

Clicks Group financial results for the six months to 29 February 2024

Trade Intelligence Comment

Once again, Bertina Engelbrecht shared a solid set of results for the Click Group's first half of FY2024. Despite tough trading conditions, the Group demonstrated resilience, achieving growth in market share across its retail health and beauty categories, growing private brands (sales +14.3%) and enhancing margins. Group turnover rose +9.0%, while retail turnover (Clicks, GNC, The Body Shop and Sorbet corporate stores) saw a notable +12.4% increase. Additionally, total income grew +14.1%, with retail costs climbing +14.8%, primarily attributed to higher depreciation charges, lease liabilities, provisions for employee incentives, advertising, and electricity costs.

Aligned with the Group's strategies: **value** was enhanced through a +14.0% increase in promotional sales, contributing 44.7% of turnover and **rewarding customers** with a substantial R387m in ClubCard cashbacks. Through its **personalisation** strategy, its now 11 million active ClubCard members make up 82.0% of sales.

Clicks continues to focus on increased **accessibility** having opened its 900th store and adding 27 pharmacies over the last year, with a long-term target of 1,200 Clicks stores. Despite anticipated constraints on consumer spending due to inflationary pressures, potential disruptions ahead of the general election and the possible return of load shedding, the company is accelerating its store expansion plans, aiming to open 50-55 stores and 10-20 pharmacies in the 2024 financial year. Pharmacy expansion is lagging behind initial plans as Clicks awaits held-up pharmacy licenses while it irons out the details for a restructure of Unicorn private brand medicines). The company plans substantial capital investment totalling R920m for the full financial year, on par with the CAPEX investment in FY2023.

Key Highlights

- **Group turnover** +9.0% to R21.8bn for the six months
- **Total income**¹ +14.1% to R6.6bn. Margin 30.2% (HY2023: 28.9%) – growth in Retail ahead of Distribution
 - **Retail income** +14.7% to R6.0bn, margin 34.5% (HY2023: 33.9%) – supported by **private brand** turnover growth +14.3% to R4.5bn, participation at 26.1% including: front shop 30.9% | pharmacy 11.7%
 - **Distribution income** +10.9% to R784m, margin 9.6% (HY2023: 8.8%) – focus on profitable contacts and higher increase in medicine prices (single exit price – SEP)
- **Operating profit**² +13.5% to R1.9bn. Margin 8.5% (HY2023: 8.2%). **Expenses:** +14.1% to R4.7bn
 - **Retail margin** 9.8% (HY2023: 9.7%), higher income margin offsetting expenses: +14.8% to R4.3bn
 - **Distribution margin** 2.4% (HY2023: 2.2%), expenses: +10.8% to R588m
- Diluted **HEPS**³: +13.0% to 534 cents per share (cps). Interim **dividend**⁴: +13.5% to 210cps
- As at 29 Feb 2024: 897 Clicks **stores** (76% "convenience" format and 25% in low-income areas) with 718 pharmacies, and 5 standalone Clicks Baby and Sorbet: 7 corporate and 187 franchise stores

Clicks Group HY2024 Financial Results Summary Table

Division	Turnover (R'bn)	Growth %	Comparable ⁶ Turnover Growth	Internal Price Inflation	Volume ⁷
Group	R21.8bn	+9.0%	Not applicable	+5.5%	
Retail ⁵	R17.3bn	+12.4%	+8.8%	+7.4%	+1.4%
Distribution	R8.1bn	+1.3%	Not applicable	+1.6%	

Note: 1. Total income: Gross profit plus other income | 2. Operating profit: Profit earned before interest income, financing costs and taxes | 3. Adjusted DHEPS (diluted headline earnings per share) | 4. Dividend based on a 65% payout ratio on unadjusted HEPS | 5. Retail is made up of Clicks, GNC, The Body Shop and Sorbet | 6. Comparable growth adjusts for new/closed stores | 7. Underlying volume: comparable growth less internal price inflation | Not shown on the table: Intragroup turnover from Distribution sales to Clicks Retail HY2024: -R3.6bn (HY2023: -R3.4bn). Market share sources reported as IQVIA for pharmacy and the rest per Nielsen

Retail Highlights

- **Retail turnover**² +12.4% to R21.8bn. New stores bringing in +3.6%. Internal inflation: +7.4% and volume growth: +1.4%
 - **Promotions:** +14.0%, 44.7% of turnover (HY2023: 43.3%)
 - **ClubCard:** +600,000 to 11 million members over the six months, 82% of sales
- **Beauty and personal care** (33% of retail turnover) +17.1% to R5.8bn. Gaining market share in skincare: 44.1% (HY2023: 42.9%), haircare: 33.3% (HY2023: 32.9%) and personal care: 21.8% (HY2023: 20.6%)
- **Pharmacy** (26% of retail turnover) +8.7% to R4.5bn, gaining market share from 23.5% to 24.3%, with +7 new pharmacies over the last six months to 718 pharmacies – delays in licenses have constrained expansion plans
- **Front shop health** (25% of retail turnover) +9.5% to R4.3bn. Market share 33.2% (HY2023: 32.7%) and **general merchandise** (16%): +14.0% to R2.7bn – market share slipped for small appliances due to out of stock on air fryers: 19.1% (HY2023: 19.5%). Slight dip in market share for Baby to 21.0% from 21.3% in a competitive market

Clicks Group Comment

"Our resilient business model and strong market share in our core categories are underpinned by a loyal customer base, mutually beneficial partnerships and unique organisational capabilities. Our results [...] reflect our commitment to putting customers first, investing in our people and respecting all our stakeholders." – Bertina Engelbrecht, Clicks Group CEO