



CLICKS GROUP

L I M I T E D

INTERIM CONDENSED
CONSOLIDATED RESULTS
for the six months ended 28 February 2015



Group
turnover up
14.1%

Diluted headline
EPS up
12.8%

Interim
dividend up
22.4%

Return on
equity
53.6%

COMMENTARY

Overview

Trading conditions continued to be challenging over the past six months as consumers remained cash constrained and value conscious. In this environment the group has continued to trade well, with all the retail brands delivering real volume growth and gaining market share. The group's pharmaceutical distribution business, UPD, also continues to gain market share.

The group's diluted headline earnings per share for the half-year increased by 12.8% to 177.6 cents. The interim dividend was increased by 22.4% to 65.5 cents per share based on the reduced annual dividend cover ratio of 1.7 times.

The performance for the six months translated into a sector-leading return on equity of 53.6%.

Financial performance

Group turnover increased by 14.1% to R10.7 billion, with retail sales growing by 9.9% and UPD by 20.7%. Selling price inflation was contained to 3.5% for the period.

Total income increased by 11.3%. The faster turnover growth in UPD has resulted in the group's total income margin reducing 70 basis points to 26.3%.

Operating expenses in retail were 11.5% higher due to increased investment in stores, staff and advertising costs. Comparable retail cost growth was contained at 7.9%. UPD expenses grew by 9.4% owing to increased variable costs from the growth in the distribution business, and by 6.2% on a comparable basis.

Operating profit grew by 12.2% to R640 million. The retail business improved operating margin by 10 basis points to 7.3%. UPD increased operating profit by 15.7% although the increase in the lower margin generics business continues to place pressure on the margin which reduced by 10 basis points to 2.3%.

Inventory days improved from 75 to 71 days and inventory levels were 9.4% higher at the end of the reporting period.

Cash inflow from operations before working capital changes increased by R93 million to R800 million. The group returned R448 million to shareholders through dividend payments of R333 million and share buy-backs of R115 million.

Capital expenditure of R148 million was invested during the first half with a further R231 million committed for the second half of the year, mainly on store expansion and refurbishment, as well as IT systems.

Trading performance

The Clicks chain increased sales by 10.5% and by 7.6% in comparable stores, driven by innovative value-oriented promotions. The store footprint was expanded to 473, with 346 dispensaries and 150 clinics.

The Body Shop and GNC, the group's health and beauty franchise brands, continue to differentiate the Clicks offer. The Body Shop increased turnover by 12.2% and now has a presence in 92 Clicks stores, with 47 standalone stores. The recently launched GNC brand has four stores and a presence in 250 Clicks outlets.

Musica increased sales by 2.4% and continued to gain market share.

UPD benefited from the expected growth in its preferred supply chain partner contracts and increased turnover by 20.7%, with volume growth of 24.3%.

Outlook

Trading conditions are expected to remain unchanged in the second half of the year with consumer disposable income

under continued pressure. Loadshedding in the winter months poses a further risk to sales in the second half of the year.

Despite the headwinds in the consumer environment the Clicks chain is well positioned for continuing growth, supported by a strong value proposition, the benefits of the relaunched ClubCard and a sustainable pipeline of new stores and pharmacies. UPD will continue to entrench its leadership position in the pharmaceutical distribution market by growing scale and extracting efficiencies.

Record levels of capital expenditure of R379 million will be invested this year.

Full-year earnings forecast

The directors forecast that diluted headline earnings per share for the financial year ending 31 August 2015 will increase by between 10% and 15% over the 2014 financial year.

The forecast is based on the following key assumptions: the current consumer environment will not materially deteriorate; selling price inflation will average 4% to 5% for the year; and the group will continue to invest for longer-term growth, mainly in new stores and pharmacies.

Shareholders are advised that this forecast has not been reviewed or reported on by the group's independent auditor.

Interim dividend

The board of directors have approved an interim gross ordinary dividend of 65.5 cents per share (2014: 53.5 cents per share). The source of the dividend will be from distributable reserves and paid in cash.

Additional information

Dividends Tax (DT) amounting to 9.825 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 55.675 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 9061/745/7118.

Shareholders are advised of the following salient dates in respect of the interim dividend:

Last day to trade "cum" the dividend	Friday, 26 June 2015
Shares trade "ex" the dividend	Monday, 29 June 2015
Record date	Friday, 3 July 2015
Payment to shareholders	Monday, 6 July 2015

Share certificates may not be dematerialised or rematerialised between Monday, 29 June 2015 and Friday, 3 July 2015, both days inclusive.

The directors of the company 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 Friday, 26 June 2015, 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

David Janks

Company Secretary

23 April 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Six months to 28 February 2015 (unaudited)	Six months to 28 February 2014 (unaudited)	% change	Year to 31 August 2014 (audited)
Revenue	11 200 717	9 811 411	14.2	20 203 300
Turnover	10 664 306	9 348 825	14.1	19 149 524
Cost of merchandise sold	(8 388 559)	(7 284 418)	15.2	(15 026 159)
Gross profit	2 275 747	2 064 407	10.2	4 123 365
Other income	533 194	459 758	16.0	1 048 279
Total income	2 808 941	2 524 165	11.3	5 171 644
Expenses	(2 168 825)	(1 953 569)	11.0	(3 953 943)
Depreciation and amortisation	(117 077)	(107 538)	8.9	(219 871)
Occupancy costs	(307 943)	(279 017)	10.4	(564 469)
Employment costs	(1 115 787)	(1 010 011)	10.5	(2 033 605)
Other costs	(628 018)	(557 003)	12.7	(1 135 998)
Operating profit	640 116	570 596	12.2	1 217 701
(Loss)/profit on disposal of property, plant and equipment	(4 082)	(3 346)	22.0	29 687
Profit before financing costs	636 034	567 250	12.1	1 247 388
Net financing costs	(24 740)	(22 700)	9.0	(40 660)
Financial income	3 217	2 828	13.8	5 497
Financial expense	(27 957)	(25 528)	9.5	(46 157)
Profit before taxation	611 294	544 550	12.3	1 206 728
Income tax expense	(172 701)	(154 665)	11.7	(341 883)
Profit for the period	438 593	389 885	12.5	864 845
Other comprehensive income/(loss):				
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translation of foreign subsidiaries	760	559		(236)
Cash flow hedges	27 808	(3 224)		(11 584)
Change in fair value of effective portion	38 622	(4 476)		(16 087)
Deferred tax on movement of effective portion	(10 814)	1 252		4 503
Other comprehensive income/(loss) for the period, net of tax	28 568	(2 665)		(11 820)
Total comprehensive income for the period	467 161	387 220		853 025
Profit attributable to:				
Equity holders of the parent	438 593	389 733		864 612
Non-controlling interest	-	152		233
	438 593	389 885		864 845
Total comprehensive income attributable to:				
Equity holders of the parent	467 161	387 068		852 792
Non-controlling interest	-	152		233
	467 161	387 220		853 025
Earnings per share (cents)	182.2	158.5	15.0	352.4
Diluted earnings per share (cents)	176.4	156.5	12.7	347.4

HEADLINE EARNINGS RECONCILIATION

R'000	Six months to 28 February 2015 (unaudited)	Six months to 28 February 2014 (unaudited)	% change	Year to 31 August 2014 (audited)
Total profit for the period attributable to equity holders of the parent	438 593	389 733		864 612
Adjusted for:				
Loss/(profit) on disposal of property, plant and equipment	2 939	2 410		(26 250)
Headline earnings	441 532	392 143	12.6	838 362
Headline earnings per share (cents)	183.5	159.4	15.1	341.7
Diluted headline earnings per share (cents)	177.6	157.4	12.8	336.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 28 February 2015 (unaudited)	As at 28 February 2014 (unaudited)	As at 31 August 2014 (audited)
Non-current assets	1 938 555	1 614 031	1 771 636
Property, plant and equipment	1 150 461	1 067 116	1 135 007
Intangible assets	376 942	353 665	371 623
Goodwill	103 510	103 510	103 510
Deferred tax assets	195 165	55 545	126 335
Loans receivable	12 755	12 306	12 540
Financial assets at fair value through profit or loss	17 248	21 889	22 621
Derivative financial assets	82 474	–	–
Current assets	4 936 252	4 507 873	4 420 621
Inventories	3 166 137	2 894 162	2 614 196
Trade and other receivables	1 703 176	1 441 857	1 607 659
Cash and cash equivalents	61 154	162 394	195 631
Derivative financial assets	5 785	9 460	3 135
Total assets	6 874 807	6 121 904	6 192 257
Equity and liabilities			
Total equity	1 701 782	1 375 890	1 566 973
Non-current liabilities	310 188	256 162	286 465
Employee benefits	133 274	90 306	115 336
Deferred tax liabilities	–	5 048	2 782
Operating lease liability	176 914	160 808	168 347
Current liabilities	4 862 837	4 489 852	4 338 819
Trade and other payables	4 477 930	3 761 013	4 041 261
Employee benefits	138 635	132 200	190 494
Provisions	8 845	6 188	9 882
Interest-bearing borrowings	181 500	549 700	–
Income tax payable	54 588	40 677	94 342
Derivative financial liabilities	1 339	74	2 840
Total equity and liabilities	6 874 807	6 121 904	6 192 257

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Six months to 28 February 2015 (unaudited)	Six months to 28 February 2014 (unaudited)	Year to 31 August 2014 (audited)
Operating profit before working capital changes	800 243	706 991	1 490 840
Working capital changes	(248 908)	(118 914)	354 925
Net interest paid	(20 984)	(17 602)	(30 978)
Taxation paid	(201 649)	(170 760)	(350 204)
Cash inflow from operating activities before dividends paid	328 702	399 715	1 464 583
Dividends paid to shareholders	(333 124)	(298 202)	(429 277)
Net cash effects from operating activities	(4 422)	101 513	1 035 306
Net cash effects from investing activities	(147 962)	(131 905)	(299 096)
Capital expenditure	(147 753)	(129 024)	(336 854)
Other investing activities	(209)	(2 881)	37 758
Net cash effects from financing activities	17 907	100 620	(632 745)
Purchase of treasury shares	(115 356)	(101 481)	(285 146)
Treasury shares cancellation costs	–	(3 244)	(3 244)
Acquisition of derivative financial asset	(48 237)	–	–
Other financing activities	181 500	205 345	(344 355)
Net (decrease)/increase in cash and cash equivalents	(134 477)	70 228	103 465
Cash and cash equivalents at the beginning of the period	195 631	92 166	92 166
Cash and cash equivalents at the end of the period	61 154	162 394	195 631

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Six months to 28 February 2015 (unaudited)	Six months to 28 February 2014 (unaudited)	Year to 31 August 2014 (audited)
Opening balance	1 566 973	1 376 838	1 376 838
Purchase of treasury shares	(115 356)	(101 481)	(285 146)
Treasury shares cancellation costs	–	(3 244)	(3 244)
Dividends paid to shareholders	(333 124)	(298 202)	(429 277)
Total comprehensive income for the year	467 161	387 220	853 025
Share-based payment reserve movement	116 128	14 759	55 542
Acquisition on non-controlling interest	–	–	(765)
Total	1 701 782	1 375 890	1 566 973
Dividend per share (cents)			
Interim declared/paid	65.5	53.5	53.5
Final paid	–	–	136.5
	65.5	53.5	190.0

SEGMENTAL ANALYSIS

The group's reportable segments under IFRS 8 are Retail and Distribution.

R'000	Turnover	Profit before taxation	Total assets	Capital expenditure	Total liabilities
Six months to 28 February 2015 (unaudited)					
Retail	7 288 484	533 652	3 414 906	113 437	2 385 023
Distribution	4 820 087	111 931	4 108 180	14 447	3 173 945
Inter-segmental	(1 444 265)	(5 467)	(1 659 158)	–	(1 643 482)
Total reportable segmental balance	10 664 306	640 116	5 863 928	127 884	3 915 486
Non-reportable segmental balance	–	(28 822)	1 010 879	19 869	1 257 539
Total group balance	10 664 306	611 294	6 874 807	147 753	5 173 025
Six months to 28 February 2014 (unaudited)					
Retail	6 633 690	475 563	3 051 176	79 820	1 970 579
Distribution	3 993 195	96 780	3 424 738	27 709	2 713 167
Inter-segmental	(1 278 060)	(1 747)	(1 257 901)	–	(1 248 753)
Total reportable segmental balance	9 348 825	570 596	5 218 013	107 529	3 434 993
Non-reportable segmental balance	–	(26 046)	903 891	21 495	1 311 021
Total group balance	9 348 825	544 550	6 121 904	129 024	4 746 014
Twelve months to 31 August 2014 (audited)					
Retail	13 369 083	1 000 119	3 070 544	234 844	2 390 715
Distribution	8 563 104	220 960	3 492 247	47 041	2 667 547
Inter-segmental	(2 782 663)	(3 378)	(1 347 924)	–	(1 337 715)
Total reportable segmental balance	19 149 524	1 217 701	5 214 867	281 885	3 720 547
Non-reportable segmental balance	–	(10 973)	977 390	54 969	904 737
Total group balance	19 149 524	1 206 728	6 192 257	336 854	4 625 284
R'000			Six months to 28 February 2015 (unaudited)	Six months to 28 February 2014 (unaudited)	Year to 31 August 2014 (audited)
Non-reportable segmental profit before taxation consists of:					
(Loss)/profit on disposal of property, plant and equipment			(4 082)	(3 346)	29 687
Financial income			3 217	2 828	5 497
Financial expense			(27 957)	(25 528)	(46 157)
			(28 822)	(26 046)	(10 973)

SUPPLEMENTARY INFORMATION

		As at 28 February 2015 (unaudited)	As at 28 February 2014 (unaudited)	As at 31 August 2014 (audited)
Number of ordinary shares in issue (gross)	('000)	246 138	246 138	246 138
Number of ordinary shares in issue including "A" shares issued in terms of employee share ownership programme (gross)	('000)	275 291	275 291	275 291
Number of ordinary shares in issue (net of treasury shares)	('000)	240 572	245 032	242 260
Weighted average number of shares in issue (net of treasury shares)	('000)	240 669	245 958	245 364
Weighted average diluted number of shares in issue (net of treasury shares)	('000)	248 652	249 074	248 892
Number of ordinary shares purchased	('000)	1 688	1 848	4 620
Net asset value per share	(cents)	707	562	647
Net tangible asset value per share	(cents)	508	375	451
Depreciation and amortisation	(R'000)	122 127	112 436	229 703
Capital expenditure	(R'000)	147 753	129 024	336 854
Capital commitments	(R'000)	231 200	217 500	369 700

NOTES

Accounting policies

These financial results for the six months ended 28 February 2015 have been prepared in compliance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Council, the disclosure requirements of IAS 34 and the South African Companies Act (71 of 2008, as amended).

The accounting policies and methods of computation applied in the preparation of the interim financial results for the six months ended February 2015 are in accordance with IFRS and are consistent with those applied in the preparation of the audited financial statements for the year ended 31 August 2014.

The information contained in the interim report has neither been audited nor reviewed by the group's external auditors. These condensed consolidated financial results have been prepared under the supervision of Mr M Fleming CA (SA), the Chief Financial Officer of the group.

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*, KDM Warburton^

* Independent non-executive # British ^ Resigned 28 January 2015

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

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

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

Sponsor: Investec Bank Limited

This information, together with additional detail,
is available on the Clicks Group Limited website:

www.clicksgroup.co.za