

# Earnings and market share growth for Clicks

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Despite constrained consumer spending and relatively low selling price inflation, Clicks has strengthened its competitive position and gained market share in all of its core health and beauty markets, chief executive David Kneale said on Thursday (25 April).



"Trading conditions have remained challenging, particularly for the Clicks chain, where its middle-income customers are facing increasing financial pressures," Kneale said.

Earlier this month an index compiled by the Bureau for Economic Research and sponsored by First National Bank (FNB), showed consumer confidence falling to a nine-year-low in the first quarter of this year.

"Not even at the height of the global financial crisis in 2008 were consumers as downbeat about the country's economic prospects and their household finances as they are now," FNB chief economist Sizwe Nxedlana said.

Clicks reported turnover growth of 11.4% to R8.5bn for the six months to February, with headline earnings increasing by 10.0% to R366m.

An interim dividend of 48.5c per share was declared - a 10% increase on the previous period.

Diluted headline earnings per share grew by 8.5% to 142.7c, reflecting the dilutionary impact of the group's broad-based employee share ownership scheme.

During the period, Clicks increased the number of stores it runs and now has 430, with 324 having in-store pharmacies.

"Turnover growth of 7% in the Clicks chain was driven by increased promotional activity," the company said.

## CD and DVD sales fall sharply

Musica increased its operating profit by 27.3%, in a declining CD and DVD market, where consumers are shifting their spending from physical to digital formats. Eight Musica stores were closed over the period.

According to PricewaterhouseCoopers (PwC), spending on physical music formats is expected to decline at a 10% compound annual rate, dropping to R746m by 2016 from R1.3bn in 2011.

The Body Shop, which Clicks manages under a franchise agreement through standalone stores and capsule ranges within Clicks stores, increased turnover by 10.1% and operating profit by 10.9%.

Clicks' wholesale pharmacy business UPD continued to gain traction in the pharmaceutical market.

"Turnover increased by 20.3% as UPD grew its share of the private pharmaceutical market from 23.2% to 25.7%. The business now services 20 distribution agency contracts," the group said.

Membership of the Clicks ClubCard loyalty programme reached 4m mark during the reporting period.

In an environment where retailers are trying to win new customers and keep existing ones, loyalty card programmes have proved pivotal. These incentive schemes not only reward members for purchases, but help retailers better understand their customers' buying behaviour.

At Clicks, sales to ClubCard members account for 77% of total sales, with the basket size of ClubCard holders double that of non-ClubCard customers. The Body Shop's "Love Your Body" loyalty programme, accounts for 57% of its sales.

The group's return on equity (RoE) - a good measure of whether shareholders are getting value for their investment - grew to 58.2%, the highest in the retail sector.

Looking ahead, Kneale said the group aims to further strengthen its position in health and beauty retail and healthcare supply.

"The retail environment will remain tough for the Clicks chain. In these conditions our focus will be on driving revenue growth, maintaining margins and containing costs. UPD will also continue to drive turnover growth while optimising costs and increasing efficiencies," he said.

Clicks expects diluted HEPS to rise by between 5% and 10% for the financial year to August.

Clicks has announced that Keith Warburton will be its new chief operating officer.

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