

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")

UNAUDITED INTERIM GROUP RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023  
AND CASH DIVIDEND DECLARATION

SHORT-FORM ANNOUNCEMENT

#### KEY FEATURES

- Group turnover up 6.8%\*
- Retail turnover up 11.9%\*
- Adjusted operating margin up 40 bps to 8.2%\*\*
- Adjusted diluted HEPS up 10.2%\*\*
- Interim dividend up 2.8%\*\*\* to 185 cents per share
- R1.1 billion returned to shareholders
- Return on equity 41.2%

\* Excluding vaccinations in current and prior periods

\*\* Excluding insurance proceeds in the prior period

\*\*\* Based on the unadjusted HEPS growth consistent with the prior year

Financial reporting for impact of civil unrest

In line with the group's recent reporting practice, certain financial information for the prior period has been adjusted for the impact of the KwaZulu-Natal civil unrest in July 2021 and the subsequent insurance recoveries, to present a normalised view of the underlying operating performance of the group.

#### Overview

Clicks Group again proved the resilience and defensiveness of its core retail business in challenging trading conditions as adjusted diluted headline earnings per share (HEPS) increased by 10.2% for the first half of the 2023 financial year.

Clicks delivered strong turnover and profit growth despite increased load shedding and mounting pressures on consumer disposable income. Growth in Clicks was driven by the sustained post-Covid recovery in the beauty and personal care categories, supported by the Clicks ClubCard loyalty programme which passed the 10 million active member milestone. Clicks reported market share gains in all product categories against the comparative six month period.

UPD's performance was impacted by the lower increase in the regulated single exit price (SEP) of medicines granted by the Department of Health and operational challenges during the systems transition at three of its distribution centres.

In November 2022 the group announced the planned acquisition of Sorbet Holdings, the owners of the national franchise chain of Sorbet beauty salons, for R105 million. The transaction is currently awaiting competition authority approval.

Financial performance

Group turnover increased by 6.8% (excluding vaccinations) to R20.0 billion, with retail turnover increasing by 11.9%. Distribution turnover declined by 1.8% due to lost sales opportunities to Clicks during the systems implementation, lower demand from independent pharmacies and the shift of products within UPD from the preferred supplier to bulk distribution channel. Management is taking the necessary remedial action to restore turnover growth.

Adjusted total income grew by 8.1% to R5.8 billion. The retail margin expanded by 120 basis points and benefited from the strong growth in higher margin private label products, the recovery in the beauty category and fewer vaccinations administered in the period. The increase in the distribution margin was limited to 10 basis points as the growth in the bulk distribution business was offset by the lower SEP increase. The group total income margin expanded by 160 basis points to 28.9% due to the stronger growth of retail relative to distribution.

Retail costs were impacted by higher insurance premiums, load shedding and the recently introduced levy on imported electrical products, increasing by 8.1%. Comparable retail cost growth was contained to growth of 5.6%. Distribution costs increased by 13.3% due to higher fuel, security and insurance costs, load shedding as well as increased employment costs to maintain service levels during the systems implementation.

Adjusted group operating profit increased by 7.0% to R1.6 billion while the group's adjusted operating margin increased by 40 basis points to 8.2%.

Headline earnings grew by 0.9% to R1.2 billion. Earnings per share declined by 4.2% to 472.1 cents with diluted HEPS increasing by 1.1% to 472.2 cents.

Inventory levels were well managed in both retail and distribution and grew by 4.5%. Group inventory days increased to 81 days (H1 2022: 78 days), with the prior period benefiting from faster stock turn of vaccines.

Cash generated from operating activities before dividends paid totalled R978 million. Capital expenditure of R351 million (H1 2022: R352 million) was invested mainly in new stores and pharmacies, store refurbishments, supply chain and information technology.

The group returned R1.1 billion to shareholders in dividend payments. No share buy-backs were undertaken during the period. At end February 2023, the group held cash resources of R1.2 billion.

#### Outlook

Management expects trading conditions to remain extremely constrained owing to high levels of inflation placing pressure on consumer disposable income while load shedding will continue to disrupt trading patterns.

Clicks plans to open 50 new stores and 40 pharmacies for the financial year and remains committed to its longer-term target of 1 200 stores. After the end of the reporting period the group acquired M-Kem, a long-established 24-hour pharmacy in the Western Cape. This will be Clicks' first 24-hour pharmacy.

Record capital investment of R958 million is planned for the full financial year. This includes R477 million for new stores and pharmacies and the refurbishment of 45 stores. R481 million will be invested in supply chain, technology and infrastructure, including battery storage at UPD's main distribution centre.

#### Full-year earnings forecast

The directors forecast that the group's earnings for the financial year ending 31 August 2023 will increase over the 2022 financial year as follows:

Adjusted diluted headline earnings per share: Increase of 8% to 13% (FY2022: 936.6 cents).

Diluted headline earnings per share: Range of -2% to 3% (FY2022: 1 032.7 cents).

This forecast is based on the assumptions that the trading environment will remain constrained in the second half of the 2023 financial year, with continued high levels of consumer inflation and trading disruption caused by electricity load shedding, and no changes in the regulatory environment.

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 2023 of 185.0 cents per share (2022: 180.0 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 37.0 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 148.00000 cents net of DT.

The company has 243 969 611 ordinary shares and 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 to trade "cum" the dividend	Tuesday, 27 June 2023
Shares trade "ex" the dividend	Wednesday, 28 June 2023
Record date	Friday, 30 June 2023
Payment to shareholders	Monday, 3 July 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 June 2023 and Friday, 30 June 2023, both days inclusive.

David Nurek  
Chairman

Bertina Engelbrecht  
Chief executive officer

Gordon Traill  
Chief financial officer

Cape Town  
20 April 2023

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/2023/jse/isse/CLS/H12023.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 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.

Directors: DM Nurek\* (Chairman), JA Bester\*, BD Engelbrecht (Chief Executive Officer), NNA Matyumza\*^, PM Osiris (née Moumakwa)\*, MJN Njeke\*, SS Ntsaluba\*, KC Ramon\*<sup>0</sup>, GD Traill\*† (Chief Financial Officer)

\* Independent non-executive

^ Appointed 1 September 2022

+ Appointed 1 January 2023

<sup>0</sup> Appointed 7 February 2023

† British

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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