



ANNUAL RESULTS
FOR THE YEAR ENDED 31 AUGUST 2020

CLICKS GROUP
L I M I T E D

PRESENTATION OUTLINE

- Review of the year
- Financial results
- Trading performance
- Strategy & outlook
- Questions





REVIEW OF THE YEAR

VIKESH RAMSUNDER



REVIEW OF THE YEAR

- Strong and resilient performance in a global humanitarian crisis and deepening local economic recession
 - Diluted headline earnings per share up **13.7%**
 - Declared dividend of 450 cents per share
- Impact of Covid-19 on trading
 - Structural shift in shopping with boost to healthcare, hygiene and homeware categories, but lower pharmacy and cosmetics sales
 - Significant move to online shopping – investment in platform rewarded
 - Customers choosing convenience over destination locations

REVIEW OF THE YEAR

- Focus on protecting staff and customers
- Thank our people for their dedication and commitment in a significantly disrupted and stressful working environment
- Cash preservation a priority throughout the crisis
 - Took immediate measures to reduce cost base
 - Deferred interim dividend to ensure balance sheet flexibility
 - Sustained strong cash generation
 - Continued investment in new stores, pharmacies, supply chain and IT



great value every day

great value every day

CLICKS BEAUTY fair now on 3 for 2

FINANCIAL RESULTS

MICHAEL FLEMING



FINANCIAL HIGHLIGHTS

- Group turnover up **9.6%**
 - Health & Beauty turnover up **8.4%**
 - UPD reported turnover up **11.2%**
- Operating margin up from 8.0% to **8.1%**
- Diluted HEPS up **13.7%** to 754.3 cps
- Cash balance of **R2.2 billion** at year end
- **R1.5bn** returned to shareholders
- Return on equity up from 37.0% to **37.8%**
- Dividend of 450 cps at **60%** payout ratio

TURNOVER

R'm	2020	2019	% change	% same stores growth	% inflation
Retail	24 785	23 105	7.3	3.4	2.2
Health & Beauty			8.4		
Musica			(30.2)		
Distribution	15 474	13 909	11.2		2.5
Intragroup turnover	(5 895)	(5 662)	4.1		
Total group	34 364	31 352	9.6		2.4

- Impact of lockdown on Musica, The Body Shop and Claire's stores, and on certain categories in Clicks
- UPD benefited from new wholesale contracts

TOTAL INCOME

	2020 R'm	2019 R'm	% change	2020 % margin	2019 % margin
Retail	8 248	7 692	7.2	33.3	33.3
Distribution	1 318	1 137	15.9	8.5	8.2
Intragroup	(191)	(178)			
Total group	9 375	8 651	8.4	27.3	27.6

- Retail margin maintained
- UPD benefited from new contracts and higher SEP increase (4.53% in February 2020 vs 3.78% in March 2019)

OPERATING EXPENDITURE - RETAIL

R'm	2020	2019*	% change
Depreciation – PP&E	374	330	13.0
Depreciation – ROU asset	717	636	12.7
Occupancy costs	184	189	(2.8)
Employment costs	3 208	3 072	4.4
Other operating costs	1 505	1 398	7.7
Total retail costs	5 988	5 625	6.5
% of turnover	24.2%	24.3%	
Finance costs – lease liability	214	215	(0.7)

- Covid-19 impact: R36m additional costs offset by lower overtime payments, government support and rental reductions
- Comparable retail costs contained to **3.8%**

* Restated for IFRS 16

OPERATING EXPENDITURE - DISTRIBUTION

R'm	2020	2019*	% change
Depreciation – PP&E	36	38	(4.7)
Depreciation – ROU asset	4	-	
Occupancy costs	3	4	(21.1)
Employment costs	289	270	7.0
Other operating costs	472	370	27.5
Total distribution costs	804	682	17.9

- Impact of costs related to new wholesale and bulk distribution clients
- Costs of R8m to comply with Covid-19 regulations and to protect staff

* Restated for IFRS 16

OPERATING PROFIT

	2020 R'm	2019* R'm	% change	2020 % margin	2019* % margin
Retail	2 260	2 066	9.4	9.1	8.9
Distribution	513	454	13.0	3.3	3.3
Intragroup	(6)	(14)			
Total group	2 767	2 506	10.4	8.1	8.0

- Well managed margin in Retail despite tough trading environment and Covid-19 impacts
- UPD maintained margin above medium-term target

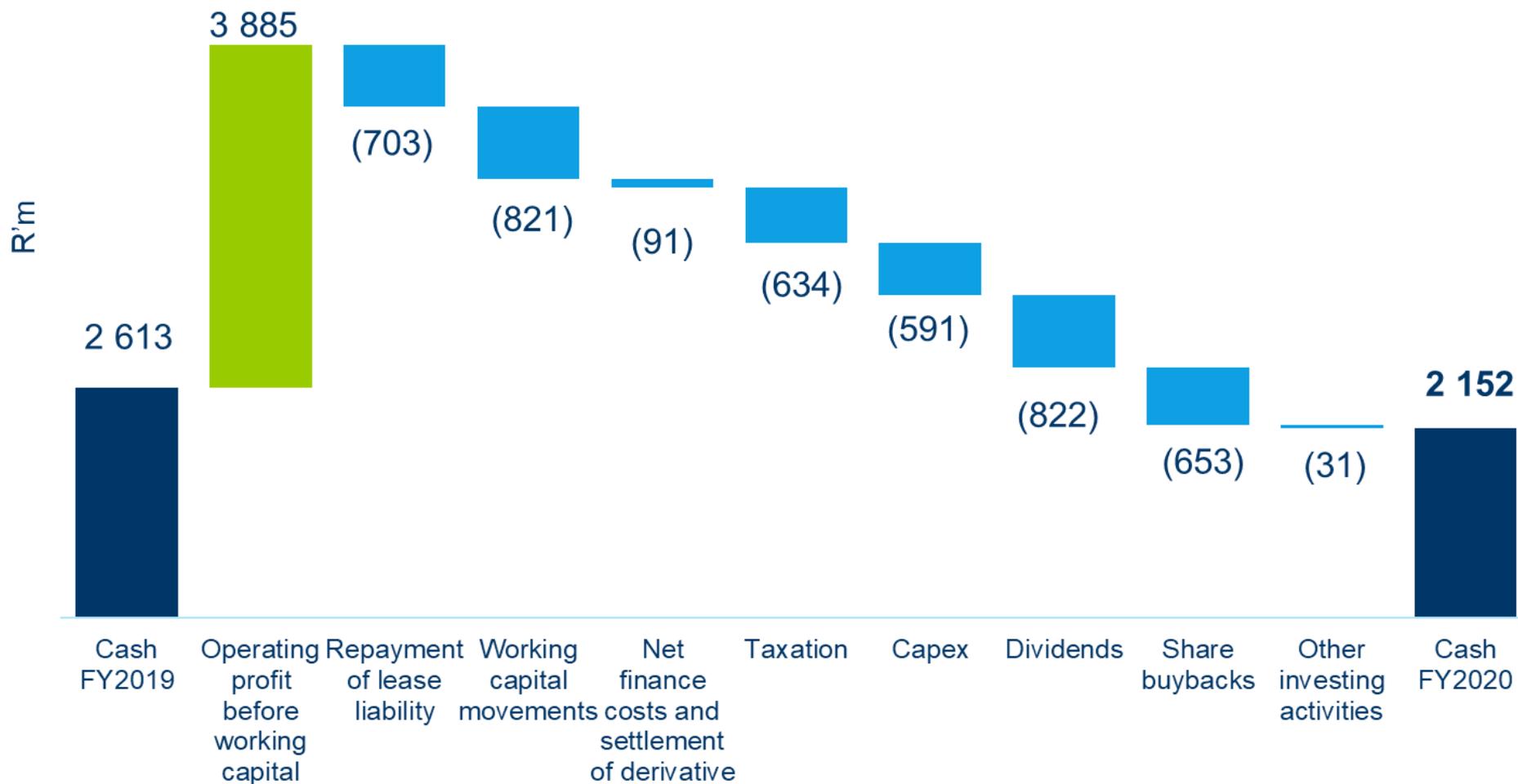
* Restated for IFRS 16

INVENTORY

	<u>Days in stock</u>		<u>Inventory (R'm)</u>		
	2020	2019	2020	2019	% change
Retail	71	72	3 435	3 255	5.5
Distribution	38	41	1 573	1 536	2.4
Intragroup inventory			(87)	(81)	
Total group	66	70	4 921	4 710	4.5

- Stock levels well managed – clearance sale earlier than usual in Retail

CASH MANAGEMENT



- Accounts payable only settled after year end in 2019
- R1.1 bn final dividend to be paid in January

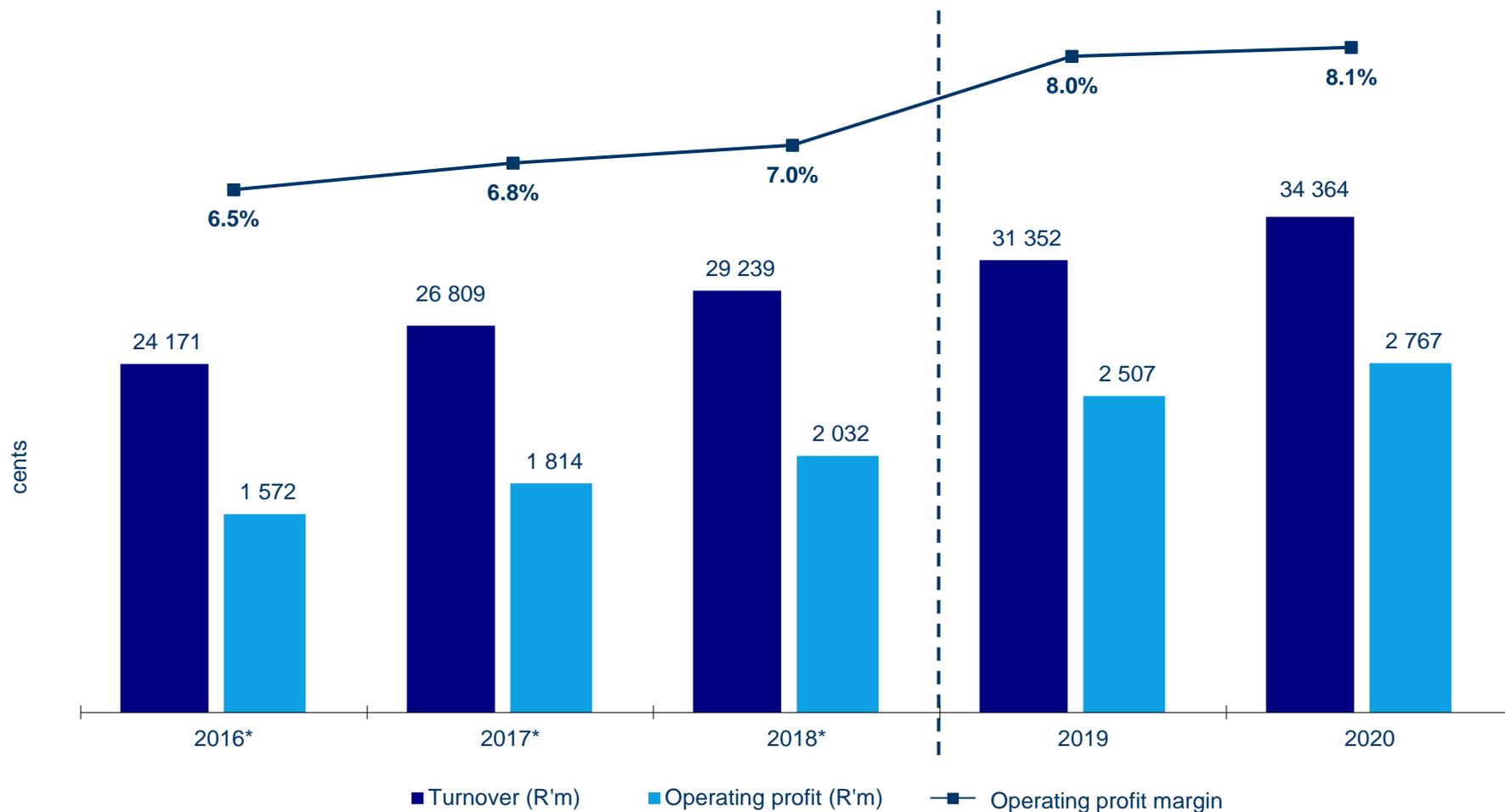
CAPITAL EXPENDITURE

- R745m capex planned for FY2021, including R67m carried forward from FY2020
 - R317m on stores, including:
 - 25 – 30 new Clicks stores and 30 – 35 new pharmacies
 - 45 store refurbishments
 - R428m on infrastructure, including:
 - R49m on UPD IT and warehouse equipment
 - R379m on retail systems and infrastructure
- Approximately R670m and R630m capex expected for FY2022 and FY2023

MEDIUM-TERM FINANCIAL TARGETS

	Achieved in FY2020	Medium-term target
ROE (%)	37.8	40 – 50
ROIC (%)	25.1	20 – 30
ROA (%)	12.4	11 – 15
Net working capital days	37	30 – 35
Group operating margin (%)	8.1	7.5 – 8.5
Retail	9.1	8.5 – 9.5
Distribution	3.3	2.5 – 3.0
Dividend payout ratio (%)	60	60 – 65

GROWTH IN TURNOVER, PROFIT AND MARGIN



* Pre-IFRS 16 operating profit and margin

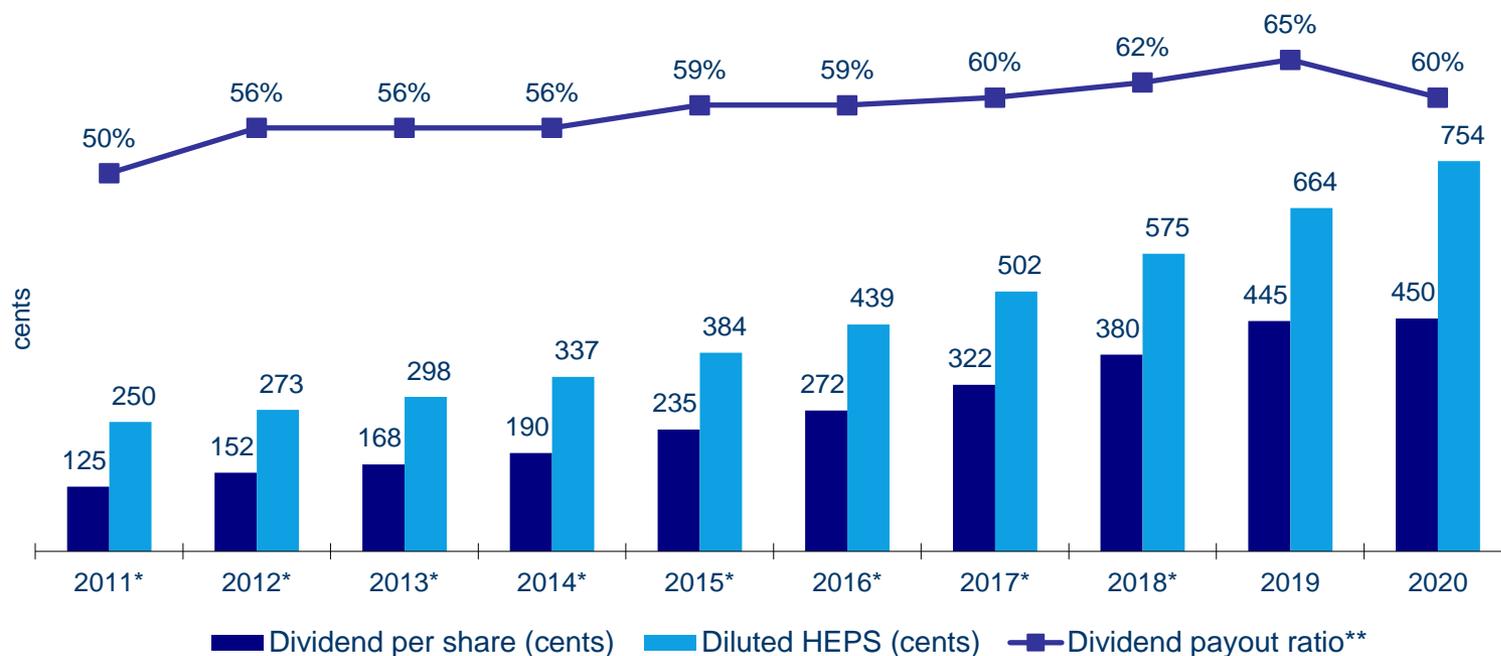
SUSTAINED FINANCIAL PERFORMANCE

10-year CAGRs

Diluted HEPS:
13.6%

Dividend per
share: **15.5%**

Total
shareholder
return***:
22.5%



* Pre-IFRS 16

** Based on HEPS

*** Based on reinvestment of dividends paid and the closing share price

CREATING SHAREHOLDER VALUE



10-year CAGRs

Clicks Group share price
19.9%

Food & Drug Retailers Index
6.5%



TRADING PERFORMANCE

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HEALTH & BEAUTY SALES PERFORMANCE

	% change	% contribution
Pharmacy	3.2	29.0
Front shop health	19.7	26.0
Beauty and personal care	4.7	29.0
General merchandise	8.8	16.0
Total turnover	8.4	100.0

- Comparable stores turnover growth of **4.1%**
 - Inflation 2.0%
 - Volume growth of 2.1%

MARKET SHARES



%	Aug 2020	Aug 2019
Health		
Retail pharmacy*	23.8	24.1
Front shop health**	32.2	31.4
Baby**	19.7	17.0
Beauty		
Skincare**	39.2	37.6
Haircare**	30.3	29.6
Personal care**	18.2	18.0
General merchandise		
Small electrical appliances***	19.2	16.4

* Per IQVIA (Private Retail Pharmacy S1-6) (restated)

** Per AC Nielsen (restated)

*** Per GfK

■ Maintaining value

- Price competitive with all national retailers
- Promotional sales +14.7% to 40.2% of turnover
- R504 million cashback paid to ClubCard members
- In pharmacy, generics +7.8% to 56% of sales and 68% of volume

Clicks price index* vs:

Retailer A	98.4%
Retailer B	95.6%
Retailer C	95.6%
Retailer D	100.0%

* Excluding 3 for 2 promotions

HEALTH savings

(3 for 2)

Buy any 3 packs of Cal-C-Vita Plus or Combo Packs, cheapest 1 FREE

Many more offers in-store and online.

HEALTH savings

(3 for 2)

Buy any 3 packs of Slow-Mag Products, cheapest 1 FREE

Many more offers in-store and online.



■ Differentiating our product offer

- Expanding higher tier Clicks Expert private label range to more categories
- Private label up from 22% to 23% of sales (front shop 29.2%, pharmacy 8.6%)
- GNC sales +18.9%
- The Body Shop sales in Clicks +9.7% despite restrictions, but standalone stores -15.6% due to lockdown closure
- Launch of My Earth eco-friendly range



■ Engaging customers through **personalisation**

- 8.6m active ClubCard members, 78.2% of sales
- Voted best loyalty programme¹
- Coolest health and beauty brand²
- New partnerships with Engen and eBucks
- Clicks app downloaded by 1.1m customers
- Launched myClubCard personalised deals in March



¹ South African Loyalty Awards

² Sunday Times Generation Next Awards

■ Extending convenience

- 743 Clicks stores with 585 pharmacies*
- 50% of population < 6km of a pharmacy
- Online sales grew 191%, but still only 1% of front shop sales
- Lower frequency of visits offset by 10.8% higher basket value
- 980 000 medicine parcels dispensed on behalf of the Department of Health
- Expanding pharmacy delivery out of individual stores in SA from November

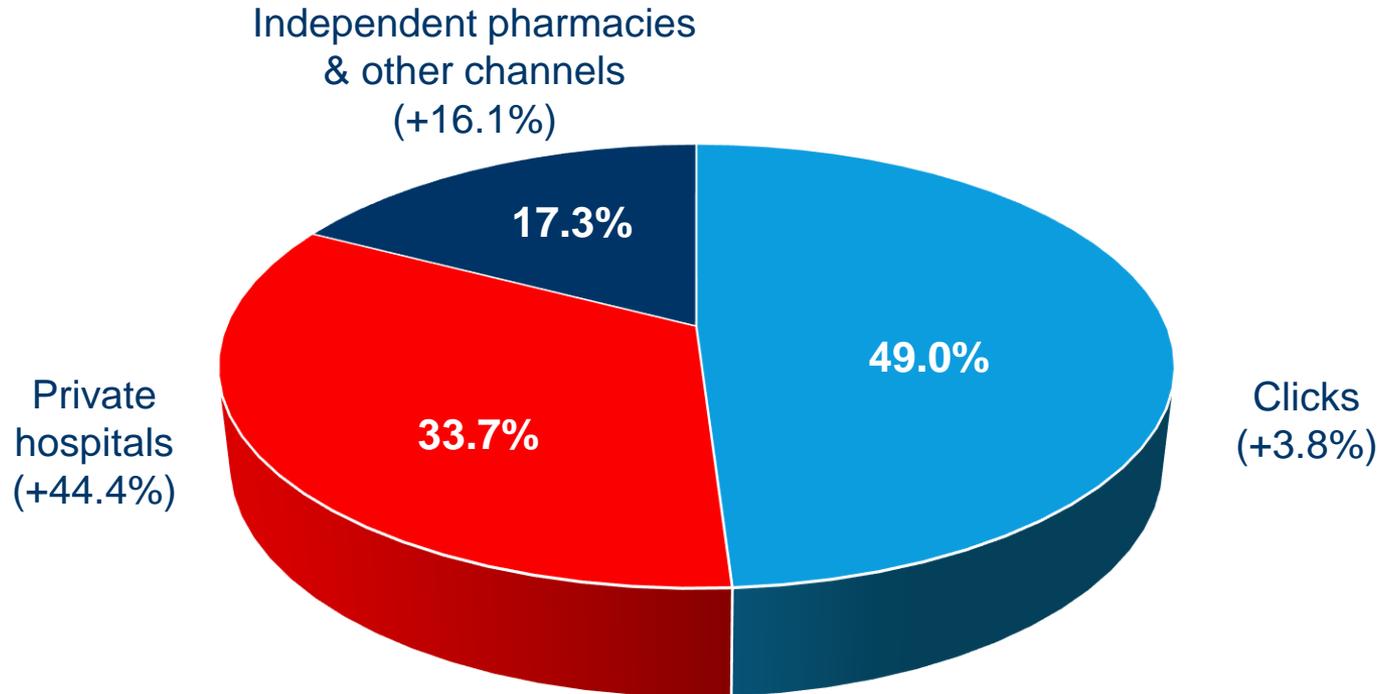
Format	Total
Convenience	549
Destination	194
Total	743



* 76 SA stores still to get a dispensary



FINE WHOLESALE TURNOVER



- Wholesale turnover up 17.0%
 - Two new wholesale buying groups
 - Independent pharmacies benefited from lockdown shopping trends
- Wholesale market share up from 27.0% to 29.4%*

* MAT per IQVIA

REVIEW OF THE YEAR

- Total managed turnover +11.7% to R23.6bn
 - Two new bulk distribution clients
- Generic medicines +16.3% (70% of volume)
- Impact of lack of cold and flu season and restriction in elective procedures at hospitals
- Strong growth in front shop products due to Covid-19
- Sold Kalahari Distributors in Botswana
- Commencing ERP implementation



COMMITMENT TO ESG & TRANSFORMATION

- Included in FTSE4Good Index for last four years
- Founding signatory of the SA Plastics Pact
- Workforce comprises 93% black and 64% female employees
- 56% black and 33% female representation on the board
- R140 million invested in employee training and development
- Recognised as Top Employer* in retail sector for 4th year
- 112 bursaries awarded to pharmacy students
- R19 million invested in socio-economic development projects aligned to the group's focus on health and well-being

* Top Employers Institute



STRATEGY & OUTLOOK

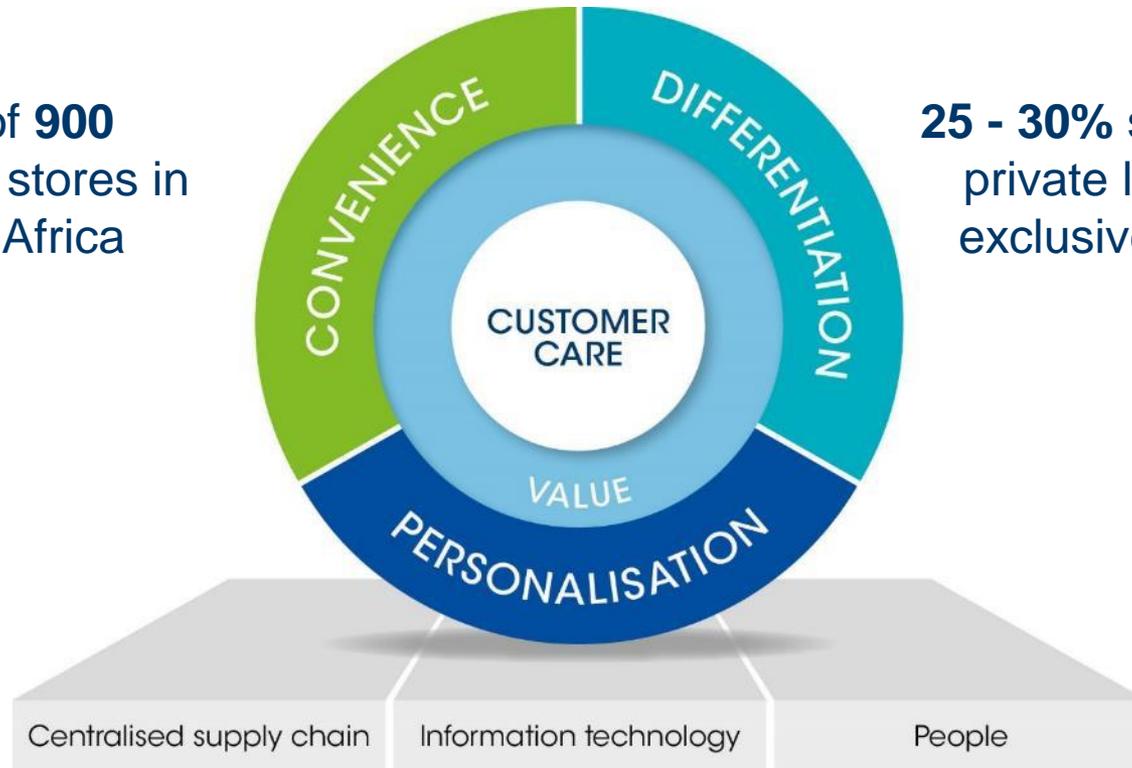
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GROUP STRATEGY

- Retail focus is on delivering:

Goal of **900**
Clicks stores in
South Africa



25 - 30% share for
private label and
exclusive brands

- Further opportunities to grow UPD
- Continued investment in supply chain, IT and people

OUTLOOK FOR FY2021

- Continued impact of Covid-19 into FY2021
- Protest action in 2nd week of September
- Proven ability to adapt to changing market dynamics
- Consumer environment will remain extremely constrained
- Expect to sustain volume growth
- Strategy and business model continue to be resilient
- IT and supply chain investments go live in H2
- Confident of the group's ability to continue delivering



THANK YOU



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