GLOBAL NETWORK INVESTMENT COMPETITION 2019-2020

CLICKS GROUP

LIMITED

Team: GSB

School: Graduate School of Business - University of Cape Town

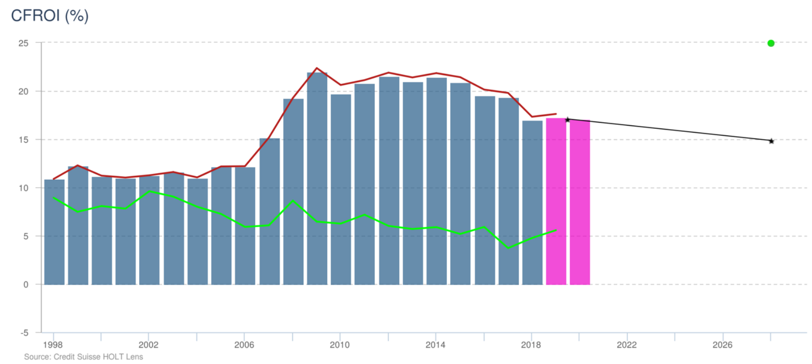
Overview

Background and Products

Clicks Group Limited is a South African healthcare, beauty, music and lifestyle retail company. With over 20% of the market share, Clicks is the largest retail pharmacy chain in South Africa. The Company operates through two segments: Retail and Distribution. Through retail brands, such as Clicks, GNC, The Body Shop, it has over 795 stores across southern Africa. Clicks Group is a leader in the healthcare market where Clicks has the largest retail pharmacy chain with over 473 in-store pharmacies. GNC is the specialty health and wellness retailer. GNC offers a range of vitamin, mineral and herbal supplements, sports nutrition and slimming products. The Body Shop sells natural beauty products. Claire's is the specialty retailer of fashionable jewellery and accessories for young women and girls. Clicks Group owns New United Pharmaceutical Distributors (UPD) a leading full-line pharmaceutical wholesaler and supplies retail pharmacies, private hospitals, dispensing doctors and retail health stores.

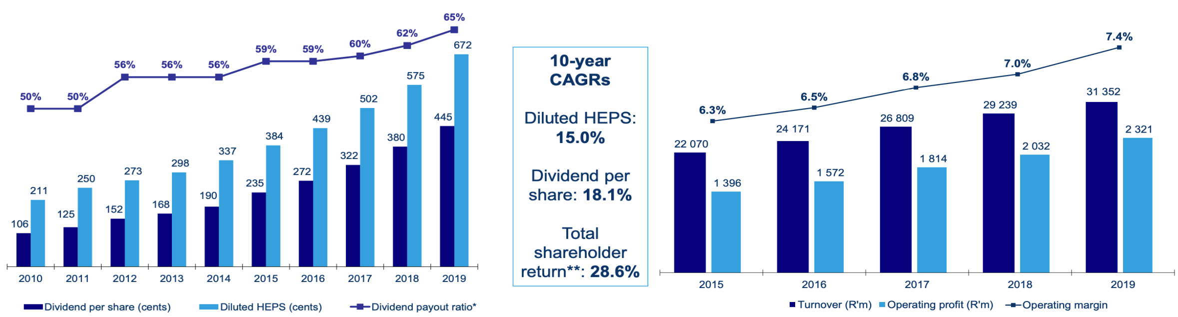
Valuation: Our R171 price is based on the average of a DCF valuation and a PE valuation. The PE valuation is based on the 25.38x 5yr average 12m-fwd PE. The three-stage DCF valuation has a three-year stage one with explicit forecasts, followed by two-year stage two stable driver forecast, and then a 4.5% terminal growth rate. Our discount rate is 11.6%. We applied a fade rate of 5% for the valuation (*More detail to follow shortly*).

Clicks has earned CFROI levels comfortably above its cost of capital for at least the last two decades. As a result of its solid CFROI and growth performance, investors remain pricing its shares aggressively.



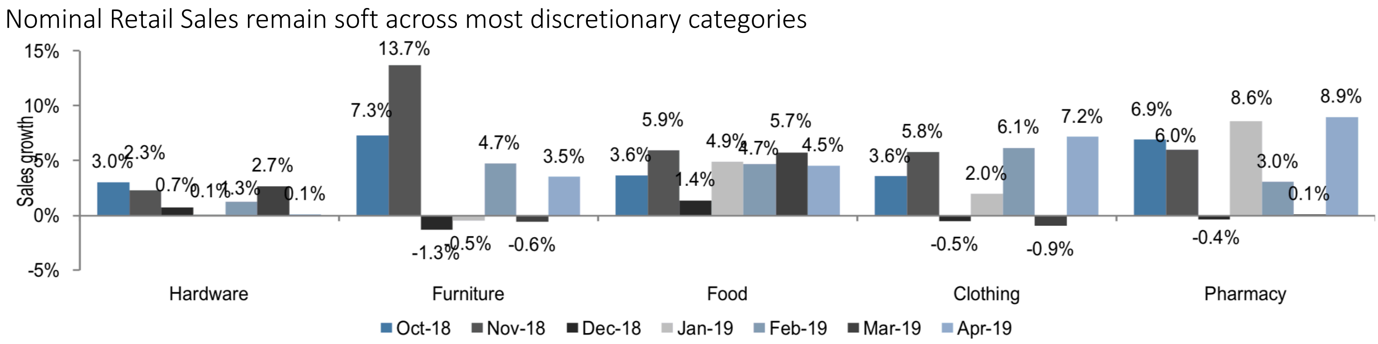
Clicks Group Ltd.'s focus on opening more convenience stores and the resilient nature of its business selling medicines and beauty treatments helped the South African pharmacy chain take market share and report a 17% rise in annual earnings. While South African consumers are under pressure and the economy remains weak, Clicks has seen growth in the health market as more people are prioritizing illness prevention.

The group's headline earnings per share (HEPS) increased by 16.8% to 672 cents. The total dividend grew by 17.1% to 445 cents per share, with the dividend payout ratio being increased from 62% to 65%. Over the past 10 years the group has returned R7.4 billion to shareholders and generated a compound annual total shareholder return of 28.6% per annum. Diluted HEPS has grown by a compound rate of 15.0% per annum and dividend per share by 18.1% per annum, with the dividend payout ratio increasing from 50% to 65% over the past decade.



Consumer Outlook

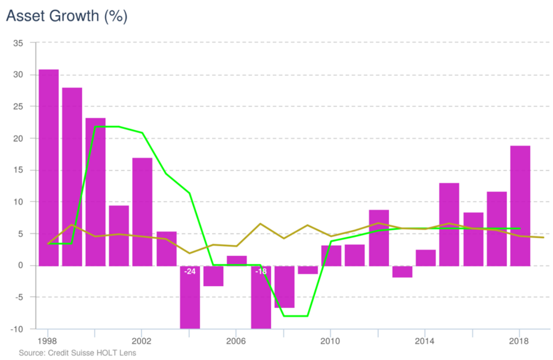
"While the consumer spending environment will continue to be constrained in the year ahead, the group has adapted well to trading in this protracted economic downturn and the group is confident of sustaining volume growth in the year ahead." In our view selling price inflation is expected to remain low in the first half of the 2020 financial year and the group anticipates that the annual increase in the single exit price (SEP) of medicines will be marginally higher than the current year. From the table below pharmacy sales is still remaining relatively strong compared to other consumer goods.



Source: Statistics South Africa

Growth Outlook

Capital investment of R718 million is planned for the FY2020, focused on the store and pharmacy network as well as retail and distribution infrastructure to support the increased scale of the business. The groups investment in retail systems and infrastructure is a good indication in their interest in capturing consumer data. The group Clicks ClubCard active membership reached 8.1 million and accounted for 77.6% of the brand's sales. Clicks's rewards program haven't reduced margins as they are largely funded by the manufacturers and Clicks's operating margin rose to 7.4%. This increases insights in consumer behaviour and allows the company to target customers more specifically. The group plans on spending R620 million in 2022 in capital investment.



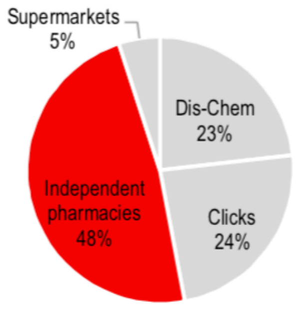
Industry Perspectives and Macrotrends

South Africa is experiencing soft consumer data and damaging political disputes. Business confidence remain low for an extended period. Consumers are under strain from rising taxes, climbing fuel prices, higher utility bills, a stubbornly high unemployment rate and an economy that hasn't expanded at more than 2 percent a year since 2013.

Despite ongoing, relatively low inflation rates (4.4% in Q2, 2019) and improving consumer confidence; fixed expenses like the spiralling price of petrol, taxes, and utilities have placed a massive strain on essential living costs. Consumers, in their desire to ease their financial strain, are cutting back on their discretionary spending, which in turn has taken a toll on their grocery baskets, we have not seen this effect in the retail pharmaceutical sector.

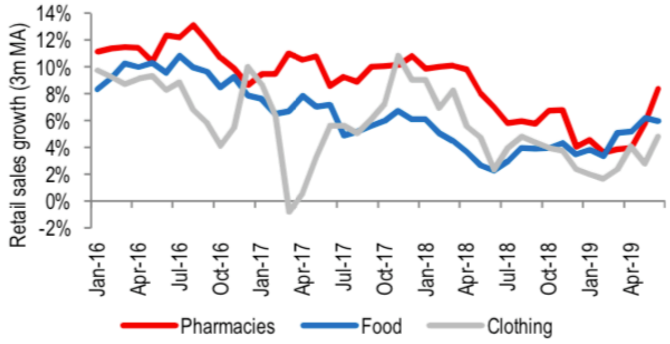
Clicks Group and its competitors operate in the private healthcare sector, which may be subject to a range of risks from the government's proposed national health insurance legislation. At this stage there is no clear indication of how this would effect drug pricing at SEP levels. As with most aspects of NHI, there is a high degree of uncertainty with respect to these questions. Overall, our sense is that it is too early to be overly concerned about NHI's potential impact on private pharmacy. However, given these industry risks pharmacy sales have over taken food and clothing, as indicated in the graph below. Clicks increased its share of the retail pharmacy market from 23.9% to 24.9% at the end of August 2019. The groups business operates in defensive, resilient and growing health and beauty markets where in house brands are well positioned to increase market share.

Corporate pharmacy accounts for c.52% of private dispensary in South Africa by value



Source: J.P. Morgan estimates, Company data.

Pharmacy retail sales growth has been well-ahead of Food and Clothing retail, emphasizing the defensiveness of the segment

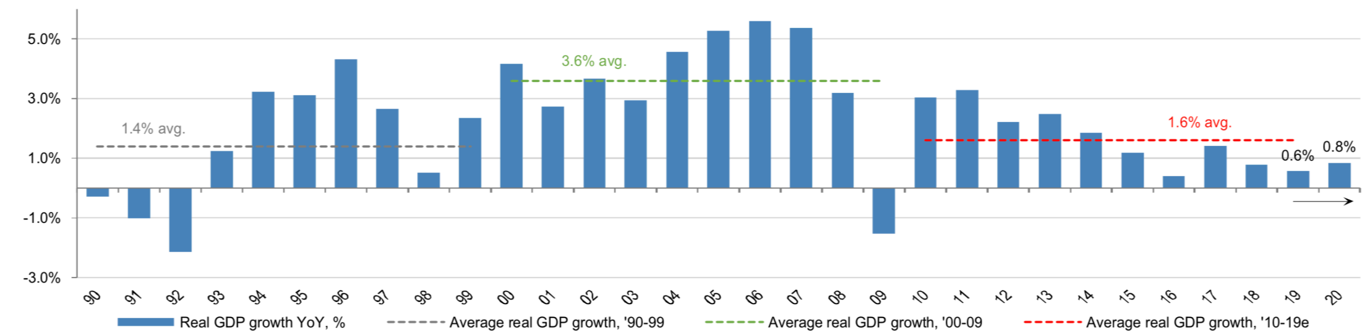


Source: Statistics South Africa

South African Economy

According to Bloomberg, economists have lowered South Africa's growth forecast to a mere 0.8% in 2019, 1.6% in 2020 and 2.0% in 2021. Estimates for average year-over-year growth in 2019 have been cut to 0.8% from 1.1%. Danelee Masia, Deutsche Bank economist, wrote in a June 6 note. "Weak growth and the risk of tighter global financial conditions continue to compound the risks around government-debt sustainability. This, together with Rand weakness amid recent political uncertainty, may temper any rate-cut expectations in the near term." Spending on pharmaceuticals and medical goods increased by 1.8% between November 2017 – January 2018 and November 2018 – January 2019. The central bank indicated that its downbeat outlook for growth this year is premised on weak business and consumer confidence, growing pressure on household disposable income, and real fixed investment forecast to contract by 0.3% this year. In a statement released on June 3rd, the International Monetary Fund (IMF) reiterated that South Africa's economic growth outlook "will depend critically on the pace of implementation of reforms that address long-standing structural constraints." The multilateral organisation warned that if reform implementation "accelerates sufficiently to lift business confidence and jump-start private investment, growth would be reignited. However, if reforms are delayed, investment would fail to pick up, economic growth would remain weak in the medium term, and per-capita income would continue to decline".

Figure 3: South Africa real GDP growth trend since 1990 to 2018, with 10-year rolling averages



Source: J.P. Morgan. South African Reserve Bank and Haver Analytics

International Risk

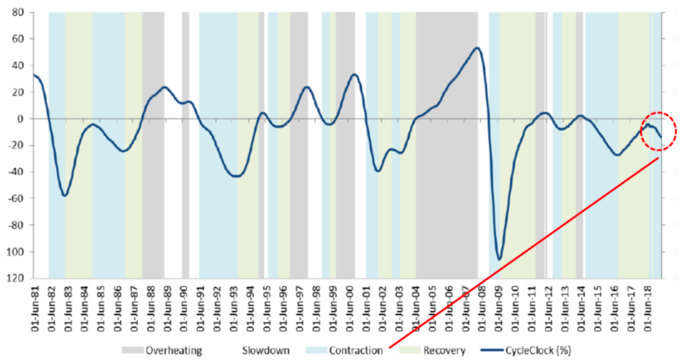
There are currently three international factors effecting emerging market equities. (1) the US-China trade war is impacting equity markets around the world. Additionally this effects FX markets which directly effects the South African economy and more importantly equity market. The group is exposed to foreign exchange risk through its imports of merchandise. The currencies in which these transactions are primarily denominated are USD, EUR, GBP and CNY. The group's FX risk management policy is to take out forward exchange contracts, to cover both committed and anticipated exposures. (2) US fixed income markets are currently pricing in low monetary easing. (3) fiscal support must come in the right mix to support activity, but not spark a sentiment of imprudent macro policies.

Continued USD strength – Johannesburg Stock Exchange equities historically have declined during periods of USD strength. Emerging market equities declined when the broad USD strengthened at least 5% over the past 20 years was 13% (Graph 1 below). The most defensive emerging market sectors have been Healthcare and Consumer Staples. Bloomberg reports that in this scenario, investors would have to consider weaker FX > higher inflation expectation > monetary tightening > lower GDP growth > fiscal tightening. In the short term, investors could remain risk averse and focused on EM fragilities. Taking this into account we measured the Rand risk against Clicks Group and the JSE All share index. From graph 2 below, there is some correlation however this is not at exposed as other companies listed on the JSE.

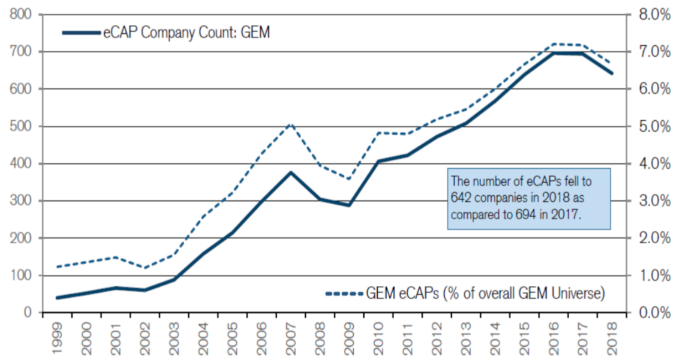
Business cycle - The long US business cycle comes to an end, forcing faster-than-expected monetary tightening, and the dollar follows. Financial overheating risk kicks in as well, as excessive positions unwind. Outflows from EM bonds and increased capital flight fears from China.

There is a clear decoupling between the real economy and equity markets with plenty of bear data points in the former which the latter are ignoring. Liquidity infusions and low interest rates are the obvious culprits propping up financial assets, but where it leaves things from an equity markets perspective if indeed an economic downturn materializes is very much untested territory. That may still leave room for shorter term relief rallies in Value stocks however evidence as show below indicates that Growth stocks perform better during these periods.

Global Economic Cycle (1981-2Q 2019)



eCAP company count within EMs



The group, which competes with Dis-chem Pharmacies DCPJ.J, increased its share in the retail pharmacy market to 24.9% by August-end from 23.9%, "with one in four medicines sold in South Africa being from a Clicks pharmacy," Ramsunder said. United Pharmaceutical Distributors, the group's pharmaceutical distributor, increased total managed turnover by 17.6% to 21.1 billion rand ($1.44 billion), and also expanded its market share. "The business gained four new distribution contracts during the year, expanding its portfolio of bulk distribution clients to 30."

Fundamentals

Chief executive of the Clicks Group, Vikesh Ramsunder noted that, “51% of the country's population now live within 5 kilometres of a Clicks store, highlighting the convenience of the chain. Our online store extends customer convenience and is currently the fastest growing Clicks store. This has enabled Clicks to enter product categories that we prefer to sell online only.” As described above the focus on online sales in a key trend for the company to move forward and grow revenue. In addition to their increase in Loyalty card holders this information can be used to further promote online sells.

Vikesh Ramsunder said that, “The current pressure on consumer disposable income is unlikely to improve in the months ahead. However, our core health and beauty markets and business model are resilient, and we are confident in our ability to trade effectively through these difficult market conditions”. Additionally he added that “Our promotional strategy, centred around the brand’s well-known “3 for 2” offers, together with our great everyday pricing, ensured that we maintained our sales momentum and sustained volume growth despite the increasing pressures on consumer disposable income.”

According to Nielsen data analytics, South Africa is home to a nation of promotion obsessed shoppers. 75% of South Africans claimed to know the prices of grocery items they regularly buy and notice changes in price, versus 69% in 2018, and their spending habits confirm that South Africa is the second-most price sensitive country in the world. From the above and the comment by Ramsunder Clicks has managed to sustain growth through these tough economic times.

Historical Financials

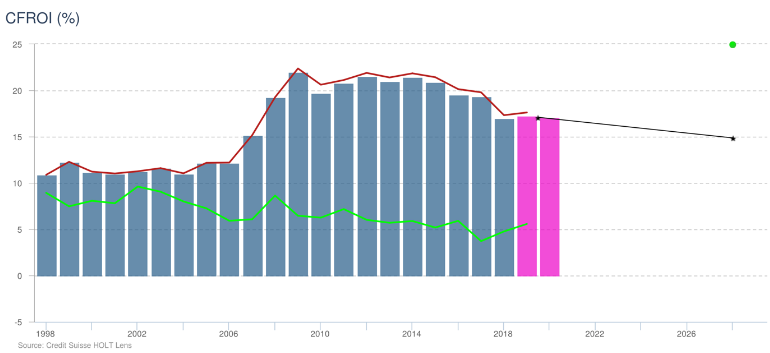
Profitability - Clicks Group has grown constantly over the past 10 years generating a compound annual total shareholder return of 28.6% per annum. Diluted HEPS has grown by a compound rate of 15.0% per annum and the dividend per share by 18.1% per annum over the past decade. The group has sustained promising operating margins, increasing from 6.3% in 2015 to 7.4% in 2019, as operating profit grew by 14.2% to R2.3 billion in 2018.

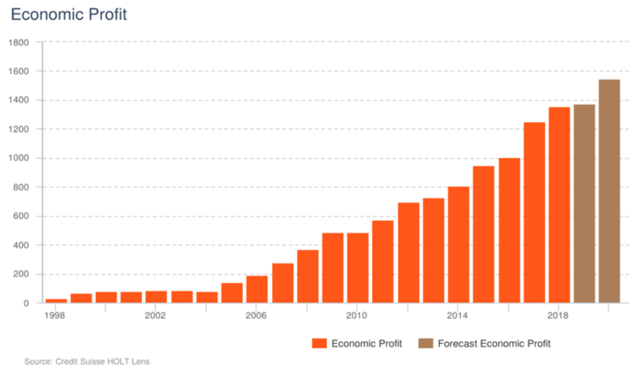
Total income margins and operating profit growth - Total income margin up to 27.6% from 27.0%. Retail margin decreased by 3 basis points to 33.3% in 2019 and distribution margin increase by 9 basis points to 8.2% in 2019. Retail operating profit increased to 11.0% and distribution operating profit increased to 25.4%.

Sales momentum - Retail health and beauty same store sales 6.9%. A key driver behind the increase was due to winter flu season in South Africa. Interestingly Dischem, Clicks main competitor SSS-growth softened from 9.1% in FY17 to 3.4% FY19A, this was due to the cannibalization of existing stores on new store rollout in key retail nodes. This is an indication that Clicks group convenience focus is operating more efficiently than Dischems destination store focus.

Dividend - The group increased its total dividend by 17.1% to 445 cents per share, with the dividend payout ratio being increased from 62% to 65%.

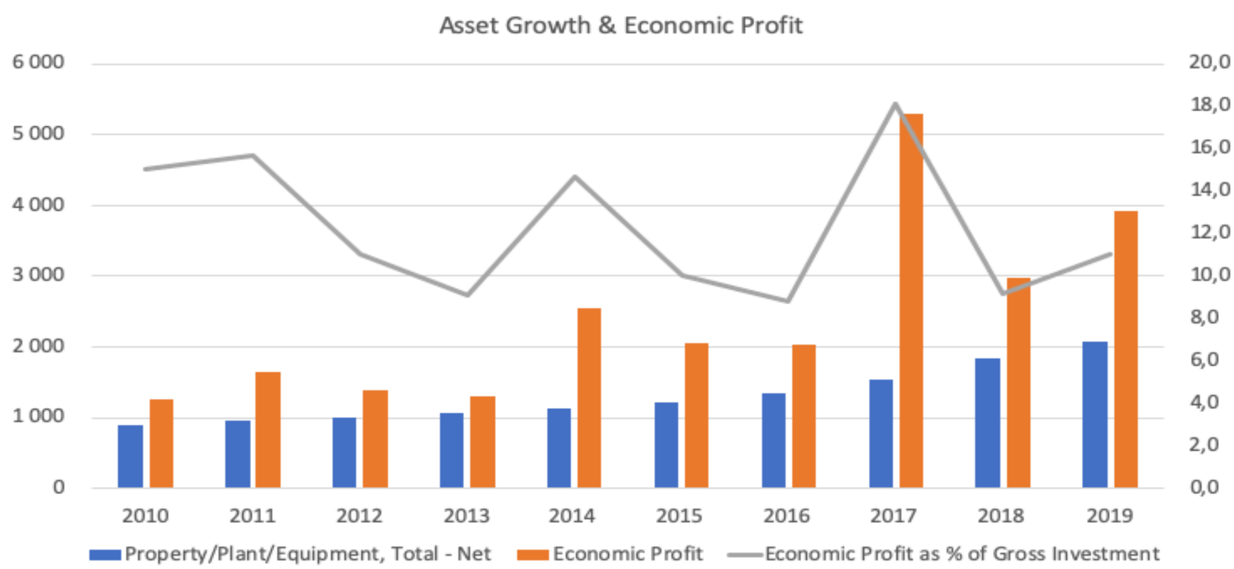
CFROI and Economic Profit - Clicks Group CFROI has been well above their discount rate indicating management's ability to generate economic profit from their investments.

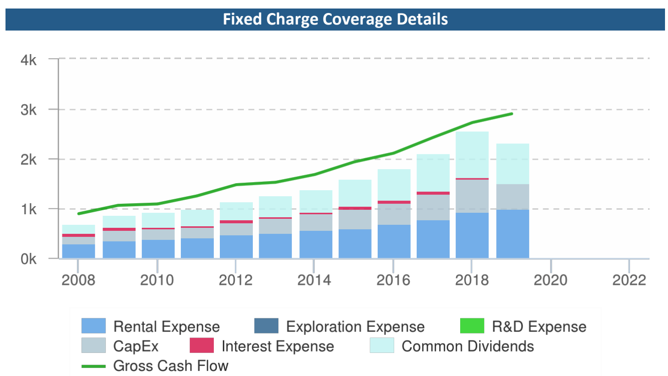


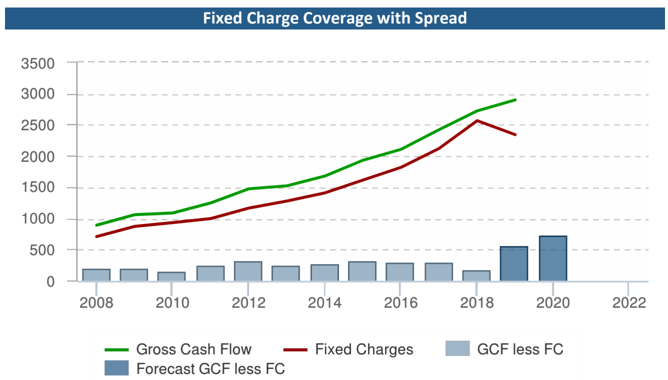


Given the groups increase in operating margins and same store sales, the group's current expansion plan looks promising. In order to increase CFROI the group will be required to grow their assets whilst increasing economic profit. The group currently has no long term debt and is investing in asset grow using cash. Looking the current economic climate and the lack of investor confidence in South Africa their grow strategy is indeed promising. A key metric in analysing a company's growth strategy is looking at long term executive incentives.

Clicks Group has two incentive schemes. Their short-term incentive scheme is RONA-based whilst important for month to month targets, their long-term incentive scheme is more important for organizational growth. The groups long-term incentive scheme is based on three-year CAGR in diluted HEPS (target of 8% to 14.9% growth) and a based on a three-year CAGR in total shareholder return (target above 15%).







As indicated from the graphs above Clicks has maintained an outstanding operational performance. The group is a high cash business, this indicates the group's ability to grow assets and continuously pay increasing dividends.

Historical Performance

Income Statement (ZAR)	2013	2014	2015	2016	2017	2018	2019
Turnover	17 543	19 150	22 070	24 171	26 809	29 239	31 352
Growth %		9%	15%	10%	11%	9%	7%
COGS	(13 761)	(15 026)	(17 545)	(19 157)	(21 185)	(23 071)	(24 662)
Gross Profit	3 783	4 123	4 525	5 014	5 624	6 168	6 690
SG&A	(2 290)	(2 598)	(2 874)	(3 234)	(3 641)	(4 023)	(4 150)
EBIT	1 493	1 525	1 651	1 780	1 983	2 145	2 540
Finance Costs	(52)	(46)	(62)	(59)	(48)	(24)	(24)
Investment Income	6	5	5	6	11	26	63
Associate Income	0,00	0,00	0,00	0,00	0,00	0,00	0,00
EBT	1 446	1 485	1 593	1 727	1 946	2 147	2 580
Taxes	(299)	(342)	(375)	(421)	(497)	(567)	(661)
Net Profit (continuing)	1 147	1 143	1 219	1 307	1 449	1 580	1 919
Abnormal/Discontinued	0	0	0	0	0	0	0
Net Profit	1 147	1 143	1 219	1 307	1 449	1 580	1 919
Minority Interests	0,40	0,23	0,00	0,00	0,00	0,00	(0,16)
Dividend	(394)	(429)	(491)	(586)	(677)	(812)	(981)
Retained Income	754	714	728	721	772	768	938
Payout	*34%*	*38%*	*40%*	*45%*	*47%*	*51%*	*51%*

Indicators	2013	2014	2015	2016	2017	2018	2019
Turnover Growth %		9,2%	15,3%	9,5%	10,9%	9,1%	7,2%
Gross Profit %	21,6%	21,5%	20,5%	20,7%	21,0%	21,1%	21,3%
SG&A%	13,1%	13,6%	13,0%	13,4%	13,6%	13,8%	13,2%
EBIT %	8,5%	8,0%	7,5%	7,4%	7,4%	7,3%	8,1%
Interest rate %	-6,0%	-2,8%	-1,2%	-1,7%	-1,5%	-1,7%	-2,4%
Associate ROC	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Tax rate%	20,7%	23,0%	23,5%	24,4%	25,5%	26,4%	25,6%
PP&E / Sales	6,0%	5,9%	5,5%	5,6%	5,7%	6,3%	6,6%
Inventory / Sales	12,7%	13,7%	14,7%	14,4%	14,0%	14,5%	15,0%
Receivables / Sales	8,6%	8,4%	8,5%	8,3%	8,3%	8,0%	8,4%
Payables / Sales	-18,6%	-21,1%	-22,2%	-21,3%	-20,4%	-21,3%	-23,3%

Invested Capital	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*
Non-current assets	**1 530**	**1 633**	**1 819**	**2 150**	**2 278**	**2 740**	**2 894**
PP&E	1 059	1 135	1 222	1 345	1 534	1 843	2 067
Goodwill	104	104	104	104	104	104	103
Intangible assets	349	372	396	434	458	477	497
Investments	19	23	98	268	183	317	227
Operating Current assets	**3 733**	**4 222**	**5 122**	**5 491**	**5 967**	**6 582**	**7 357**
Inventory	2 225	2 614	3 250	3 479	3 754	4 251	4 710
Receivables	1 508	1 608	1 872	2 013	2 213	2 332	2 647
Operating Current liabiliti	**(3 816)**	**(4 339)**	**(5 235)**	**(5 517)**	**(6 019)**	**(6 717)**	**(7 750)**
Payables	(3 256)	(4 041)	(4 898)	(5 148)	(5 475)	(6 227)	(7 303)
Other	(560)	(298)	(337)	(368)	(543)	(490)	(446)
Total Invested Capital	1 448	1 516	1 706	2 125	2 226	2 605	2 501
Operating Invested Capital	**1 325**	**1 390**	**1 504**	**1 754**	**1 940**	**2 185**	**2 171**

Capital Employed							
Equity	1377	1567	2013	2452	3300	4424	4913
Minority interests	0	0	0	0	0	0	0
Cash and net disposals	92	196	401	370	700	1524	2614
Debt	0	0	0	0	0	0	0
Net deferred taxes	59	126	177	347	572	479	47
Other liabilities	243	284	309	406	402	448	392
Calculated Capital Employe	1 771	2 173	2 899	3 575	4 975	6 874	7 965
Debt (Excess Cash)	**(323)**	**(657)**	**(1 193)**	**(1 450)**	**(2 750)**	**(4 269)**	**(5 464)**

Valuation							
NOPAT	1 075	1 098	1 189	1 282	1 428	1 544	1 829
Invested Capital	1 325	1 390	1 504	1 754	1 940	2 185	2 171
ROIC%		82,9%	85,5%	85,2%	81,4%	79,6%	83,7%

Performance Outlook

Income Statement (ZAR)	Forecast (H) 2020	Forecast (H) 2021	Forecast (H) 2022	Forecast (L) 2023	Forecast (L) 2024	Terminal 2025
Turnover	34 801	38 629	42 878	47 595	52 830	58 641
Growth %	11%	11%	11%	9%	9%	9%
COGS	(27 145)	(30 131)	(33 445)	(37 124)	(41 207)	(45 740)
Gross Profit	7 656	8 498	9 433	10 471	11 623	12 901
SG&A	(4 524)	(5 022)	(5 574)	(6 187)	(6 868)	(7 623)
EBIT	3 132	3 477	3 859	4 284	4 755	5 278
Taxes	(833)	(930)	(1 037)	(1 155)	(1 287)	(1 434)
Net Profit (continuing)	2 142	2 390	2 666	2 971	3 310	3 687
Dividend	(1 071)	(1 195)	(1 333)	(1 486)	(1 655)	(1 843)
Retained Income	1 071	1 195	1 333	1 486	1 655	1 843
Payout						

Invested Capital	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*
Total Invested Capital	3 170	3 483	3 830	4 215	4 642	5 116
Operating Invested Capital	2 840	3 153	3 499	3 884	4 312	4 786

Capital Employed	2020	2021	2022	2023	2024	2025
Equity	5984	7179	8512	9997	11652	13496
Minority interests	0	0	0	0	0	0
Cash and net disposals	2614	2614	2614	2614	2614	2614
Debt	0	0	0	0	0	0
Net deferred taxes	47	47	47	47	47	47
Other liabilities	435	483	536	595	660	733
Calculated Capital Employe	9 080	10 322	11 708	13 253	14 973	16 889
Debt (Excess Cash)	**(5 909)**	**(6 840)**	**(7 879)**	**(9 038)**	**(10 331)**	**(11 773)**

Valuation	2020	2021	2022	2023	2024	2025
NOPAT	2 255	2 503	2 779	3 084	3 423	3 800
Invested Capital	2 840	3 153	3 499	3 884	4 312	4 786
ROIC%	84,1%	88,1%	88,1%	88,1%	88,1%	88,1%

FCF Valuation	2020	2021	2022	2023	2024	2025
FCF	1 586	2 191	2 432	2 699	2 996	3 326
PV of FCF	1 287	1 602	1 602	1 602	1 602	1 602

EP Valuation	2020	2021	2022	2023	2024	2025
EP	2 016	2 191	2 432	2 699	2 996	3 326
PV of EP	1 636	1 602	1 602	1 602	1 602	1 602

FCF Valuation

FCF	
PV of FCF	15 264
Terminal Value	24 266
Operating Firm Value	**39 530**

EP Valuation

EP	
PV of EP	15 119
Invested Capital	2 171
Terminal Value (no fade)	22 256
Operating Firm Value (no fade)	**39 546**
PV of EP (fade)	11 140
Invested Capital	2 171
Terminal Value (fade)	25 524
Operating Firm Value (fade)	**38 836**

Other Info & Warranted Share Price

MV of Investments	341
Minority Interests	-
Net Debt & LT Liabilities	(3 005)
Shares Outstanding	251
FCF Warranted Price	**147**
EP Warranted Price	**147**
Fading EP Warranted Price	**144**

12m-FWD PE	
25.38x 5yr avg 12m-fwd PE	**198**

Final Price	R	171

Based on economic forecast, the valuation has been based with the following assumptions:

Terminal Growth Rate: To determine Clicks terminal growth rate, we took into account the average real and nominal GDP, additionally we included inflation to draw our final conclusion. South Africa's average GDP grew by 1.65% over the past 10 years. South Africa has had one of the worst growth quarters of a decline of 3.2%. Economists have now adjusted their outlook prospects for South Africa to 0.8% in 2019, 1.6% in 2020 and 2.0% in 2021. South Africa's average inflation is was 5.73% over the past 10 years and is predicted to be 4.5% in 2019 and increase to 5% in 2020. South Africa's average nominal GDP growth from March 1961 to March 2018 was 12.15%. We therefore argue that Clicks terminal growth rate would be between real GDP growth of 2% and nominal average GDP growth rate of 12.15%. Clicks average growth rate since 2010 is 10.25%. Clicks Terminal growth rate is calculated to 4.5%.

Cost of Capital (WACC): Our 11.6% WACC is based on a 100% equity capital structure and a 11.4% cost of equity (8.9% risk-free rate - *R206 bond*, 8,6%. Market Return - *JSE All Share Index*, 0.81 Levered Beta).

Valuation

Our R171 is based on the average of a DCF valuation and a PE valuation. The PE valuation is based on the 25.38x 5yr avg 12m-fwd PE. The three-stage DCF valuation has a three-year stage one with explicit forecasts, followed by two-year stage two stable driver forecast, and then a 4.5% terminal growth rate. Our discount rate is 11.6%. We applied a fade rate of 5% for the valuation.

Although our valuation is below the current share price we are still positive in the group's performance. The stock is predominantly a defensive equity and is trading at a 18% premium to EM Food & Drug Retailers. Given the current economic climate we are still positive Clicks Group will perform respectively in the future.

				Fade		
	171	0%	5%	10%	15%	20%
	9%	209	164	150	143	139
WACC	10%	186	156	145	139	136
	12%	160	143	136	133	130

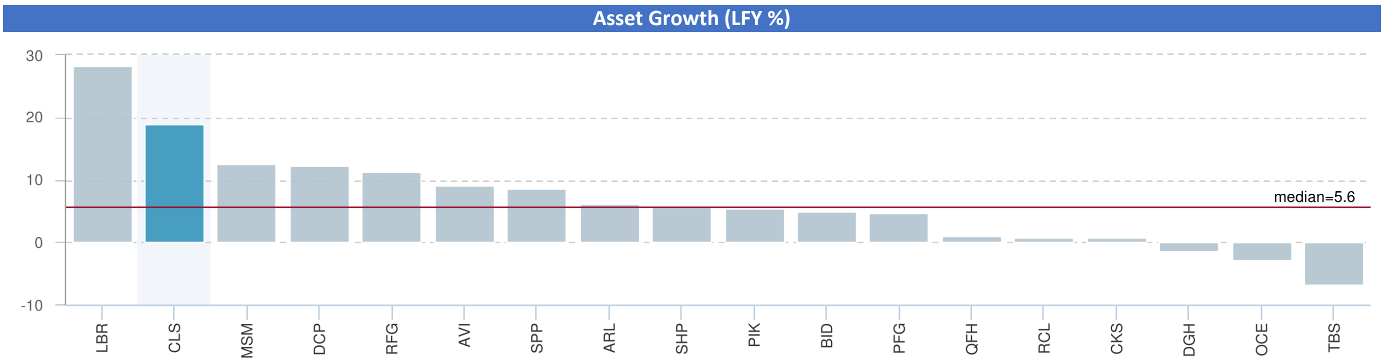
Clicks Group is currently trading at a fade rate of 0% implying it has a increasing competitive advantage. However, if we see competition rise the share price could fall below the current range.

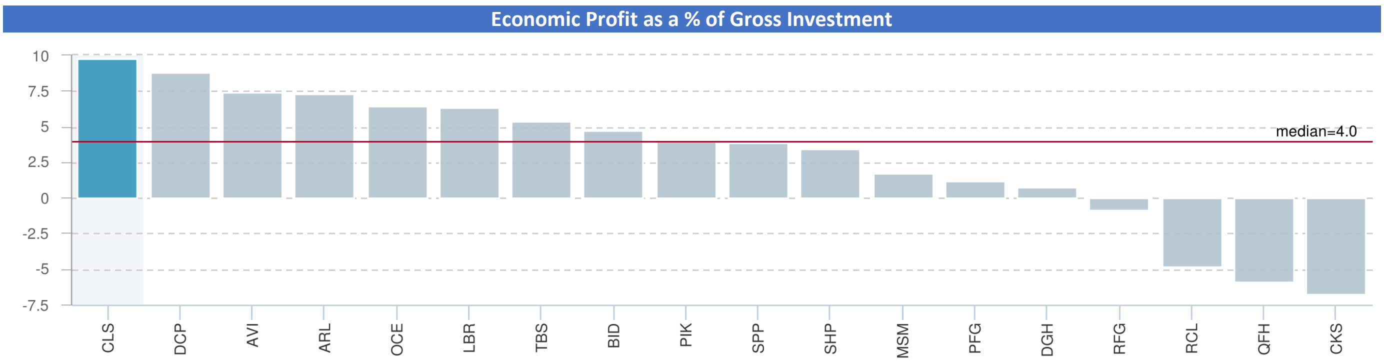
				Cost Of Goods Sold		
	171	76%	77%	78%	79%	80%
	10%	185	176	168	159	150
Sales Growth	12%	194	184	175	165	155
	16%	214	203	191	179	167

Clicks group will need to retain their current operating margins to continue trading at this premium price.

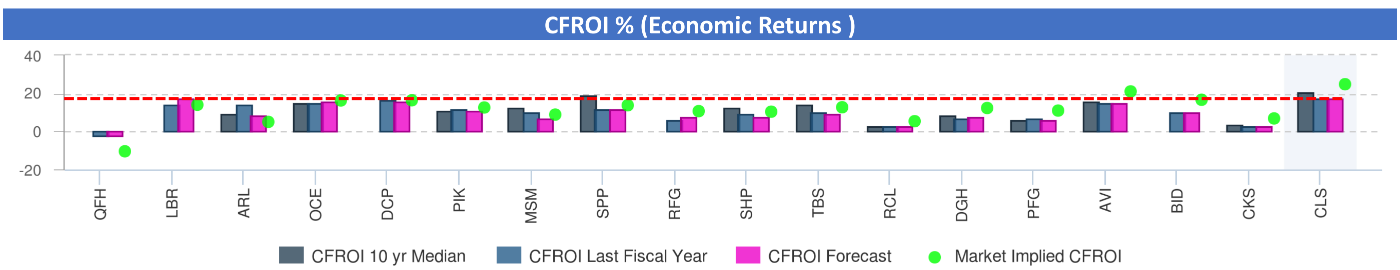
Fade driver is used to test a company valuation's sensitivity to changes in the rate of decay in profitability during the terminal period. Fade can be related to expected competitive advantage period (CAP). The magnitude of competitive advantage indicated by the percentage points of excess profitability, or the spread between a company's return on capital and its cost of capital. The sustainability of competitive advantage which is the number of years the competitive advantage and excess profitability can be maintained.

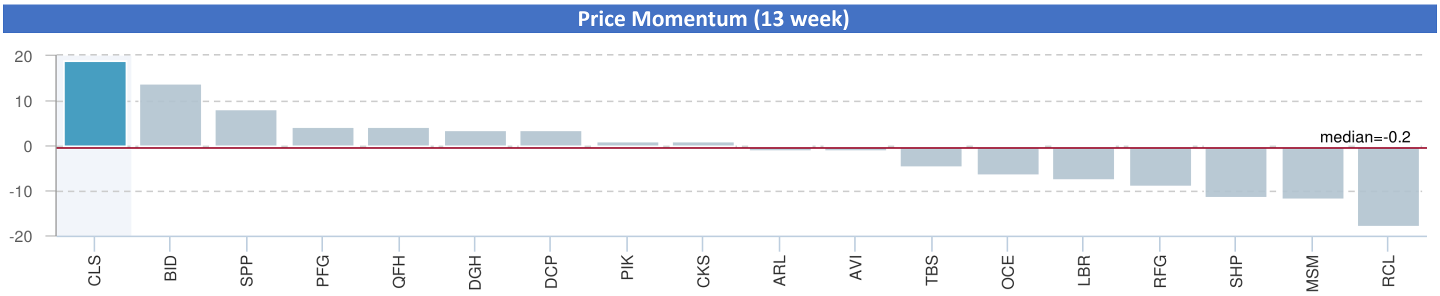
Peer Analysis





Compared to JSE listed companies clicks is operating very efficiently. The above graphs indicate that the group has been able to grow their assets whilst generating the best economic returns in sector. This is a good indication that the group has a formalized strategy to increase their market share.





Although the groups price momentum suggests that their share price is over-priced. The current economic climate in South Africa indicates investors are looking for companies that are able to sustain earnings growth.

Clicks Group Limited Share price

As at 5 November 2019the share is trading at - R24,8

Final Conclusion

Our valuation indicates that Clicks Group is over valued at the current price. However, given the current economic climate in South Africa we believe the stock will still outperform the JSE All Share Index. Additionally, Clicks Group has maintained a CFROI well above the rest of equities listed on the JSE and has been able to increase economic profit through stable gross investment. This is indicates that management is able to execute on their strategy. The Group has also maintained a fade rate between 2% and 5% for the past 8 years, given the increased competition and customer sensitivity to retail prices, the group has maintained a steady operating margin and same store sales. Although Clicks will need to retain these metrics to continue to be priced as a growth equity, we believe the group is position to perform in both contracting and expanding economic events.

Appendix:

Economic Profit (EP) is the amount of value a firm creates over a specified period, typically annual. It is proportional to the spread between a company's return on capital and cost of capital.

CFROI is an inflation-adjusted return on capital measure that estimates a firm's weighted-average internal rate of return (IRR) on its operating assets.

TSR is defined as "the overall return to shareholders which is equal to the 20-day volume weighted average price (VWAP) appreciation of a Clicks Group Limited share plus dividend payments reinvested over the three-year performance period divided by the VWAP of a Clicks Group Limited share at the commencement of the three-year performance period, expressed as a percentage"