

CLICKS GROUP - INTERIM RESULTS 2024  
SHORT-FORM ANNOUNCEMENT FOR SENS

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", "the group" or "the company")

UNAUDITED INTERIM GROUP RESULTS FOR THE SIX MONTHS ENDED 29 FEBRUARY 2024  
AND CASH DIVIDEND DECLARATION

SHORT-FORM ANNOUNCEMENT

KEY FEATURES

- Group turnover up 9.0%
- Retail turnover up 12.4%
- Operating margin up 30 bps to 8.5%
- Diluted headline earnings per share up 13.0%
- Interim dividend up 13.5% to 210 cps
- R2.0 billion cash returned to shareholders
- Return on equity up to 43.4%

Overview

Clicks Group again showed its resilience in overcoming mounting headwinds in the trading environment and gained market share across the retail health and beauty categories, grew private label products, strengthened margins, generated robust cash flows and improved returns to shareholders. This translated into an increase of 13.0% in the group's diluted headline earnings per share (HEPS) for the half year.

Clicks produced strong turnover and profit growth, driven primarily by the higher demand in the beauty and personal care categories. Growth was supported by the Clicks ClubCard loyalty programme which has grown to 11 million active members, gaining 1 million new members in the past year.

Clicks opened its 900th store in February as the brand expanded its retail footprint to 902 stores with the opening of a net 41 new stores in the past year. A further 27 pharmacies were opened, extending the national pharmacy presence to 718.

The acquisitions of Sorbet, M-Kem and software development company 180 Degrees, which were completed in the previous financial year, have been successfully integrated into the group's operations and are performing ahead of pre-acquisition expectations.

UPD is now positioned for growth following the completion of the large-scale systems implementation early in the reporting period and to benefit from the higher increase in the regulated single exit price (SEP) of medicines relative to the prior year. UPD's stated strategy of rationalising its bulk distribution portfolio to focus on profitable clients has adversely impacted turnover through the non-renewal of two contracts. The strategy is, however, expected to benefit margin and support the acquisition of profitable new clients.

The group returned R2.0 billion to shareholders in dividend payments and share buybacks in the six months. Since 2006, the group has returned R19.1 billion to shareholders in dividends (R12.1 billion) and buybacks (R7.0 billion).

#### Financial performance

Group turnover increased by 9.0% to R21.8 billion. Retail turnover, which includes Clicks, GNC, The Body Shop and Sorbet corporate stores, increased by 12.4%. Distribution turnover growth of 1.3% was impacted by the systems implementation at the main UPD distribution centre.

Total income grew by 14.1% to R6.6 billion. The retail margin expanded by 60 basis points due to the strong growth in higher margin private label products, the good performance of the beauty category and Sorbet franchise fees. The distribution margin increased by 80 basis points as UPD benefited from the higher SEP increase. The group's total income margin expanded by 130 basis points to 30.2% as a result of the stronger growth of retail relative to distribution.

Retail costs grew by 14.8% mainly due to higher depreciation charges, lease liabilities, provisions for employee incentives, advertising and electricity costs. The three acquisitions completed in the prior financial year added 3.0% to cost growth. Comparable retail costs grew by 8.7%. Distribution costs increased by 10.8% due to higher depreciation charges relating to the investment in systems as well as increased employment costs to maintain service levels during the systems implementation.

Group operating profit increased by 13.5% to R1.9 billion while the group's operating margin increased by 30 basis points to 8.5%.

Headline earnings grew by 10.5% to R1.3 billion. Earnings per share increased by 12.9% to 533 cents with HEPS and diluted HEPS increasing by 13.0% to 534 cents, benefiting from share buybacks in the last 12 months.

Working capital was well managed, with the group's net working capital days improving from 47 to 44 days. Retail inventory days reduced to 82 days (H1 2023: 85) while UPD increased stock levels ahead of the SEP increase which contributed to inventory days moving from 48 to 61 days.

Cash generated from operating activities before dividends paid totalled R1.1 billion. Capital expenditure of R314 million was reinvested mainly in new stores and pharmacies, store refurbishments, supply chain and information technology. The group has invested R36 million in renewable energy solutions, including the recent installation of additional solar panels and battery storage at the head office and UPD's main distribution centre. At end February 2024, the group held cash resources of R853 million.

#### Outlook

Consumer spending will remain constrained owing to inflationary cost pressures while potential disruption ahead of the general election in May and the resumption of load shedding pose risks to the trading environment.

Clicks plans to accelerate its store expansion programme by opening 50 - 55 stores for the 2024 financial year and remains committed to its

longer-term target of 1 200 stores. A further 10 - 20 pharmacies are planned to be opened.

UPD is expected to deliver a stronger second half as the wholesaler continues to improve performance following the recent systems implementation and benefits further from the higher SEP increase.

Capital investment of R920 million is planned for the full financial year. This includes R514 million for new stores and pharmacies, and store refurbishments. A further R406 million will be invested in supply chain, technology and infrastructure, including the ongoing investment in renewable energy solutions.

#### Full-year earnings forecast

The directors forecast that the group's diluted HEPS for the financial year ending 31 August 2024 will increase by between 10% and 15% over the 2023 financial year.

This forecast is based on the assumptions that the trading environment will remain constrained in the second half of the 2024 financial year, with continued high levels of consumer inflation, uncertainty ahead of the general election in May, ongoing 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 29 February 2024 of 210.0 cents per share (2023: 185.0 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 42.0 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 168.0 cents per ordinary share net of DT.

The company has 238 062 465 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, 25 June 2024
Shares trade "ex" the dividend	Wednesday, 26 June 2024
Record date	Friday, 28 June 2024
Payment to shareholders	Monday, 1 July 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 26 June 2024 and Friday, 28 June 2024, both days inclusive.

David Nurek  
Chairman

Bertina Engelbrecht  
Chief executive officer

Gordon Traill  
Chief financial officer

Cape Town

25 April 2024

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/2024/jse/isse/CLS/H12024.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), BD Engelbrecht (Chief Executive Officer), RJD Inskip\*, NNA Matyumza\*, MJN Njeke\*, SS Ntsaluba\*, PM Osiris (née Moumakwa)\*, KC Ramon\*, GD Traill† (Chief Financial Officer)

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† British

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Transfer secretaries: Computershare Investor Services Proprietary Limited

[www.clicksgroup.co.za](http://www.clicksgroup.co.za)

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