Share Price	R266
Date	07 May 2026

RESULTS SUMMARY

Clicks posted a soft set of interim 2026 results, with diluted headline earnings per share (HEPS) up 8.1%. Group turnover rose 7.4%, while and trading margin was flat at 9.1%. Growth was weighed down by lower inflation, aggressive competitor discounting, and delays in the warehouse management system at the Cape Town distribution centre (WMS), which disrupted sales.

Costs rose 6.1%, driven by higher employee expenses following a 7% wage increase, as well as the impact of the warehouse system rollout, new pharmacy openings, water and electricity, and increased advertising. Despite this, the group continues to execute on its expansion strategy, targeting 40 - 50 new stores and pharmacies, along with 80 - 90 refurbishments and infrastructure improvements for FY 2026.

Looking ahead, discretionary spending is expected to remain under pressure, particularly from rising fuel prices and broader inflation. The group plans to invest R1.3bn in capex for FY2026, focused on new stores, refurbishments, and infrastructure upgrades, as it targets a long-term goal of 1 200 stores.

Management has guided for HEPS growth of 4% - 9% in FY2026, below double-digit growth the business has historically delivered. However, over the medium term, management still aim to grow earnings in the double digits Based on this guidance, Clicks trades at 19.7x earnings, a significant discount to its long-term average of 25.5x. We believe that Clicks is well positioned to defend and grow market share through effective promotions, expansion of higher-margin private label products, and a recovery in its distribution business.

OUR LONG-TERM INVESTMENT VIEW

- Clicks offers exposure to the resilient consumer staples sector, with most of its turnover stemming from defensive merchandise (approximately 70% of products).
- Benefitting from demographic trends such as increased life expectancy and urbanisation, Clicks is poised to capitalise on the growing demand for health, wellness and beauty products. Its acclaimed loyalty programme, boasting 12.9 million members, underscores its market leadership.
- With a vast network of over 1 003 stores, including outlets in low-income areas, Clicks has established itself as a leading convenience provider, strategically positioning itself within the South African market where we view convenience and value as long-term growth vectors.
- Stringent regulatory measures surrounding pharmaceutical licenses and Single Exit Pricing (SEP) create significant barriers to entry, strengthening Clicks' competitive advantage.
- Backed by solid fundamentals and efficient capital management practices, Clicks utilises its strong balance sheet to pursue growth opportunities, support operational needs and expand its retail footprint.
- Financially, Clicks is committed to returning value to shareholders, delivering a compound annual growth rate in the high teens in total shareholder returns in the past decade.

UNPACKING THE 1H 2026 RESULTS

High level numbers

- **Group turnover** was up 7.4% (to R24.5bn), retail turnover growth was 7%. Growth was impacted by lower inflation, a higher level of promotions and switching to private labels. Distribution was the driver of the results, with turnover +13%, with UPD turnover driven by bulk contracts (+31.1%). **Total income** was up 6.5% to R7.6bn. Retail

Winning performance strategy

- The group emphasises value for consumers, with promotional sales up 8.1% (accounting for 48% of turnover), and generics up 6%, representing 58% of pharmacy sales.
- Private label sales contributed 26.5% to overall sales (front shop 31.3% and pharmacy 12.6%), reflecting a 4.6% increase.

margins expanded by 70bps and benefitted from growth in private label volumes. Distribution margins contracted by 50bps driven by a lower Single Exit Price increase and UPD losing two bulk distribution contracts. The softer results largely resulted in the group income margin slowing by 30bps to 30.7%.

- **Retail costs** were up 6.1% due to higher employee costs as 7% wage increases were implemented. Additionally, WMS Impact, pharmacy openings, water and electricity, and advertising contributed to cost growth. Distribution costs increased by 6.8%, with employment costs impacted by IT contractors leading to the elevated costs
- Group **trading profit** increased by 7.4% to R2.25bn while the group's operating margin was flat at 9.1%. This margin would be 10.2% including unwind of intragroup profit on Unicorn stock
- **Diluted headline earnings per share** (HEPS) increased 8.1% to 652.8cps. The group declared a interim dividend of 258 cents per share (+8.4%).
- The group remained **cash generative**, with R3.2bn cash generated from operating activities and net working capital days improved by two days to 43 days despite inventory days increasing by four days to 89 days. Inventory levels increased by 13.2% impacted by WMS implementation, and new stores and pharmacies.
- Online sales increased by 17.9%.
- Active ClubCard memberships reached 12.9m, constituting 83.7% of sales

Looking ahead

Management expects the consumer environment to remain under pressure, driven by higher fuel prices and consequent inflation.

For the second half of 2026, HEPS is guided to grow by 4% - 9%, below market expectations, which weighed on the share price. While 2026 is expected to be a softer year, management still targets a return to double-digit earnings growth over the medium term.

Clicks plans to invest R1.26bn in capital expenditure, focused on opening 40 - 50 new stores and pharmacies, as well as 80 - 90 refurbishments and infrastructure improvements.

The bottom line

Clicks' differentiated, value-focused offering, supported by a strong loyalty programme, provides a resilient investment case in a tough consumer environment.

While mindful of the current headwinds facing the business which are highlighted above, we believe over the medium term, the group is well positioned to defend and grow market share through effective promotions, the expansion of higher-margin private label products and a recovery in its distribution business. Using management's earnings guidance, Clicks trades at 17x forward earnings, a significant discount to its long-term average of 25x.

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