

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 2022 AND CASH
DIVIDEND DECLARATION

SHORT-FORM ANNOUNCEMENT

KEY FEATURES

- Group turnover up 6.0%
 - Retail turnover up 11.7%
 - Group diluted HEPS up 33.5%
 - Dividend up 30.0% to 637 cents per share
 - Diluted HEPS adjusted for impact of civil unrest up 11.9%*
 - Return on equity increased to 48.0%
 - R4.3 billion cash generated by operations
 - R1.7 billion returned to shareholders
- * continuing operations

Financial reporting for impact of civil unrest
The civil unrest in KwaZulu-Natal in July 2021 had a significant impact on the group. Certain financial information has been adjusted for the impact of the civil unrest and the subsequent insurance recoveries to present a normalised view of the underlying operating performance of the group.

Overview

Clicks Group continued to show the resilience of its business model and the defensiveness of its core retail categories as the group overcame severe headwinds to deliver an 11.9% increase in adjusted diluted headline earnings per share.

Retail trading was hampered by the prolonged impact of the July 2021 civil unrest, significantly higher levels of load shedding disruption in the second half of the year, and depressed consumer spending and confidence.

In this environment Clicks performed well as the beauty category recovered strongly post Covid-19 and the chain supported the national Covid-19 vaccination programme. As the largest vaccination provider in the private sector, Clicks has administered over 3.5 million vaccinations since the start of the programme.

Turnover growth in UPD was impacted by the high base set in the prior financial year which included the second and third waves of Covid-19.

The group generated cash inflows from operations of R4.3 billion. The dividend was increased by 30.0% to 637 cents per share, in line with

group HEPS which grew by 33.5%. Return on equity increased from 38.2% to 48.0%, at the upper end of the group's medium-term target range of 40% - 50%.

Financial performance

Group turnover increased by 6.0% to R39.6 billion. Retail sales grew by 11.7%, with selling price inflation of 4.0%. During the year Clicks administered 2.9 million Covid-19 vaccinations which generated turnover of R1.1 billion. This resulted in an uplift of 3.5% in retail sales and 2.5% in group sales.

Distribution turnover declined by 2.6% due to the base effect caused by strong demand for medicines during the severe waves of Covid-19 in the 2021 financial year.

Adjusted total income grew by 9.8% to R11.0 billion. The retail margin reduced by 30 basis points due to the impact of the lower margin vaccinations and the return of the cold and flu season. The distribution margin improved by 50 basis points as a result of growth in the bulk distribution business. The group total income margin expanded by 90 basis points to 27.7% due to the faster growth of retail as the economy recovered from the impact of Covid-19.

Adjusted retail costs were held below turnover growth and increased by 10.5%, with comparable costs contained to growth of 5.0%. Adjusted distribution costs were impacted by the new bulk distribution contracts as well as higher fuel, security, insurance and electricity costs and increased by 6.2%, below the 7.6% growth in total managed turnover.

Adjusted group operating profit increased by 9.2% to R3.3 billion. The group's adjusted operating margin increased by 20 basis points to 8.4%. Headline earnings from continuing operations grew by 28.6% to R2.5 billion. Earnings per share from continuing operations increased by 39.4% to 1 080 cents with HEPS from continuing operations increasing by 30.1% to 1 033 cents.

Adjusted headline earnings from continuing operations grew by 10.7% and adjusted diluted HEPS from continuing operations by 11.9%.

Group inventory days increased to 72 days (2021: 66 days) owing to inventory levels in UPD increasing by 13 days due to lower than expected demand from the hospital channel arising from reduced Covid-19 hospitalisations and the slower return of elective surgical procedures. Inventory levels are expected to normalise towards the end of October 2022 as hospital occupancy rates continue to improve. Retail inventory days improved from 74 to 71 days.

Cash generated from operating activities before dividends paid totalled R3.2 billion. Capital expenditure of R838 million (2021: R690 million) was invested mainly in new stores and pharmacies, store refurbishments, supply chain and information technology.

The group returned R1.7 billion to shareholders in dividend payments (R1 287 million) and share buy-backs (R446 million). At year end, the group held cash resources of R2.0 billion and the final dividend totalling R1.1 billion will be paid to shareholders in January 2023.

Outlook

Trading conditions will remain extremely constrained owing to the increasing pressures on consumer disposable income in the current low growth, high inflationary environment. This will be compounded by the trading disruption from ongoing electricity load shedding.

Management has shown its confidence in the growth prospects of Clicks by increasing its long-term target from 900 to 1 200 stores, with 40 to 50 stores and 40 to 50 pharmacies planned to open each year.

Record capital investment of R936 million is planned for the new financial year. This includes R477 million for new stores and pharmacies and the refurbishment of 60 stores. R459 million will be invested in supply chain, technology and infrastructure.

Final dividend

The board of directors has approved a final gross ordinary dividend for the period ended 31 August 2022 of 457.0 cents per share (2021: 347.5 cents per share). The source of the dividend will be from distributable reserves and paid in cash.

Additional information:

Dividends Tax (DT) of 20% amounting to 91.4 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 365.6 cents net of DT.

The Company has 243 969 611 ordinary shares. 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 to trade "cum" the dividend	Tuesday, 24 January 2023
Shares trade "ex" the dividend	Wednesday, 25 January 2023
Record date	Friday, 27 January 2023
Payment to shareholders	Monday, 30 January 2023

Share certificates may not be dematerialised or re-materialised between Wednesday, 25 January 2023 and Friday, 27 January 2023, both days inclusive.

David Nurek	Bertina Engelbrecht	Michael Fleming
Chairman	Chief executive officer	Chief financial officer

Cape Town
20 October 2022

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/2022/jse/isse/CLS/FY2022.pdf> or on the group's website at www.clicksgroup.co.za. The announcement is available for inspection, at no charge, at Clicks Group'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 Clicks Group's shares should be based on the full announcement.

Ernst & Young Inc., the group's independent auditor, has reviewed the preliminary condensed consolidated financial statements contained on pages 4 to 14 of this preliminary report and has expressed an unmodified review conclusion on the preliminary condensed consolidated financial statements. Their review report is available for inspection at the company's registered office together with the preliminary condensed consolidated financial statements identified in the auditor's report. These condensed financial statements have been prepared under the supervision of Mr M Fleming CA (SA), the chief financial officer of the group.

Directors: DM Nurek* (Chairman), F Abrahams*, JA Bester*, BD Engelbrecht (Chief Executive Officer), M Fleming (Chief Financial Officer), NNA Matyumza*^, PM Moumakwa*, MJN Njeke*, SS Ntsaluba*°, M Rosen*

* Independent non-executive

° Appointed 1 September 2021

^ Appointed 1 September 2022

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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