the period), being the first seven weeks of the second half of the financial year, increased by 7.9% with health and beauty sales up 9.3%. The period includes the first 24 days of the lockdown during which time Clicks has been restricted to shorter trading hours and limited to only selling essential products. All Musica, The Body Shop and Claire's stores are closed during the lockdown.

UPD's turnover for the period grew by 31.2% due to customers preparing for the Covid-19 impact. UPD is well positioned in terms of its scale and logistics capabilities to support all healthcare facilities with medicine requirements as the country deals with the Covid-19 pandemic.

Group turnover for the period increased by 15.9%.

#### OUTLOOK

Trading conditions are expected to be extremely tough for the remainder of the financial year as the extent and economic impact of the Covid-19 pandemic are unknown. This could be compounded by electricity load shedding which remains a risk to retail sales, particularly in the higher-demand winter season. The recent sharp depreciation in the value of the Rand could impact on selling price inflation towards the end of the financial year and place further pressure on constrained consumers.

The group's sustained long-term performance is evidence that the strategy and business model remain relevant and resilient. This will be severely tested in the months ahead. The business has a robust balance sheet, generates strong cash flows and its plans to open 38 new Clicks stores and 40 pharmacies in the financial year are unchanged.

Despite the headwinds from the Covid-19 pandemic the group is well positioned in its core markets to respond to the needs of retail and distribution customers during this time of uncertainty and crisis. The directors remain confident in the group's ability to deliver on its medium-term targets.

The financial information in this announcement has not been reviewed or reported on by the group's independent auditor.

David Nurek  
Chairman

Vikesh Ramsunder  
Chief executive officer

Michael Fleming  
Chief financial officer

This short-form announcement is the responsibility of the Clicks Group board of directors and is a summary of the information in the detailed interim results announcement and does not contain full or complete details. The full announcement can be downloaded from <https://senspdf.jse.co.za/documents/2020/jse/isse/CLS/H1results.pdf> or on the group's website at [www.clicksgroup.co.za](http://www.clicksgroup.co.za). The announcement is available for inspection, at no charge, at the company's registered office during business hours for a period of 30 calendar days following the date of this announcement. Any investment decision in relation to the company's shares should be based on the full announcement.

Directors: DM Nurek\* (Chairman), F Abrahams\*, JA Bester\*, F Daniels\*, BD Engelbrecht, M Fleming (Chief Financial Officer), NN Gobodo\*, MJN Njeke\*#, V Ramsunder (Chief Executive Officer), M Rosen\*

\* Independent non-executive

# Appointed 1 March 2020, as announced on SENS on 7 February 2020

Registered office: Cnr Searle and Pontac Streets, Cape Town 8001  
Transfer secretaries: Computershare Investor Services (Proprietary) Limited  
[www.clicksgroup.co.za](http://www.clicksgroup.co.za)

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