

# ANNUAL GROUP RESULTS 2016



**CLICKS GROUP**  
LIMITED

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Retail turnover up

**12.8%**

Diluted headline EPS up

**14.2%**

Total dividend up

**15.7%**

Return on equity of

**49.2%**

# FINANCIAL SUMMARY

		Year to 31 August 2016	Year to 31 August 2015	% change
<b>Consolidated statement of comprehensive income</b>				
Turnover	R'000	24 170 879	22 070 092	9.5%
Gross profit	R'000	5 014 267	4 524 774	10.8%
Total income	R'000	6 368 100	5 734 856	11.0%
Headline earnings	R'000	1 098 471	960 455	14.4%
Net interest charge	R'000	(52 851)	(57 309)	(7.8%)
<b>Consolidated statement of financial position</b>				
Equity	R'000	2 452 241	2 012 807	21.8%
Total assets	R'000	8 376 896	7 555 938	10.9%
<b>Consolidated statement of cash flows</b>				
Net cash effects from operating activities	R'000	759 145	798 989	
Capital expenditure	R'000	432 959	369 547	17.2%
Depreciation and amortisation	R'000	264 144	248 054	6.5%
<b>Performance</b>				
Turnover growth	%	9.5	15.3	
Comparable stores turnover growth	%	9.8	7.5	
Gross profit growth	%	10.8	9.7	
Gross profit margin	%	20.7	20.5	
Total income growth	%	11.0	10.9	
Total income margin	%	26.3	26.0	
Operating margin	%	6.5	6.3	
Inventory days		66	68	
Current ratio	:1	1.1	1.1	
Return on total assets	%	13.8	14.0	
Return on shareholders' interest	%	49.2	53.7	
Shareholders' interest to total assets	%	29.3	26.6	
Interest-bearing debt, including cash, to shareholders' interest at year-end	%	(15.1)	(19.9)	
<b>Statistics</b>				
Number of permanent employees		14 093	12 805	10.1%
Number of stores		689	657	4.9%
Weighted retail trading area	m <sup>2</sup>	277 874	265 547	4.6%
<b>Share statistics</b>				
Number of ordinary shares in issue (gross), excluding "A" shares	'000	246 138	246 138	–
Number of ordinary shares in issue (net of treasury shares)	'000	236 524	239 884	(1.4%)
Weighted average number of shares in issue (net of treasury shares)	'000	237 565	240 603	(1.3%)
Weighted average diluted number of shares in issue (net of treasury shares)	'000	250 501	250 204	0.1%
Headline earnings per share – basic	cents	462.4	399.2	15.8%
– diluted	cents	438.5	383.9	14.2%
Dividend per share – interim	cents	76.0	65.5	16.0%
– final	cents	196.0	169.5	15.6%
Dividend cover	times	1.7	1.7	
Share price – closing	cents	12 110	9 154	32.3%
– high	cents	13 050	9 955	
– low	cents	7 980	6 226	
Net asset value per share	cents	1 037	839	23.6%
Net tangible asset value per share	cents	809	631	28.2%
Market capitalisation (gross)	R'000	29 807 312	22 531 473	32.3%
Market capitalisation (net of treasury shares)	R'000	28 643 056	21 958 981	30.4%
Price earnings ratio	times	27.6	23.8	
Volume of ordinary shares traded	'000	214 500	221 642	
Percentage of ordinary shares traded	%	90.3	92.1	
Free float	%	95.9	97.2	
Shareholders' return	cents	3 228	2 474	
Increase in share price	cents	2 956	2 239	
Dividend per share	cents	272	235	
<b>Other information</b>				
Inflation rate				
CPI	%	5.9	4.6	
Internal selling price inflation	%	4.9	4.0	
Interest rates				
Prime overdraft rate – closing	%	10.50	9.50	
– average	%	10.10	9.28	
FTSE/JSE Africa share indices				
All Share Index		52 733	49 972	5.5%
General Retailers Index		7 255	8 286	(12.4%)
Food and Drug Retailers Index		10 683	10 053	6.3%
Exchange rate				
Rand/US dollar – closing	R/US\$	14.49	13.31	8.9%
– average	R/US\$	14.74	11.79	25.0%

# COMMENTARY

## Overview

The group's retail businesses, in particular Clicks, delivered another strong trading performance in 2016 as all brands strengthened their competitive positions and reported market share gains.

The performance for the year translated into a 14.2% increase in diluted headline earnings per share to 438.5 cents while the group again delivered a high return on equity of 49.2%.

The total dividend was increased by 15.7% to 272.0 cents per share and together with the growth in the Clicks Group share price over the past year represents a total shareholder return of 35.3%.

## Financial performance

Group turnover increased by 9.5% to R24.2 billion. Retail sales rose by 12.8%, with same store sales increasing 9.8%. Distribution turnover increased by 6.1%. Selling price inflation for the group was contained to 4.9%.

Total income increased by 11.0% and the group's total income margin improved by 30 basis points to 26.3% owing to the favourable mix impact with the faster growth in retail.

The increase in retail operating expenses of 11.2% was contained below sales growth despite the investment in new stores, pharmacies and customer service. Comparable retail costs increased by 6.4%. UPD demonstrated excellent cost control in a difficult market and restricted expense growth to 7.4%.

Operating profit grew by 12.6% to R1.6 billion as both retail and distribution maintained margin in the challenging trading conditions. The group's operating margin increased by 20 basis points to 6.5%, benefiting from the stronger retail growth.

Inventory days in stock improved from 68 to 66 days.

Cash inflow from operations before working capital changes increased by 8.7% to R1.85 billion. As part of the board's commitment to return surplus cash to shareholders, the group returned R876 million to shareholders through dividend payments of R586 million and share buy-backs of R290 million.

Capital expenditure of R433 million was invested in new stores and pharmacies, refurbishments, IT systems and UPD infrastructure and warehousing.

## Trading performance

Retail health and beauty sales, including Clicks and the franchise brands of The Body Shop, GNC and Claire's, increased by 13.5%, with strong growth across all product categories.

The Clicks store footprint was expanded to 511 following the opening of a net 25 new stores and the pharmacy network reached 400 as 39 in-store pharmacies were opened during the year. Clicks launched an online sales platform which offers a "click and collect" facility in all stores across South Africa.

Clicks ClubCard membership increased by over one million to reach 6.2 million after the successful relaunch of the loyalty programme.

The group has made a considerable investment in improving the quality of customer service in store and created over 1 200 new jobs in the past year.

UPD experienced a tough year and grew turnover by 6.1% in a pharmaceutical market which has shown minimal volume growth. In addition, the regulated single exit price (SEP) increase in 2016 was lower than the previous year. Despite these pressures UPD maintained its operating profit margin by driving efficiencies and through good cost management.



## Outlook

The weak consumer spending environment is expected to continue into 2017 as low economic growth, together with ongoing political and social uncertainty, will place further financial pressure on consumers.

The core health and beauty markets, as well as the group's business model, are resilient and the business will trade through this tough environment by focusing on providing value to customers and managing costs efficiently.

Clicks has strong organic growth prospects for the medium to long term, with extensive opportunities to expand its store footprint in South Africa.

Record levels of capital expenditure of R577 million will be invested in stores, IT and supply chain to support the growth in the business.

Management is confident of the group's ability to sustain performance and deliver on its medium-term financial and operating targets.

## Final dividend

The board of directors has approved a final gross ordinary dividend of 196.0 cents per share (2015: 169.5 cents per share) and a 27.2 cents per ordinary "A" share (2015: 23.5 cents per share). The source of the dividend will be from distributable reserves and paid in cash.

## Additional information

Dividends Tax (DT) amounting to 29.40 cents per ordinary share and 4.08 cents per ordinary "A" 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 166.60 cents net of DT and ordinary "A" shareholders will receive a dividend of 23.12 cents net of DT.

The company has 246 137 763 ordinary shares and 29 153 295 ordinary "A" 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 final dividend:

Last day to trade "cum" the dividend	Tuesday, 24 January 2017
Shares trade "ex" the dividend	Wednesday, 25 January 2017
Record date	Friday, 27 January 2017
Payment to shareholders	Monday, 30 January 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 January 2017 and Friday, 27 January 2017, both days inclusive.

The board of directors have determined that dividend cheques amounting to R50.00 or less due to any ordinary shareholder will not be paid unless a written request to the contrary is delivered to the transfer secretaries, Computershare Investor Services Proprietary Limited, by no later than close of business on Tuesday, 24 January 2017, being the day the shares trade "cum" the dividend. Unpaid dividend cheques will be aggregated with other such amounts and donated to a charity to be nominated by the directors.

By order of the board

## Annalize Barnard

Acting company secretary

27 October 2016



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Year to 31 August 2016	Year to 31 August 2015	% change
Revenue	25 530 967	23 285 096	
<b>Turnover</b>	<b>24 170 879</b>	22 070 092	9.5%
Cost of merchandise sold	(19 156 612)	(17 545 318)	9.2%
<b>Gross profit</b>	<b>5 014 267</b>	4 524 774	10.8%
Other income	1 353 833	1 210 082	11.9%
<b>Total income</b>	<b>6 368 100</b>	5 734 856	11.0%
Expenses	(4 796 464)	(4 338 817)	10.5%
Depreciation and amortisation	(252 662)	(237 670)	6.3%
Occupancy costs	(682 827)	(619 023)	10.3%
Employment costs	(2 550 731)	(2 255 417)	13.1%
Other costs	(1 310 244)	(1 226 707)	6.8%
<b>Operating profit</b>	<b>1 571 636</b>	1 396 039	12.6%
Loss on disposal of property, plant and equipment	(6 388)	(9 446)	
<b>Profit before financing costs</b>	<b>1 565 248</b>	1 386 593	12.9%
Net financing costs	(52 851)	(57 309)	(7.8%)
Financial income	6 255	4 922	27.1%
Financial expense	(59 106)	(62 231)	(5.0%)
Share of profit of an associate	2 254	–	100.0%
<b>Profit before taxation</b>	<b>1 514 651</b>	1 329 284	13.9%
Income tax expense	(420 779)	(374 709)	12.3%
Profit for the year	1 093 872	954 575	14.6%
<b>Other comprehensive (loss)/income:</b>			
Items that will not be subsequently reclassified to profit or loss	–	765	
Remeasurement of post-employment benefit obligations	–	1 063	
Deferred tax on remeasurement	–	(298)	
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign subsidiaries	(526)	4 777	
Cash flow hedges	(6 580)	33 238	
Change in fair value of effective portion	(9 139)	46 164	
Deferred tax on movement of effective portion	2 559	(12 926)	
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(7 106)</b>	38 780	
<b>Total comprehensive income for the year</b>	<b>1 086 766</b>	993 355	
<b>Reconciliation of headline earnings</b>			
Total profit for the year	1 093 872	954 575	
Adjusted for:			
Loss net of tax on disposal of property, plant and equipment	4 599	6 801	
Insurance recovery income net of tax on property, plant and equipment	–	(921)	
Headline earnings	1 098 471	960 455	14.4%
Headline earnings per share (cents)			
– basic	462.4	399.2	15.8%
– diluted	438.5	383.9	14.2%
Earnings per share (cents)			
– basic	460.5	396.7	16.1%
– diluted	436.7	381.5	14.5%
Weighted average number of shares in issue (net of treasury shares, '000)	237 565	240 603	(1.3%)
Weighted average diluted number of shares in issue (net of treasury shares, '000)	250 501	250 204	0.1%

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 31 August 2016	As at 31 August 2015
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>2 507 207</b>	2 009 163
Property, plant and equipment	1 345 024	1 221 658
Intangible assets	434 083	395 625
Goodwill	103 510	103 510
Deferred tax assets	347 400	177 037
Investment in associate	20 282	–
Loans receivable	9 521	13 003
Financial assets at fair value through profit or loss	16 145	16 668
Derivative financial assets	231 242	81 662
<b>Current assets</b>	<b>5 869 689</b>	5 546 775
Inventories	3 478 717	3 249 914
Trade and other receivables	2 012 696	1 871 616
Loans receivable	8 476	–
Cash and cash equivalents	369 800	400 738
Derivative financial assets	–	24 507
<b>Total assets</b>	<b>8 376 896</b>	7 555 938
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>2 452 241</b>	2 012 807
Share capital	2 754	2 754
Share premium	3 497	3 497
Share option reserve	483 188	254 592
Cash flow hedge reserve	28 616	35 196
Treasury shares	(704 298)	(414 127)
Non-distributable reserve	5 805	6 331
Distributable reserve	2 632 679	2 124 564
<b>Non-current liabilities</b>	<b>405 541</b>	308 503
Employee benefits	215 132	128 035
Operating lease liability	190 409	180 468
<b>Current liabilities</b>	<b>5 519 114</b>	5 234 628
Trade and other payables	5 148 411	4 898 114
Employee benefits	241 986	214 943
Provisions	6 939	5 745
Income tax payable	92 476	115 826
Derivative financial liabilities	26 971	–
Financial liability at fair value through profit or loss	2 331	–
<b>Total equity and liabilities</b>	<b>8 376 896</b>	7 555 938

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Number of shares '000	Share capital	Share premium
<b>Balance at 1 September 2014</b>	242 260	2 754	3 497
<b>Transactions with owners, recorded directly in equity</b>			
Dividends paid to shareholders	–	–	–
Share-based payment reserve movement	–	–	–
Net cost of own shares purchased	(2 376)	–	–
<b>Total transactions with owners</b>	(2 376)	–	–
<b>Total comprehensive income for the year</b>	–	–	–
Profit for the year	–	–	–
Remeasurement of post-employment benefit obligations	–	–	–
Cash flow hedge reserve	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–
<b>Balance at 31 August 2015</b>	<b>239 884</b>	<b>2 754</b>	<b>3 497</b>
<b>Transactions with owners, recorded directly in equity</b>			
Dividends paid to shareholders	–	–	–
Share-based payment reserve movement	–	–	–
Net cost of own shares purchased	(3 360)	–	–
<b>Total transactions with owners</b>	(3 360)	–	–
<b>Total comprehensive income for the year</b>	–	–	–
Profit for the year	–	–	–
Cash flow hedge reserve	–	–	–
Exchange differences on translation of foreign subsidiaries	–	–	–
<b>Balance at 31 August 2016</b>	<b>236 524</b>	<b>2 754</b>	<b>3 497</b>



Share option reserve	Treasury shares	Non-distributable reserve	Cash flow hedge reserve	Distributable reserve	Total equity
135 091	(237 863)	1 554	1 958	1 659 982	1 566 973
-	-	-	-	(490 758)	(490 758)
119 501	-	-	-	-	119 501
-	(176 264)	-	-	-	(176 264)
119 501	(176 264)	-	-	(490 758)	(547 521)
-	-	4 777	33 238	955 340	993 355
-	-	-	-	954 575	954 575
-	-	-	-	765	765
-	-	-	33 238	-	33 238
-	-	4 777	-	-	4 777
<b>254 592</b>	<b>(414 127)</b>	<b>6 331</b>	<b>35 196</b>	<b>2 124 564</b>	<b>2 012 807</b>
-	-	-	-	(585 757)	(585 757)
228 596	-	-	-	-	228 596
-	(290 171)	-	-	-	(290 171)
228 596	(290 171)	-	-	(585 757)	(647 332)
-	-	(526)	(6 580)	1 093 872	1 086 766
-	-	-	-	1 093 872	1 093 872
-	-	-	(6 580)	-	(6 580)
-	-	(526)	-	-	(526)
<b>483 188</b>	<b>(704 298)</b>	<b>5 805</b>	<b>28 616</b>	<b>2 632 679</b>	<b>2 452 241</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Year to 31 August 2016	Year to 31 August 2015
<b>Cash effects from operating activities</b>		
Operating profit before working capital changes (refer note 1)	1 846 993	1 699 743
Working capital changes (refer note 2)	(19 467)	(15 451)
Cash generated by operations	1 827 526	1 684 292
Interest received	6 255	4 922
Interest paid	(45 086)	(43 947)
Taxation paid	(443 793)	(355 520)
Cash inflow from operating activities before dividends paid	1 344 902	1 289 747
Dividends paid to shareholders	(585 757)	(490 758)
Net cash effects from operating activities	759 145	798 989
<b>Cash effects from investing activities</b>		
Investment in property, plant and equipment and intangibles to maintain operations	(129 040)	(125 360)
Investment in property, plant and equipment and intangibles to expand operations	(303 919)	(244 187)
Proceeds from disposal of property, plant and equipment	603	1 394
Acquisition of non-controlling interest	–	(765)
Acquisition of unlisted investment in associate	(17 415)	–
Increase in loan receivables	(4 994)	(463)
Net cash effects from investing activities	(454 765)	(369 381)
<b>Cash effects from financing activities</b>		
Purchase of treasury shares	(290 171)	(176 264)
Acquisition of derivative financial asset	(45 147)	(48 237)
Net cash effects from financing activities	(335 318)	(224 501)
Net (decrease)/increase in cash and cash equivalents	(30 938)	205 107
Cash and cash equivalents at the beginning of the year	400 738	195 631
<b>Cash and cash equivalents at the end of the year</b>	<b>369 800</b>	<b>400 738</b>

## STORE FOOTPRINT

	Clicks	Musica	The Body Shop	GNC	Claire's	Total retail
Number of standalone stores at 31 August 2016	511	115	53	5	5	689
as at 31 August 2015	486	116	50	4	1	657
opened	26	6	3	2	4	41
closed	(1)	(7)	–	(1)	–	(9)
Presence in Clicks stores at 31 August 2016			88	261	123	
Number of pharmacies at 31 August 2016	400					400
as at 31 August 2015	361					361
new/converted	40					40
closed	(1)					(1)
Number of clinics at 31 August 2016	195					195

## NOTES TO THE CASH FLOW STATEMENT

R'000	Year to 31 August 2016	Year to 31 August 2015
<b>Cash flow information</b>		
<b>1 Profit before working capital changes</b>		
Profit before tax	1 514 651	1 329 284
Adjustment for:		
Depreciation and amortisation	264 144	248 054
Operating lease accrual	9 941	12 121
Loss on disposal of property, plant and equipment	6 388	9 446
Release of cash flow hedge to profit or loss	(65 422)	(14 508)
Equity-settled share option costs	64 533	52 084
Net financing cost	52 851	57 309
Decrease in financial assets at fair value through profit or loss	523	5 953
Undistributed profits of an associate	(616)	–
	<b>1 846 993</b>	<b>1 699 743</b>
<b>2 Working capital changes</b>		
Increase in inventories	(228 803)	(635 718)
Increase in trade and other receivables	(145 248)	(260 953)
Increase in trade and other payables	251 161	861 136
Increase in employee benefits	102 229	24 221
Increase/(decrease) in provisions	1 194	(4 137)
	<b>(19 467)</b>	<b>(15 451)</b>

## ANALYSIS OF SHAREHOLDERS

Fund managers managing 3% or more of the issued share capital:

Major fund managers	Percentage of shares	
	Aug 2016	Aug 2015
Public Investment Corporation (SA)	14.5%	15.2%
Baillie Gifford & Co (UK)	5.3%	4.4%
Fidelity Management & Research (US)	5.0%	7.4%
Mawer Investment Management (CA)	4.7%	3.8%
GIC (Singapore)	4.3%	3.4%
Wasatch Advisors (US)	3.7%	2.3%
Aberdeen Asset Management (UK)	3.6%	3.2%
<i>Fund managers no longer managing over 3%:</i>		
Coronation Fund Managers (SA)	1.2%	6.5%
MFS Investment Management (US)	2.4%	3.5%

Geographic distribution of shareholders	Percentage of shares	
	Aug 2016	Aug 2015
South Africa and Africa	31.4%	38.3%
Offshore holdings	68.6%	61.7%
USA and Canada	45.9%	43.3%
United Kingdom, Ireland and Channel Islands	8.8%	6.1%
Europe	6.6%	5.5%
Other countries	7.3%	6.8%

# SEGMENTAL ANALYSIS

For the year ended 31 August 2016 R'000	Retail	
	31 Aug 2016	31 Aug 2015
<b>Statement of financial position</b>		
Property, plant and equipment	1 119 803	1 003 172
Intangible assets	416 026	382 898
Goodwill	6 529	6 529
Inventories	2 338 453	2 024 044
Trade and other receivables	330 818	294 695
Cash and cash equivalents	328 730	382 860
Other assets	1 084 710	736 894
<b>Total assets</b>	<b>5 625 069</b>	<b>4 831 092</b>
Employee benefits – non-current	198 623	121 323
Operating lease liability	190 409	180 468
Trade and other payables	2 225 538	2 122 118
Employee benefits – current	218 891	195 297
Other liabilities	1 581 116	1 236 702
<b>Total liabilities</b>	<b>4 414 577</b>	<b>3 855 908</b>
<b>Net assets</b>	<b>1 210 492</b>	<b>975 184</b>
<b>Statement of comprehensive income</b>		
Turnover	16 640 227	14 757 724
Gross profit	4 845 305	4 360 383
Other income	758 770	657 192
Total income	5 604 075	5 017 575
Expenses	(4 298 388)	(3 866 891)
Operating profit	1 305 687	1 150 684
<b>Ratios</b>		
Increase in turnover	(%) 12.8	10.4
Selling price inflation	(%) 4.3	4.0
Comparable stores turnover growth	(%) 9.8	7.5
Gross profit margin	(%) 29.1	29.5
Total income margin	(%) 33.7	34.0
Operating expenses as a percentage of turnover	(%) 25.8	26.2
Increase in operating expenses	(%) 11.2	10.1
Increase in operating profit	(%) 13.5	15.1
Operating profit margin	(%) 7.8	7.8
Inventory days	72	71
Trade debtor days	6	6
Trade creditor days	42	47
Number of stores	689	657
as at 31 August 2015/2014	657	632
opened	41	41
closed	(9)	(16)
Number of pharmacies	400	361
as at 31 August 2015/2014	361	339
new/converted	40	25
closed	(1)	(3)
Total leased area	(m <sup>2</sup> ) 349 866	342 846
Weighted retail trading area	(m <sup>2</sup> ) 277 874	265 547
Weighted annual sales per m <sup>2</sup>	(R) 59 677	55 416
Number of permanent employees*	13 508	12 231

\* Number of permanent employees have been restated to include both full-time and part-time flexible employees.

Distribution		Intragroup elimination		Total operations	
31 Aug 2016	31 Aug 2015	31 Aug 2016	31 Aug 2015	31 Aug 2016	31 Aug 2015
225 221	218 486	–	–	1 345 024	1 221 658
18 057	12 727	–	–	434 083	395 625
96 981	96 981	–	–	103 510	103 510
1 180 637	1 256 186	(40 373)	(30 316)	3 478 717	3 249 914
2 163 393	1 979 377	(481 515)	(402 456)	2 012 696	1 871 616
41 070	17 878	–	–	369 800	400 738
1 452 403	1 116 484	(1 904 047)	(1 540 501)	633 066	312 877
5 177 762	4 698 119	(2 425 935)	(1 973 273)	8 376 896	7 555 938
16 509	6 712	–	–	215 132	128 035
–	–	–	–	190 409	180 468
3 409 163	3 184 796	(486 290)	(408 800)	5 148 411	4 898 114
23 095	19 646	–	–	241 986	214 943
451 830	423 983	(1 904 229)	(1 539 114)	128 717	121 571
3 900 597	3 635 137	(2 390 519)	(1 947 914)	5 924 655	5 543 131
1 277 165	1 062 982	(35 416)	(25 359)	2 452 241	2 012 807
11 054 959	10 415 301	(3 524 307)	(3 102 933)	24 170 879	22 070 092
179 019	177 613	(10 057)	(13 222)	5 014 267	4 524 774
688 113	631 307	(93 050)	(78 417)	1 353 833	1 210 082
867 132	808 920	(103 107)	(91 639)	6 368 100	5 734 856
(591 127)	(550 342)	93 051	78 416	(4 796 464)	(4 338 817)
276 005	258 578	(10 056)	(13 223)	1 571 636	1 396 039
6.1	21.6	13.6	11.5	9.5	15.3
5.4	4.2	–	–	4.9	4.0
–	–	–	–	9.8	7.5
1.6	1.7	–	–	20.7	20.5
7.8	7.8	–	–	26.3	26.0
5.3	5.3	–	–	19.8	19.7
7.4	8.4	–	–	10.5	9.7
6.7	17.0	–	–	12.6	14.6
2.5	2.5	–	–	6.5	6.3
40	45	–	–	66	68
58	55	–	–	43	42
92	94	–	–	70	76
–	–	–	–	689	657
–	–	–	–	657	632
–	–	–	–	41	41
–	–	–	–	(9)	(16)
–	–	–	–	400	361
–	–	–	–	361	339
–	–	–	–	40	25
–	–	–	–	(1)	(3)
–	–	–	–	349 866	342 846
–	–	–	–	277 874	265 547
–	–	–	–	59 677	55 416
585	574	–	–	14 093	12 805

# DEFINITIONS

## **Capital expenditure**

### **Maintenance capital expenditure**

Capital expenditure incurred in replacing existing capital or capital expenditure with a return below the group's required return.

### **Growth capital expenditure**

Capital expenditure that is not maintenance capital expenditure.

## **Cash flow**

### **Financing activities**

Activities that result in changes to the capital and funding structure of the group.

### **Investing activities**

Activities relating to the acquisition, holding and disposal of capital assets and long-term investments.

### **Operating activities**

Activities that are not financing or investing activities that arise from the operations conducted by the group.

### **Comparable stores turnover growth**

Turnover growth expressed as a percentage of growth for stores that have been operating for the full period during the current and previous financial years.

### **Current ratio**

Current assets at year-end divided by current liabilities at year-end.

### **Dividend cover**

Undiluted headline earnings per share for the year divided by the ordinary dividend per share for the year.

### **Dividend per share**

Dividend per share is the actual interim cash dividend paid and the final cash dividend declared, expressed as cents per share.

### **Earnings per share**

#### **Earnings per share**

Profit for the year divided by the weighted average number of shares in issue for the year.

#### **Diluted earnings per share**

Profit for the year divided by the weighted average diluted number of shares in issue for the year.

#### **Headline earnings per share**

Headline earnings divided by the weighted average number of shares in issue for the year.

#### **Diluted headline earnings per share**

Headline earnings divided by the weighted average diluted

number of shares in issue for the year.

### **Effective tax rate**

The tax charge in the income statement as a percentage of profit before tax.

### **Free float**

The number of ordinary shares that are freely tradable on the JSE Limited, excluding treasury shares and shares held by directors and employee share schemes.

### **Gross profit margin**

Gross profit expressed as a percentage of turnover.

### **Headline earnings**

Profit for the year adjusted for the after-tax effect of goodwill impairment and certain other capital items.

### **IFRS**

International Financial Reporting Standards, as adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

Clicks Group's consolidated financial statements are prepared in accordance with IFRS.

### **Interest-bearing debt, including cash, to shareholders' interest at year-end**

Interest-bearing debt (including bank overdraft), net of cash balances, at the end of the year divided by shareholders' interest at the end of the year.

### **Inventory days**

Closing inventory at year-end divided by the cost of merchandise sold during the year, multiplied by 365 days.

### **Issued shares**

Ordinary shares and unlisted "A" shares having a par value of one cent each in the authorised share capital of Clicks Group Limited.

### **Market capitalisation**

The closing market price per share at year-end multiplied by the number of ordinary shares in issue at year-end.

### **Net asset value per share**

Net assets at year-end divided by the number of ordinary shares in issue at year-end (net of treasury shares).

### **Net tangible asset value per share**

Net assets at year-end, less intangible assets (such as

goodwill and trademarks), divided by the number of ordinary shares in issue at year-end (net of treasury shares).

### **Operating profit**

Operating profit before financing costs, as reported in the group consolidated statement of comprehensive income, adjusted to exclude goodwill impairment, impairment of property, plant and equipment, profit on disposal of businesses and profit/loss on disposal of property, plant and equipment.

### **Operating profit margin**

Operating profit expressed as a percentage of turnover.

### **Percentage of ordinary shares traded**

The number of ordinary shares traded on the JSE Limited during the year as a percentage of the weighted average number of ordinary shares in issue (net of treasury shares).

### **Price earnings ratio**

The closing market price per share at year-end divided by diluted headline earnings per share for the year.

### **Return on shareholders' interest ("ROE")**

Headline earnings expressed as a percentage of the average shareholders' interest for the year.

### **Return on total assets ("ROA")**

Headline earnings expressed as a percentage of the average total assets for the year.

### **Return on net assets ("RONA")**

Operating profit as defined for RONA divided by average net assets for the year as defined for RONA.

Operating profit as defined for RONA is the reported operating profit for the group inclusive of capital gains and losses relating to continuing operations of the business and excluding the employee short-term bonus.

Net assets as defined for RONA are the average assets less liabilities for the year excluding taxation and financial-related assets and liabilities (cash, overdrafts, loans receivable, interest-bearing borrowings, deferred tax and taxation payable).

## **Segmental reporting**

The group has two reportable segments, being the retail division and the distribution division.

### **Selling price inflation**

The change in the weighted average selling price of a sample of products for the year relative to the previous year expressed as a percentage of the weighted average selling price of the same sample of products for the previous year. Only products sold in both the current and previous years are included in the sample.

### **Shareholders' interest**

Share capital and share premium (reduced by the cost of treasury shares) and other reserves comprising equity.

### **Shareholders' interest to total assets**

The shareholders' interest divided by the total assets at the year-end.

### **Total income**

Gross profit plus other income.

### **Total income margin**

Total income expressed as a percentage of turnover.

### **Trade creditor days**

Closing trade creditors at year-end (adjusted to exclude VAT) divided by the cost of merchandise sold during the year, multiplied by 365 days.

### **Trade debtor days**

Closing trade debtors at year-end (adjusted to exclude VAT) divided by sales for the year, multiplied by 365 days.

### **Treasury shares**

Issued shares in Clicks Group Limited held by a group company in terms of an approved share repurchase programme, the New Clicks Holdings Share Trust and the Clicks Group Employee Share Ownership Trust.

### **Weighted average number of shares**

The number of ordinary shares in issue, increased by shares issued during the year and reduced by treasury shares purchased or shares cancelled during the year, weighted on a time basis for the period during which they have participated in the income of the group.

### **Weighted average diluted number of shares**

The weighted average number of ordinary shares adjusted for the effects of all dilutive potential shares.

# PRESENTATION




**ANNUAL RESULTS FOR THE YEAR ENDED  
31 AUGUST 2016**

**CLICKS GROUP  
LIMITED**

## PRESENTATION OUTLINE

- Review of the year
- Financial results
- Trading performance
- Outlook
- Questions



CLICKS GROUP ANNUAL RESULTS 2016 2

## PRESENTATION



### REVIEW OF THE YEAR

- Another strong retail trading performance
  - Real volume growth in Clicks
  - Strengthened competitive position
  - Continued market share gains
- UPD maintained its margin in a challenging year
- Record year of capital investment
- **R876m** returned to investors
- Diluted headline earnings per share up **14.2%**





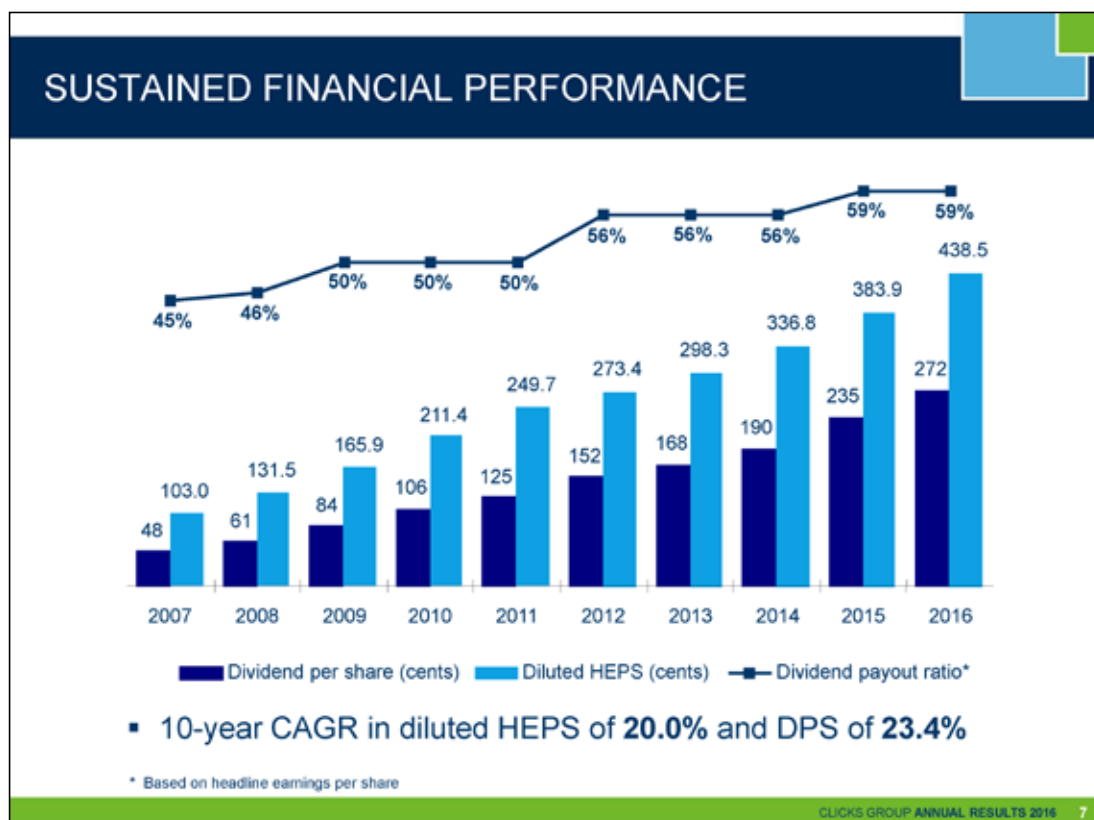
## FINANCIAL RESULTS

MICHAEL FLEMING

### FINANCIAL HIGHLIGHTS

- Group turnover up **9.5%**
  - Health & beauty retail turnover up **13.5%**
  - UPD turnover up **6.1%**
- Operating margin up from 6.3% to **6.5%**
- Diluted HEPS up **14.2%** to 438.5 cps
- Cash generated by operations **R1.8 billion**
- Total dividend of 272.0 cps, up **15.7%**
  - Total shareholder return of **35.3%**
- Return on equity of **49.2%**

## PRESENTATION



### TURNOVER

R'm	2016	2015	% change	% same store growth	% inflation
Retail	16 640	14 758	12.8	9.8	4.3
Distribution	11 055	10 415	6.1		5.4
Intragroup turnover	(3 524)	(3 103)	13.6		
<b>Total group</b>	<b>24 171</b>	<b>22 070</b>	<b>9.5</b>		<b>4.9</b>

- Volume growth in health and beauty brands
- Retail inflation within guided range of 4 - 5%

CLICKS GROUP ANNUAL RESULTS 2016 8

## TOTAL INCOME

	2016 R'm	2015 R'm	% change	2016 % margin	2015 % margin
Retail	5 604	5 018	11.7	33.7	34.0
Distribution	867	809	7.2	7.8	7.8
Intragroup	(103)	(92)	12.5		
<b>Total group</b>	<b>6 368</b>	<b>5 735</b>	<b>11.0</b>	<b>26.3</b>	<b>26.0</b>

- Investment in every day competitive pricing
- Favourable mix impact on the group

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## OPERATING EXPENDITURE - RETAIL

R'm	2016	2015	% change
Depreciation and amortisation	223	210	6.1
Occupancy costs	680	617	10.2
Employment costs	2 319	2 033	14.1
Other operating costs	1 076	1 007	6.9
<b>Total retail costs</b>	<b>4 298</b>	<b>3 867</b>	<b>11.2</b>
% of turnover	25.8%	26.2%	

- Investing in new stores, pharmacies and customer service
- Employee share ownership plan (ESOP) charge of R65m (FY2015: R52m)
  - Comparable employment costs up 8.0%
- Comparable retail costs up 6.4%

CLICKS GROUP ANNUAL RESULTS 2016 10

## PRESENTATION

OPERATING EXPENDITURE - DISTRIBUTION			
R'm	2016	2015	% change
Depreciation and amortisation	29	27	7.6
Occupancy costs	4	3	22.8
Employment costs	232	222	4.1
Other operating costs	326	298	9.7
<b>Total distribution costs</b>	<b>591</b>	<b>550</b>	<b>7.4</b>

- Excellent cost control in a difficult market

CLICKS GROUP ANNUAL RESULTS 2016 11

OPERATING PROFIT					
	2016 R'm	2015 R'm	% change	2016 % margin	2015 % margin
Retail	1 306	1 151	13.5	7.8	7.8
Distribution	276	258	6.7	2.5	2.5
Intragroup	(10)	(13)			
<b>Total group</b>	<b>1 572</b>	<b>1 396</b>	<b>12.6</b>	<b>6.5</b>	<b>6.3</b>

- Retail accounts for 83% of group profit
- Margins held despite challenging market conditions
- Group margin benefitting from stronger retail growth

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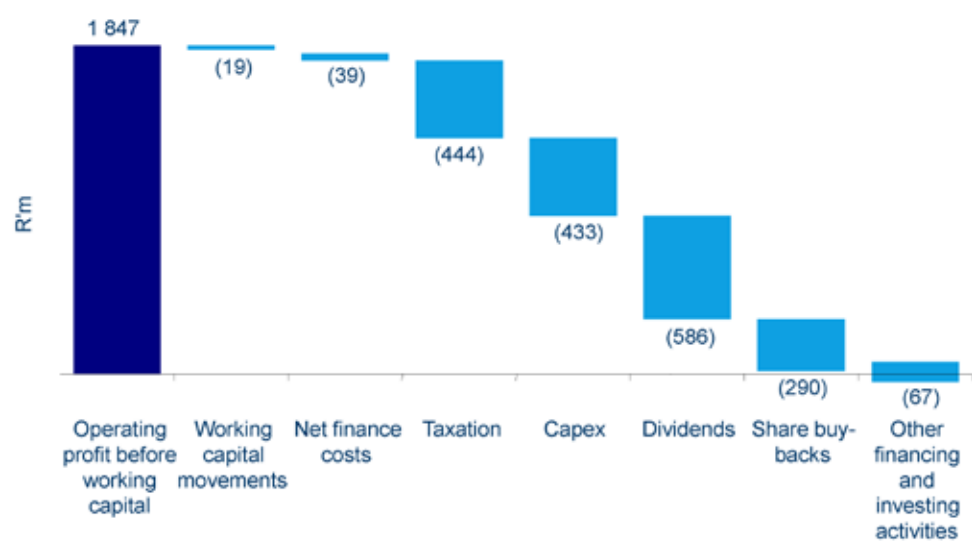
## INVENTORY

	Days in stock		Inventory (R'm)		
	2016	2015	2016	2015	% change
Retail	72	71	2 338	2 024	15.5
Distribution	40	45	1 181	1 256	(6.0)
Intragroup inventory			(40)	(30)	
<b>Total group</b>	<b>66</b>	<b>68</b>	<b>3 479</b>	<b>3 250</b>	<b>7.0</b>

- Focused on maximising availability in Clicks
- Investment in private label products and franchise brands
- UPD stock levels normalised

CLICKS GROUP ANNUAL RESULTS 2016 13

## CASH MANAGEMENT



CLICKS GROUP ANNUAL RESULTS 2016 14

# PRESENTATION

## CAPITAL MANAGEMENT

- Group will remain cash generative
- R577m capex planned for FY2017
  - R343m on store refurbishments, new stores and pharmacies
  - R187m retail infrastructure
  - R47m UPD
- Continue to return surplus cash to shareholders

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## MEDIUM-TERM FINANCIAL TARGETS

	Achieved in 2016	2017 – 2019 target
ROE (%)	49.2	50 – 60
ROA (%)	13.8	14 – 18
Inventory days	66	60 – 65
Group operating margin (%)	6.5	6.0 – 7.0
Retail	7.8	7.5 – 8.5
Distribution	2.5	2.0 – 2.5

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### HEALTH & BEAUTY SALES PERFORMANCE

	% change	% contribution
Pharmacy	14.2	27.3
Front shop health	14.9	23.1
Beauty and personal care	13.3	33.1
General merchandise	10.8	16.5
<b>Total turnover</b>	<b>13.5</b>	100.0


- Health and beauty comprises Clicks, The Body Shop, GNC and Claire's
- Excellent growth across all categories

# PRESENTATION

PHARMACY AND FRONT SHOP HEALTH



- Pharmacy
  - Continued switch to generics +18.6%
  - OTC medicines +18.1%
- Front shop health
  - Good performance in all categories (medicines +13.1%, supplements +10.6%, first aid & diagnostics +15.4%)
- Good growth in GNC; product offer limited by CAMS regulations
- Continuing strong growth in baby +19.7%
- Market shares




%	Aug 2016	Aug 2015
Retail pharmacy*	19.6	18.7
Front shop health**	29.3	29.2
Baby**	12.1	11.2


\* Per IMS      \*\* Per AC Nielsen (comparatives restated)

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BEAUTY AND GENERAL MERCHANDISE



- Beauty and personal care
  - Benefit of wider range in fragrance +16.5%
  - Skincare +18.1%, driven by premium skincare
  - Haircare +7.5%
  - The Body Shop +14.2%
  - Claire's in 123 stores
- General merchandise
  - Confectionery +10.9%; electrical +12.0%
- Market shares



%	Aug 2016	Aug 2015
Skincare**	27.5	26.8
Haircare**	25.7	25.4
Small household appliances***	20.0	19.2

\*\* Per AC Nielsen (comparatives restated)      \*\*\* Per GfK (comparative restated)

CLICKS GROUP ANNUAL RESULTS 2016 20



## CUSTOMER ENGAGEMENT



- Over 1 million new ClubCard members in the past year**
  - 6.2 million active members
  - 77% of sales
- Private label up to 22.2% from 21.2% of sales**
  - Front shop at 28.2%
  - Pharmacy at 4.8%
- Online sales platform launched**
  - Click & Collect now in all 485 stores in SA





CLICKS GROUP ANNUAL RESULTS 2016 21

## STORES AND SERVICE



- 511 Clicks stores with 400 pharmacies**
  - 25 net new stores, 39 net new pharmacies
  - 45 stores refurbished
  - 26 stores outside SA, with sales up 25%
- Investment in service**
  - 966 beauty advisors
  - 540 healthcare and GNC advisors
  - 2 535 pharmacy and clinic staff
  - 111 trainees in future store manager programme





CLICKS GROUP ANNUAL RESULTS 2016 22

# PRESENTATION

**OUTLOOK**

**CLICKS+**  
*feel good pay less*

- Strategy remains unchanged
  - Maintain price competitiveness
  - Faster growth from private label and exclusive brands
  - Improved customer service
  - Growing ClubCard membership
- Extending convenience with more stores and pharmacies
  - 20 – 25 new stores
  - 30 – 35 new pharmacies



**Spring BEAUTY FAIR**

**mix & match 3 for 2**

Buy any 3 Skin Care Products from the same offer, cheapest 1 FREE

CLICKS GROUP ANNUAL RESULTS 2016 23




**MUSICA**  
A WORLD AWAITS

**MUSICA M MEGASTORE**

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## PERFORMANCE



	Turnover		Market share*	
	% change	% contribution	Aug 2016	Aug 2015
CDs	(2.6)	38.4	69.2%	60.9%
DVDs	(1.6)	25.6	52.3%	43.7%
Gaming	4.8	17.6	15.0%	13.0%
Technology	11.2	18.4		
<b>Total turnover</b>	<b>1.2</b>	<b>100.0</b>		

- Market share growth in all categories, supported by good availability and strong promotional activity
- Weak release schedule in H2 affected CDs and DVDs
- Strong performance in technology driven by extension of range
- Musica remains profitable and cash generative


\* Per Aquidneck / GfK (restated)






# PRESENTATION

**FINE WHOLESAL TURNOVER**

  
**UPD**  
WE DELIVER HEALTHCARE




	% change	% contribution
Clicks	13.5	44.9
Hospitals	4.2	31.8
Independent pharmacy	(9.4)	16.4
Other channels	(6.4)	6.9
<b>Fine wholesale turnover</b>	<b>4.6</b>	<b>100.0</b>


- Core customers 76.7% of sales
- Wholesale market share 24.1%\*

\* MAT per IMS

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**PERFORMANCE**

  
**UPD**  
WE DELIVER HEALTHCARE






- Managing R15 billion in turnover – flat on last year
  - No new distribution business during the year
- Continued margin pressure from product mix
  - Generics increased from 45.7% to 48.2% of reported turnover
- Demonstrated ability to manage business efficiently in a difficult year
  - Better inventory control
  - Improved business processes

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## OUTLOOK

- Continued margin pressure from faster growth in generics
- Independent pharmacy customers under pressure
- Slightly higher SEP increase expected
- Opportunity for growth in distribution
- Continued focus on cost efficiencies



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## OUTLOOK

DAVID KNEALE



# PRESENTATION

## OUTLOOK

- Consumer environment to remain challenging
- Higher selling price inflation may impact on volumes
- Markets and business model are resilient
- Continuing organic growth prospects for Clicks into the longer term
- Investment in stores, IT, supply chain and people to enable growth
- Confident of group's ability to deliver on targets

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## DISCLAIMER

Clicks Group has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this presentation, including all information that may be defined as 'forward-looking statements' within the meaning of United States securities legislation.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'.

Forward-looking statements are not statements of fact, but statements by the management of Clicks Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance.

No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

The risks and uncertainties inherent in the forward-looking statements contained in this presentation include, but are not limited to: changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic business and market conditions; changes in the domestic regulatory and legislative environments; changes to domestic operational, social, economic and political risks; and the effects of both current and future litigation.

Clicks Group does not undertake to update any forward-looking statements contained in this presentation and does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.

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## CORPORATE INFORMATION

**Registered address:** Cnr Searle and Pontac Streets, Cape Town 8001. PO Box 5142, Cape Town 8000

**Directors:** DM Nurek\* (Chairman), F Abrahams\*, JA Bester\*, BD Engelbrecht, M Fleming (Chief Financial Officer), F Jakoet\*, DA Kneale# (Chief Executive Officer), NS Matlala\*, M Rosen\*

\* Independent non-executive # British

**Acting company secretary:** A Barnard

**Transfer secretaries:** Computershare Investor Services Proprietary Limited  
70 Marshall Street, Johannesburg 2001. PO Box 61051, Marshalltown 2107

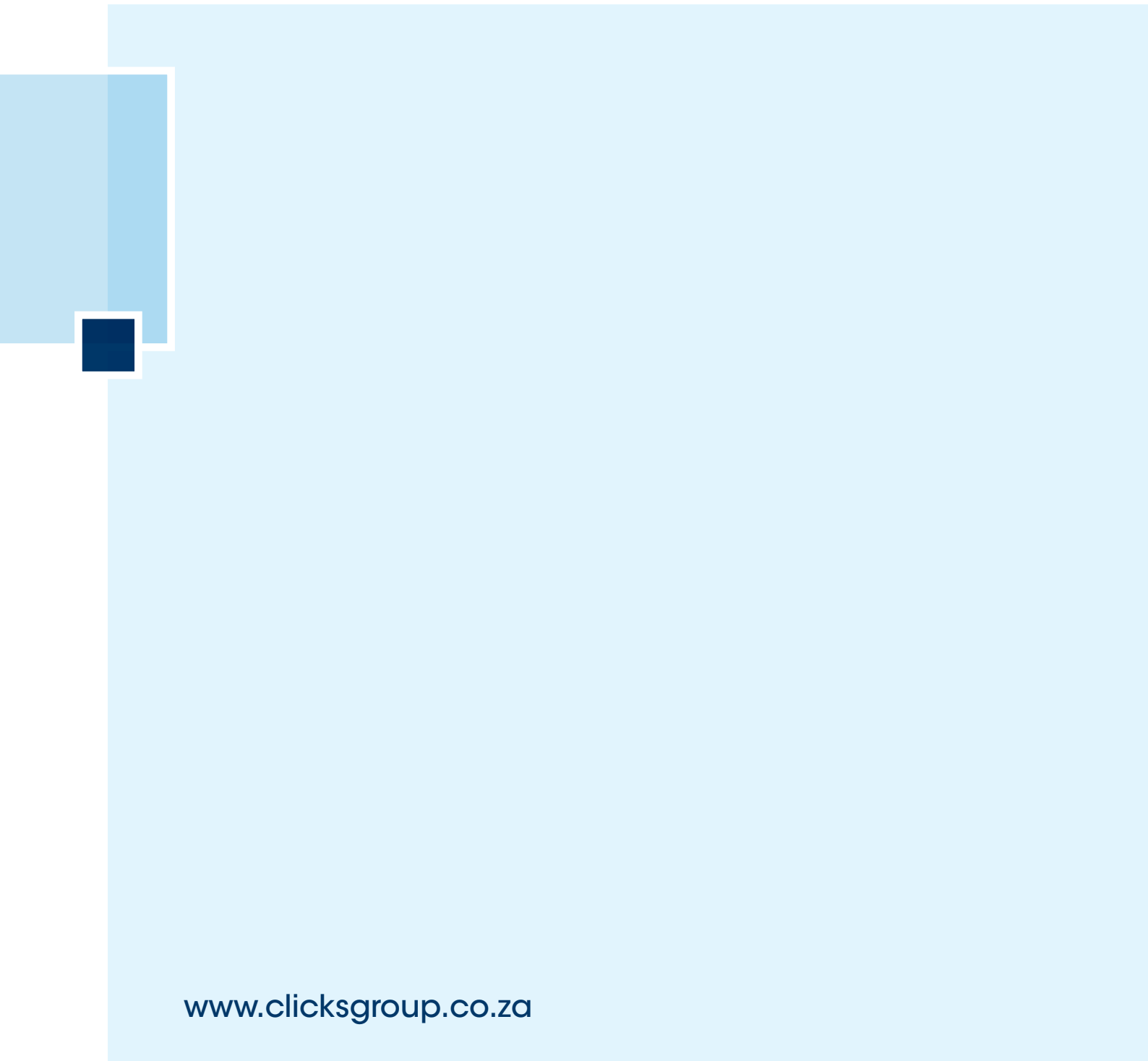
**Sponsor:** Investec Bank Limited

**Registration number:** 1996/000645/06      **Income tax number:** 9061/745/71/8

**Share code:** CLS      **ISIN:** ZAE000134854      **CUSIP:** 18682W205

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