

INTERIM CONDENSED CONSOLIDATED RESULTS  
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2016



CLICKS GROUP  
LIMITED

Group turnover up

**13.4%**

Diluted headline EPS up

**15.1%**

Interim dividend up

**16.0%**

Return on equity of

**53.1%**

**R696 million**

returned to shareholders

**5.7 million**

Clicks ClubCard active  
members

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# COMMENTARY

## Overview

Clicks Group performed well against a backdrop of constrained consumer spending, increasing financial pressures and growing economic uncertainty in the country.

The group's retail businesses produced excellent trading performances, particularly over the festive and holiday season. Customers responded positively to the strong value offer and innovative product ranges which resulted in good volume growth and increased market shares across all core merchandise categories.

Diluted headline earnings per share (HEPS) for the half-year increased by 15.1% to 204.4 cents and the interim dividend was increased by 16.0% to 76.0 cents per share.

## Financial performance

Group turnover increased by 13.4% to R12.1 billion, with retail sales growing by 13.4% and UPD by 12.8%. Selling price inflation was contained to 4.4% for the period.

Total income increased by 12.3%. The investment in competitive pricing in Clicks and the faster growth in generic medicines in UPD reduced the group's total income margin by 20 basis points to 26.1%.

The increase in retail operating expenses of 11.7% was contained below sales growth despite the investment in stores, pharmacies and marketing costs. UPD expenses grew by 12.9% and by 8.0% on a comparable basis.

Operating profit grew by 14.4% to R732 million with the operating margin increasing 10 basis points to 6.1%, benefiting from the stronger retail growth.

Inventory days in stock moved from 71 to 73 days, with inventory levels 17.1% higher at the end of February owing to the investment in stock by all businesses ahead of supplier price increases.

The group remains highly cash-generative. Cash inflow from operations before working capital changes rose 11% to R888 million. Almost R700 million was returned to shareholders through dividend payments of R406 million and share buy-backs of R290 million.

Capital expenditure of R203 million was invested during the first half, mainly on new stores and pharmacies, refurbishments and IT systems.

The group's performance translated into a sector-leading return on equity of 53.1%.

## Trading performance

Retail health and beauty sales, including Clicks and the franchise brands of The Body Shop, GNC and Claire's, increased by 14.1%, with strong performances in all product categories.

The Clicks store footprint was expanded to 496, with 384 pharmacies. This is supported by 60 standalone health and beauty franchise stores.

ClubCard membership increased by almost one million following the successful relaunch of the loyalty programme last year, bringing total membership to 5.7 million active customers.

UPD grew turnover by 12.8%, driven partly by the earlier implementation of the annual increase in the single exit price (SEP) of medicines which resulted in customers buying in stock ahead of manufacturer's price increases.

## Outlook

Clicks Group is well positioned for continued growth despite the weakening outlook for consumer spending in the months ahead.

The core health and beauty markets in which the group trades are relatively resilient to economic downturns, with the strong value proposition of the Clicks brand appealing to consumers. Clicks also has considerable scope to expand its store and pharmacy footprint in South Africa.

The group continues to invest for long-term growth and record levels of capital expenditure of R455 million will be invested in the financial year.

## Full-year earnings forecast

The directors forecast that diluted HEPS for the financial year ending 31 August 2016 will increase by between 10% and 15% over the 2015 financial year.

The forecast is based on the following key assumptions: the consumer spending environment will become increasingly challenging in the second half of the financial year; selling price inflation will be between 4% and 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 has approved an interim gross ordinary dividend for the period ended 29 February 2016 of 76.0 cents per share (2015: 65.5 cents per share). The source of the dividend will be from distributable reserves and paid in cash.

## Additional information

Dividends Tax (DT) amounting to 11.4 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 64.6 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 interim dividend:

Last day to trade "cum" the dividend	Friday, 24 June 2016
Shares trade "ex" the dividend	Monday, 27 June 2016
Record date	Friday, 1 July 2016
Payment to shareholders	Monday, 4 July 2016

Share certificates may not be dematerialised or rematerialised between Monday, 27 June 2016 and Friday, 1 July 2016, 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, 24 June 2016, 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

21 April 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Six months to 29 February 2016 (unaudited)	Six months to 28 February 2015 (unaudited)	% change	Year to 31 August 2015 (audited)
Revenue	12 704 866	11 200 717	13.4	23 285 096
<b>Turnover</b>	<b>12 093 347</b>	10 664 306	13.4	22 070 092
Cost of merchandise sold	(9 545 841)	(8 388 559)	13.8	(17 545 318)
<b>Gross profit</b>	<b>2 547 506</b>	2 275 747	11.9	4 524 774
Other income	608 103	533 194	14.0	1 210 082
<b>Total income</b>	<b>3 155 609</b>	2 808 941	12.3	5 734 856
Expenses	(2 423 410)	(2 168 825)	11.7	(4 338 817)
Depreciation and amortisation	(121 900)	(117 077)	4.1	(237 670)
Occupancy costs	(340 526)	(307 943)	10.6	(619 023)
Employment costs	(1 244 372)	(1 115 787)	11.5	(2 255 417)
Other costs	(716 612)	(628 018)	14.1	(1 226 707)
<b>Operating profit</b>	<b>732 199</b>	640 116	14.4	1 396 039
Loss on disposal of property, plant and equipment	(3 098)	(4 082)	(24.1)	(9 446)
<b>Profit before financing costs</b>	<b>729 101</b>	636 034	14.6	1 386 593
Net financing costs	(18 182)	(24 740)	(26.5)	(57 309)
Financial income	3 416	3 217	6.2	4 922
Financial expense	(21 598)	(27 957)	(22.7)	(62 231)
<b>Profit before taxation</b>	<b>710 919</b>	611 294	16.3	1 329 284
Income tax expense	(201 913)	(172 701)	16.9	(374 709)
<b>Profit for the period</b>	<b>509 006</b>	438 593	16.1	954 575
<b>Other comprehensive 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	6 522	760		4 777
Cash flow hedges	(109)	27 808		33 238
Change in fair value of effective portion	(151)	38 622		46 164
Deferred tax on movement of effective portion	42	(10 814)		(12 926)
<b>Other comprehensive income for the period, net of tax</b>	<b>6 413</b>	28 568		38 780
<b>Total comprehensive income for the period</b>	<b>515 419</b>	467 161		993 355
Earnings per share (cents)	213.3	182.2	17.1	396.7
Diluted earnings per share (cents)	203.5	176.4	15.4	381.5

## HEADLINE EARNINGS RECONCILIATION

R'000	Six months to 29 February 2016 (unaudited)	Six months to 28 February 2015 (unaudited)	% change	Year to 31 August 2015 (audited)
Total profit for the period	509 006	438 593		954 575
Adjusted for:				
Loss net of tax on disposal of property, plant and equipment	2 230	2 939		6 801
Insurance recovery income net of tax on property, plant and equipment	–	–		(921)
<b>Headline earnings</b>	<b>511 236</b>	441 532	15.8	960 455
Headline earnings per share (cents)	214.2	183.5	16.7	399.2
Diluted headline earnings per share (cents)	204.4	177.6	15.1	383.9

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 29 February 2016 (unaudited)	As at 28 February 2015 (unaudited)	As at 31 August 2015 (audited)
<b>Non-current assets</b>	<b>2 165 828</b>	<b>1 938 555</b>	<b>2 009 163</b>
Property, plant and equipment	1 284 961	1 150 461	1 221 658
Intangible assets	405 020	376 942	395 625
Goodwill	103 510	103 510	103 510
Deferred tax assets	195 123	195 165	177 037
Investment in associate	19 666	–	–
Loans receivable	13 246	12 755	13 003
Financial assets at fair value through profit and loss	19 946	17 248	16 668
Derivative financial assets	124 356	82 474	81 662
<b>Current assets</b>	<b>6 210 054</b>	<b>4 936 252</b>	<b>5 546 775</b>
Inventories	3 708 736	3 166 137	3 249 914
Trade and other receivables	2 248 338	1 703 176	1 871 616
Cash and cash equivalents	227 888	61 154	400 738
Derivative financial assets	25 092	5 785	24 507
<b>Total assets</b>	<b>8 375 882</b>	<b>6 874 807</b>	<b>7 555 938</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>	<b>1 889 767</b>	<b>1 701 782</b>	<b>2 012 807</b>
<b>Non-current liabilities</b>	<b>316 058</b>	<b>310 188</b>	<b>308 503</b>
Employee benefits	124 839	133 274	128 035
Operating lease liability	186 553	176 914	180 468
Financial liability held at fair value through profit and loss	4 666	–	–
<b>Current liabilities</b>	<b>6 170 057</b>	<b>4 862 837</b>	<b>5 234 628</b>
Trade and other payables	5 730 139	4 477 930	4 898 114
Employee benefits	165 841	138 635	214 943
Provisions	5 745	8 845	5 745
Interest-bearing borrowings	200 800	181 500	–
Income tax payable	66 340	54 588	115 826
Derivative financial liabilities	1 192	1 339	–
<b>Total equity and liabilities</b>	<b>8 375 882</b>	<b>6 874 807</b>	<b>7 555 938</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Six months to 29 February 2016 (unaudited)	Six months to 28 February 2015 (unaudited)	Year to 31 August 2015 (audited)
Operating profit before working capital changes	888 782	800 243	1 699 743
Working capital changes	(47 224)	(248 908)	(15 451)
Net interest paid	(13 025)	(20 984)	(39 025)
Taxation paid	(242 258)	(201 649)	(355 520)
Cash inflow from operating activities before dividends paid	586 275	328 702	1 289 747
Dividends paid to shareholders	(406 051)	(333 124)	(490 758)
Net cash effects from operating activities	180 224	(4 422)	798 989
Net cash effects from investing activities	(218 556)	(147 962)	(369 381)
Capital expenditure	(203 437)	(147 753)	(369 547)
Other investing activities	(15 119)	(209)	166
Net cash effects from financing activities	(134 518)	17 907	(224 501)
Purchase of treasury shares	(290 171)	(115 356)	(176 264)
Acquisition of derivative financial assets	(45 147)	(48 237)	(48 237)
Interest-bearing borrowings raised	200 800	181 500	–
Net (decrease)/increase in cash and cash equivalents	(172 850)	(134 477)	205 107
Cash and cash equivalents at the beginning of the period	400 738	195 631	195 631
<b>Cash and cash equivalents at the end of the period</b>	<b>227 888</b>	<b>61 154</b>	<b>400 738</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Six months to 29 February 2016 (unaudited)	Six months to 28 February 2015 (unaudited)	Year to 31 August 2015 (audited)
Opening balance	2 012 807	1 566 973	1 566 973
Purchase of treasury shares	(290 171)	(115 356)	(176 264)
Dividends paid to shareholders	(406 051)	(333 124)	(490 758)
Total comprehensive income for the period	515 419	467 161	993 355
Share-based payment reserve movement	57 763	116 128	119 501
<b>Total</b>	<b>1 889 767</b>	<b>1 701 782</b>	<b>2 012 807</b>
Dividend per share (cents)			
Interim declared/paid	76.0	65.5	65.5
Final paid	–	–	169.5
	<b>76.0</b>	<b>65.5</b>	<b>235.0</b>

## 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
<b>Six months to 29 February 2016 (unaudited)</b>					
Retail	8 263 200	623 516	3 969 322	172 547	2 672 891
Distribution	5 436 703	114 304	5 429 748	6 003	4 272 078
Inter-segmental	(1 606 556)	(5 621)	(2 257 612)	–	(2 226 633)
Total reportable segmental balance	12 093 347	732 199	7 141 458	178 550	4 718 336
Non-reportable segmental balance	–	(21 280)	1 234 424	24 887	1 767 779
<b>Total group balance</b>	<b>12 093 347</b>	<b>710 919</b>	<b>8 375 882</b>	<b>203 437</b>	<b>6 486 115</b>

<b>Six months to 28 February 2015 (unaudited)</b>					
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
<b>Total group balance</b>	<b>10 664 306</b>	<b>611 294</b>	<b>6 874 807</b>	<b>147 753</b>	<b>5 173 025</b>

<b>Twelve months to 31 August 2015 (audited)</b>					
Retail	14 757 724	1 150 684	3 475 535	280 322	2 386 819
Distribution	10 415 301	258 578	4 698 119	27 758	3 635 137
Inter-segmental	(3 102 933)	(13 223)	(1 973 273)	–	(1 947 914)
Total reportable segmental balance	22 070 092	1 396 039	6 200 381	308 080	4 074 042
Non-reportable segmental balance	–	(66 755)	1 355 557	61 467	1 469 089
<b>Total group balance</b>	<b>22 070 092</b>	<b>1 329 284</b>	<b>7 555 938</b>	<b>369 547</b>	<b>5 543 131</b>

R'000	As at 29 February 2016 (unaudited)	As at 28 February 2015 (unaudited)	As at 31 August 2015 (audited)
<b>Non-reportable segmental profit before taxation consists of:</b>			
Loss on disposal of property, plant and equipment	(3 098)	(4 082)	(9 446)
Financial income	3 416	3 217	4 922
Financial expense	(21 598)	(27 957)	(62 231)
	<b>(21 280)</b>	<b>(28 822)</b>	<b>(66 755)</b>

## SUPPLEMENTARY INFORMATION

		As at 29 February 2016 (unaudited)	As at 28 February 2015 (unaudited)	As at 31 August 2015 (audited)
Number of ordinary shares in issue (gross)	('000)	<b>246 138</b>	246 138	246 138
Number of ordinary shares in issue including "A" shares issued in terms of employee share ownership programme (gross)	('000)	<b>275 291</b>	275 291	275 291
Number of ordinary shares in issue (net of treasury shares)	('000)	<b>236 524</b>	240 572	239 884
Weighted average number of shares in issue (net of treasury shares)	('000)	<b>238 624</b>	240 669	240 603
Weighted average diluted number of shares in issue (net of treasury shares)	('000)	<b>250 110</b>	248 652	250 204
Number of ordinary shares purchased	('000)	<b>3 360</b>	1 688	2 376
Net asset value per share	(cents)	<b>799</b>	707	839
Net tangible asset value per share	(cents)	<b>584</b>	508	631
Depreciation and amortisation	(R'000)	<b>127 517</b>	122 127	248 054
Capital expenditure	(R'000)	<b>203 437</b>	147 753	369 547
Capital commitments	(R'000)	<b>251 300</b>	231 200	432 300

## ACCOUNTING POLICIES AND NOTES

1.1 These condensed consolidated financial results for the six months ended 29 February 2016 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting.

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 M Fleming CA(SA), the Chief Financial Officer of the group.

The accounting policies used in the preparation of the financial results for the six months ended 29 February 2016 are in terms of IFRS and are consistent with those applied in the Audited Financial Statements for the year ended 31 August 2015.

- 1.2 Related party transactions for the current year are similar to those disclosed in the group's annual financial statements for the year ended 31 August 2015. No significant related party transactions arose during the current year.
- 1.3 There were no material business combinations during the period under review. The only acquisition was a 25% interest in Sorbet Branding Proprietary Limited. The contribution of this acquisition to profit for the period under review was not material.
- 1.4 Under the general authorities granted by shareholders, 3 360 470 shares were repurchased during the current year.
- 1.5 The carrying value of all financial instruments approximates fair value. All financial instruments are held at amortised cost, with the exception of derivative instruments that are accounted for at fair value through profit or loss. The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques; if all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. All financial instruments accounted for at fair value through profit or loss are considered to be level 2 investments and there have been no transfers between levels 1, 2 and 3 during the year.
- 1.6 The majority of the non-current derivative financial assets are to hedge obligations under the cash-settled share compensation scheme.



**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

**Company secretary:** DW Janks

**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

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