

Clicks turnover up 9.6% to R9.3bn

By [Zeenat Moorad](#)

25 Apr 2014

As consumer spending in South Africa remains constrained, retailer Clicks Group reported a 9.6% rise in turnover to R9.3bn, for the half-year.



Clicks has increased its turnover and opened new stores in the six months to February, increasing its market share in the process. Image: Clicks

Living costs continue to escalate, putting strain on disposable income. The rise in interest rates, a slowdown in credit including unsecured lending, unemployment and a moderation in income growth are worsening the decline in consumer activity.

For Clicks, for the six months ended February, diluted headline earnings per share increased by 10.3% to 157.4c. An interim dividend of 53.5c per share was declared, an increase of 10.3%.

UPD, the company's wholesale pharmacy business continued to be the star performer, growing turnover by 14.7%, benefiting from sales to its core customers Clicks and the private hospital groups, and preferred supply chain partner contracts.

"UPD has grown its share of the private pharmaceutical market from 25.7% to 26.3%," Clicks said.

The completion of the new distribution facility in Johannesburg has increased warehouse capacity by 50%.

Operating profit

The group's operating profit grew by 7.3% for the period and the operating margin declined by 10 basis points to 6.1%.

Chief Executive David Kneale said the operating margins for the group, as well as the retail and distribution segments, were within the targeted ranges despite the continued investment for longer-term growth which has been made in the trading period.

This investment includes new stores, distribution capacity and the launch of GNC, the US-based global leader in health and wellness products, through an agreement for southern Africa. GNC products are now available in more than 50 Clicks stores and the first stand-alone GNC store opened at the beginning of April.

During the past six months the group also returned R399m to shareholders through dividend payments and share repurchases.

The Clicks chain grew sales by 8.2% with comparable store sales increasing by 5.3%, supported by promotional activity which accounted for 26% of sales in the period. Pharmacy sales were 13.1% higher and Clicks increased its retail pharmacy market share to 17.6%.

Clicks extended its store footprint to 453, with 333 dispensaries and 133 clinics.

The Body Shop increased turnover by 7.1% with the brand facing margin pressure from the depreciation of the rand.

The company said Musica continued to gain market share in all product categories even though the market was declining. In line with global trends, consumers in South Africa are increasingly shifting their spending to digital formats.

The company forecast diluted headline earnings per share for the financial year ending August would increase by between 8% and 12%.

"Trading conditions will continue to be challenging as consumer spending remains constrained, selling price inflation will be relatively low and stable for the year and the group will continue to invest for longer-term growth, mainly in new stores and pharmacies," Kneale said.

Capital expenditure of R347m has been committed for the full financial year.

For more, visit: <https://www.bizcommunity.com>