

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")

REVIEWED ANNUAL GROUP RESULTS FOR THE YEAR ENDED 31 AUGUST 2020
AND CASH DIVIDEND DECLARATION

- Group turnover up 9.6%
- Retail health and beauty sales up 8.4%
- UPD turnover up 11.2%
- Diluted headline earnings per share up 13.7%
- Dividend of 450 cents per share
- Cash at year-end R2.2 billion

OVERVIEW

Clicks Group delivered a strong and resilient performance against the background of a global humanitarian crisis and a deepening economic recession locally.

Retail health and beauty sales increased by 8.4% supported by strong front shop health sales growth during the pandemic. UPD reported robust growth of 11.2% and continued to gain market share after securing new wholesale and bulk distribution contracts.

Tight cost management, continued working capital efficiency, pleasing health and beauty sales and the strong performance of UPD were the main contributors to the group's diluted headline earnings per share increasing by 13.7% to 754 cents.

The board has declared a dividend of 450 cents per share for the full year, based on a dividend payout ratio of 60%.

IMPACT OF COVID-19

As essential healthcare service providers Clicks and UPD traded throughout the national lockdown which started on 27 March 2020. Management responded decisively to the lockdown, immediately implementing measures to reduce the group's cost base to off-set the impact of slower sales, with cash preservation being a priority to protect shareholder value.

Trading patterns shifted as customer shopping behaviour changed in response to the various lockdown restrictions.

The accessibility of the Clicks store network proved beneficial, with 74% of stores located in convenience and neighbourhood shopping centres. This largely negated the significant slowdown in footfall at super regional and regional malls across the country.

Online sales in Clicks increased by 361% off a relatively low base for the second half of the financial year, reaping the benefit of the investment in its e-commerce and digital platform over the past four years.

The absence of a traditional winter cold and flu season adversely impacted pharmacy sales.

Clicks stores were restricted to shorter trading hours and limited to selling only essential products under lockdown level 5 until 30 April 2020. The group's other retail brand stores all closed from the start of the lockdown. The Body Shop reopened from 1 May 2020 while Musica and Claire's reopened from 1 June 2020 when the country moved to lockdown level 3. The group received some rental relief on stores which were closed due to the lockdown.

UPD's business to the private hospital and independent pharmacy channels grew strongly due to increased demand for medicines and healthcare products during the pandemic.

The group incurred Covid-19-related costs of R44 million. This was off-set by focused cost management, lower overtime payments owing to restricted trading hours, rental reductions due to store closures and government funding for employees unable to work during the lockdown.

FINANCIAL PERFORMANCE

Group turnover increased by 9.6% to R34.4 billion. Retail sales grew by 7.3% and by 3.4% in comparable stores, with selling price inflation of 2.2%. Distribution turnover increased by 11.2% with price inflation of 2.5% for the year.

Total income grew by 8.4% to R9.4 billion. The retail margin was maintained at 33.3% while the distribution margin strengthened by 30 basis points to 8.5% owing to the benefit of new contracts and the higher annual increase in the single exit price (SEP) of medicines.

Retail expenses grew by 6.5% as the group continued to invest in new Clicks stores and pharmacies over the past year. UPD expenses, which include the costs related to the new wholesale and bulk distribution contracts, grew by 17.9%.

Group operating profit increased by 10.4% to R2.8 billion with the group's operating margin expanding by 10 basis points to 8.1%. The retail margin was well managed and increased by 20 basis points to 9.1% despite the impact of Covid-19 on the trading environment. The distribution margin was maintained at 3.3%.

Headline earnings grew by 12.2% to R1.9 billion. Earnings per share increased by 11.4% to 751 cents with headline earnings per share increasing by 11.7% to 754 cents. Diluted headline earnings per share grew by 13.7%.

Inventory days reduced from 70 to 66 days as stock levels were tightly managed in the second half of the year.

Cash generated by operating activities before dividends paid totalled R2.3 billion. Capital expenditure of R591 million (2019: R647 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 and R653 million in share

buy-backs. At year-end the group held cash resources of R2.2 billion.

TRADING PERFORMANCE

Retail health and beauty sales, including Clicks and the international franchise brands GNC, The Body Shop and Claire's, increased by 8.4%, driven by competitive everyday pricing, differentiated product ranges, the Clicks ClubCard, new stores and online sales. Sales in comparable stores increased by 4.1%, with volume growth of 2.1% and inflation of 2.0%.

Clicks opened 39 stores to expand its retail footprint to 743 stores and increased its pharmacy network to 585 following the opening of 40 pharmacies. Clicks ClubCard active membership increased to 8.6 million and accounted for 78.2% of the brand's sales.

UPD grew wholesale turnover by 17.0% as the business gained new private hospital and buying group contracts. This contributed to UPD increasing its market share from 27.0% to 29.4% at August 2020 (source IQVIA). UPD's total managed turnover, combining wholesale turnover and turnover managed on behalf of bulk distribution clients, increased by 11.7% to R23.6 billion as the business gained two distribution contracts.

OUTLOOK

The performance of the past year has again demonstrated that the group's core health and beauty markets and business model are resilient.

The consumer environment is expected to be extremely constrained in the year ahead owing to the continuing impact of Covid-19 and the socio-economic challenges arising from the lockdown. The first half of the new financial year was initially impacted by protest action at Clicks stores in early September and will be further affected by the widespread job losses expected in the aftermath of the pandemic.

The business has traded well in weak consumer markets over a sustained period and has adapted to the new market dynamics arising out of the Covid-19 crisis.

The group has a robust balance sheet, generates strong cash flows and the directors remain confident in the group's ability to deliver on its medium-term targets.

Ernst & Young Inc., the group's independent auditor, has expressed an unmodified review conclusion on the preliminary condensed consolidated financial statements.

FINAL DIVIDEND

The board of directors has approved a final gross ordinary dividend for the period ended 31 August 2020 of 450.0 cents per share (2019: 327.0 cents per share). The source of the dividend will be from distributable reserves and it will be paid in cash.

ADDITIONAL INFORMATION

Dividends Tax (DT) of 20% amounting to 90.0 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 360.0 cents net of DT.

The Company has 248 662 647 ordinary shares in issue. Its income tax reference number is 9061/745/71/8.

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

Last day of trade "cum" the dividend	Tuesday, 19 January 2021
Shares trade "ex" the dividend	Wednesday, 20 January 2021
Record date	Friday, 22 January 2021
Payment to shareholders	Monday, 25 January 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 January 2021 and Friday, 22 January 2021, both days inclusive.

David Nurek
Chairman

Vikesh Ramsunder
Chief executive officer

Michael Fleming
Chief financial officer

Cape Town
22 October 2020

This short-form announcement is the responsibility of the Clicks Group board of directors and is a summary of the information in the detailed annual 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/H2results.pdf> or on the group's website at 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), MJN Njeke#, V Ramsunder (Chief Executive Officer), M Rosen*

* Independent non-executive

Appointed 1 March 2020

Registered office: Cnr Searle and Pontac Streets, Cape Town 8001

Transfer secretaries: Computershare Investor Services Proprietary Limited

www.clicksgroup.co.za

Sponsor:
Investec Bank Limited