

Clicks to roll out 41 new stores

Clicks Group is planning a capital investment of R700 million over the next financial year, split across the store and pharmacy network, and group infrastructure to support the increased scale of the business. The group will accelerate its store expansion programme by opening 41 new stores in the financial year, well ahead of the targeted 25 to 30 stores.



This is part of its strategy to expand its store network to 900 in the long term.

The pharmacy, health and beauty retailer expanded its store footprint to 680 with the opening of 17 stores in the past six months. The online store is the chain's fastest-growing store, reflecting customers' need for convenience as well as the growing trend to online shopping in South Africa.

Eighteen new pharmacies were opened to extend the pharmacy network to 528. Clicks increased its share of the retail pharmacy market from 23.0% to 23.8% at the end of February 2019 and plans to grow this to 30% in the long term.

Earnings up 13.2%

Despite headwinds, the Clicks Group has grown market share, expanded margins, generated strong cash flows and increased payouts to shareholders, according to chief executive Vikesh Ramsunder.

The company reported a 13.2% increase in diluted headline earnings per share to 300.1 cents for the six months to February 2019, driven by strong health and beauty sales. The group increased its interim dividend by 15.1% to 118 cents per share.

Group turnover rose by 6.2% to R15.3 billion. The operating profit grew by 11.3% to R1 billion, with the operating margin expanding by 30 basis points to 6.8% as the retail and distribution businesses both improved operating margins.

Retail health and beauty sales grew by 8.5%, with good volume growth and market share gains across most product categories. “This growth was mainly due to competitive pricing and appealing promotions in the current constrained consumer environment, with promotional sales increasing by 10.3% and accounting for 38% of the turnover in Clicks,” Ramsunder said.



Clicks reflects on 50 years in the retail business

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UPD, the group’s pharmaceutical distributor, performed strongly and increased operating profit by 27.2%. Total turnover managed by UPD, which combines wholesale and bulk distribution, grew by 21.9% to R10.2 billion. The business increased its bulk distribution portfolio to 24 clients by gaining four new contracts over the past year. UPD increased wholesale market share from 25.4% to 26.0% and will benefit from being awarded two new bulk distribution contracts which commence late in the second half of the financial year.

Challenging trading environment

Discussing the outlook for the remainder of the 2019 financial year, Ramsunder said macro-economic conditions are not likely to improve in the short to medium term, and “we are expecting the trading environment to remain challenging in the second half”.

“In addition, electricity load shedding continues to have a negative impact on consumer confidence and trading.”

“The core health and beauty markets in which we trade as well as our business model have proven to be resilient,” he said.

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