

Clicks Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 1996/000645/06
JSE share code: CLS
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LEI: 378900E967958A677472
("Clicks Group" or "the group")

INTERIM GROUP RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021 AND CASH DIVIDEND DECLARATION

SHORT-FORM ANNOUNCEMENT

KEY FEATURES

- Group turnover up 7.6%
- Retail health and beauty sales up 7.2%
- UPD turnover up 9.0%
- Diluted headline earnings per share up 9.5%
- Interim dividend of 142.5 cents per share
- R1.7 billion returned to shareholders in dividends and buy-backs
- Cash of R1.1 billion at period-end

COMMENTARY

Overview

The strength and resilience of the group's business model has again been demonstrated in the six months to February 2021 as the business continued to encounter the destructive impact of Covid-19 and the related restrictions which have changed consumer shopping patterns and significantly reduced customer footfall in malls.

Retail health and beauty sales increased by 7.2%, supported by strong front shop health sales growth of 24.7%. UPD grew turnover by 9.0% and continued to gain market share, driven by the robust growth in the hospital channel during the pandemic and by attracting new wholesale business.

The comparable reporting period was not impacted by Covid-19 and included an additional trading day for the leap year in 2020.

In January 2021 the group announced the closure of Musica with effect from 31 May 2021. The closure of the brand has been managed in a responsible and phased manner to mitigate the impact on shareholders, employees and suppliers.

The resilient retail health and beauty and UPD performances, moderated by the closure of Musica, contributed to diluted headline earnings per share (HEPS) increasing by 9.5% to 371 cents. Excluding the impact of Musica, the group's diluted HEPS would have increased by 14.1%.

An interim cash dividend of 142.5 cents per share has been declared.

Financial performance

Group turnover increased by 7.6% to R18.1 billion. Retail sales grew by 5.8% and by 3.7% in comparable stores, with selling price inflation of 3.3%. Distribution turnover increased by 9.0% with price inflation of 2.3% for the half-year.

Total income grew by 5.7% to R4.9 billion with the total income margin 50 basis points lower at 26.8%. Within retail, the health and beauty margin was 40 basis points lower owing to the impact of sales category mix changes, in particular declines in the high margin beauty category due to the Covid-19 pandemic. The distribution margin strengthened by 40 basis points to 8.5% due to the benefit of new wholesale and bulk distribution contracts gained in the previous year.

Stringent cost management contributed to the growth in expenses being contained to 4.2%. Retail costs grew by only 3.1%, with comparable health and beauty costs being held in line with the prior year. Distribution costs increased by 13.5%, well below the 18.9% growth in UPD's total managed turnover.

Group operating profit increased by 9.7% to R1.4 billion with the group's operating margin expanding by 10 basis points to 7.5% despite the impact of Covid-19 on the trading environment.

Headline earnings grew by 8.1% to R920 million. Earnings per share increased by 6.2% to 359 cents with headline earnings per share increasing by 9.5% to 371 cents. Diluted headline earnings per share grew by 9.5%.

Group inventory days improved by one day to 83 days. Retail inventory levels were 9.7% higher as management increased front shop stock to mitigate the ongoing disruption in the local and global supply chain. UPD stock cover has been managed to enable the business to respond to a possible third wave of Covid-19 infections.

Cash generated by operating activities before dividends paid totalled R1.3 billion and increased by 11.5% on the prior year. The group returned R1.1 billion to shareholders in dividend payments and R602 million in share buy-backs. At the February 2021 period-end, the group held cash resources of R1.1 billion.

Trading performance

Retail health and beauty sales, including Clicks and the international franchise brands GNC, The Body Shop and Claire's, increased by 7.2%, driven by competitive everyday pricing, differentiated product ranges, the Clicks ClubCard, new stores and online sales. Sales in comparable stores increased by 4.0% with selling price inflation averaging 3.2%.

Clicks opened 17 stores in the first six months to expand its retail footprint to 760 stores. The brand opened its 600th pharmacy in February 2021 and increased its national presence to 601 pharmacies with the opening of 16 pharmacies.

UPD grew wholesale turnover by 13.8% as the business gained new private hospital business. This contributed to UPD increasing its market share from 27.2% to 30.6% at February 2021 (source IQVIA). UPD's total managed turnover, combining wholesale and bulk distribution, increased by 18.9% to R13.2 billion.

Outlook

Trading conditions are expected to remain challenging as the group continues to operate in a

Covid-19 impacted environment, with the potential risk of a third wave of infections in the months ahead.

The current economic climate has presented opportunities for new retail space and Clicks plans to accelerate its store expansion programme with the opening of 40 new stores, 36 pharmacies and 40 refurbishments for the year.

UPD's largest distribution client has extended its contract for a further five years while the business has gained an additional bulk distribution contract which will commence in the second half of the year.

Capital investment of R745 million is planned for the financial year, focused on the store and pharmacy network as well as IT systems and supply chain infrastructure.

Clicks Group is working closely with government departments and organisations involved in the national vaccine roll-out programme to provide support through both Clicks and UPD.

Clicks has a network of over 600 pharmacies and 192 clinics across the country, to support the programme, with capacity to administer between 600 000 and 700 000 vaccinations each month. To date a total of 62 Clicks pharmacies have been registered by the Department of Health to assist in phase 1 of the programme which involves the vaccination of healthcare workers. UPD is the country's largest national pharmaceutical wholesaler and has the capability and infrastructure to assist in the distribution of all temperature sensitive vaccines.

The roll-out of the vaccination programme is expected to aid the recovery of the economy. The group has a robust balance sheet, generates strong cash flows and is well positioned for growth as the trading environment improves.

FULL-YEAR EARNINGS FORECAST

The directors forecast that diluted HEPS for the financial year ending 31 August 2021 will increase by between 8% and 13% over the 2020 financial year.

This forecast assumes that the current constrained trading environment will be sustained into the second half of the 2021 financial year and continue to be impacted by Covid-19.

The forecast does not take account of any trading restrictions which may be imposed by government in response to a possible third wave of infections in the months ahead. The forecast also does not consider any potential impact from the group's retail and distribution businesses' participation in the national Covid-19 vaccination programme.

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 2021 of 142.5 cents per share (2020: nil 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 28.5 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 114.0 cents net of DT.

The company has 246 168 326 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 interim dividend:

Last day of trade "cum" the dividend	Tuesday, 29 June 2021
Shares trade "ex" the dividend	Wednesday, 30 June 2021
Record date	Friday, 2 July 2021
Payment to shareholders	Monday, 5 July 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 June 2021 and Friday, 2 July 2021, both days inclusive.

Shareholders who have in the past received dividend payments by cheque will no longer be able to do so and are advised to contact the company secretary at companysecretary@clicksgroup.co.za to arrange for an alternative payment method.

David Nurek
Chairman

Vikesh Ramsunder
Chief executive officer

Michael Fleming
Chief financial officer

Cape Town
22 April 2021

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/2021/jse/isse/CLS/HIresults.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), PM Moumakwa*, MJN Njeke*, V Ramsunder (Chief Executive Officer), M Rosen*

* Independent non-executive
Appointed 1 April 2021

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

Transfer secretaries: Computershare Investor Services (Proprietary) Limited

www.clicksgroup.co.za

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