

Clicks targets 900 stores after ace results

Clicks Group plans to grow its retail footprint to 900 stores across the country after a stellar performance in its pharmacy and beauty divisions for the year to August. On Thursday, the retail-led healthcare group posted a 15.4% rise in operating profit to R1.8bn, driven by strong health and beauty sales that [grew 14.7%](#).



Opening 111 stores, including 80 through the outsourcing agreement with the Netcare Group, bumped up its store footprint to 622. Its pharmacy network was increased to 473. During the 2017 financial year, the retailer's cash inflows from operations exceeded R2bn for the first time.

Clicks plans to invest R680m during the 2018 financial year to add 25-30 new stores, and about 35 pharmacies, among other things. CEO David Kneale said the company was confident it would reach its new store target.

Only 50% of households in SA lived within 5km of a Clicks store, presenting a gap for growth and convenience. "We believe the faster growth we experienced in the beauty and pharmacy divisions will lead to a 6.5%-7.5% growth in the medium term," said Kneale.

36One Asset Management equity analyst Daniel Isaacs said the company's targeted store footprint had jumped from 600 to 900 over the past few years as it spotted certain areas growing more than predicted. But he warned that if today's economic environment continued, it would negatively affect the growth plans of Clicks and all other retailers.

"You can be a very well-run business, but you can't compete against or escape the environment," Isaacs said. Electus Fund Managers analyst Damon Buss said that because of income inequalities, not everyone could afford to shop at Clicks.

While the company would probably meet the target, it would take a significant time. Online shopping would have long-term effects on foot traffic, while store location would remain a key issue.

"You run the risk of cannibalising some of your current store base or you put them in a less optimal location," Buss said.



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Robert Laing 26 Oct 2017



While retail health and beauty sales including Clicks and the franchise brands of The Body Shop, GNC and Claire, increased 14.7%, the Musica business performed poorly. Musica's profit in the year under review was R28m lower than a year earlier, but Clicks chief financial officer Michael Fleming said the company was managing the Musica brand for shareholder value.

However, the group would be open to selling the music and gaming retail chain to any suitor "with a cheque book that won't bounce".

Clicks ClubCard increased active membership to 7-million, with the loyalty programme accounting for 77.4% of sales in Clicks stores.

Clicks declared a final dividend of R2.34 per share, taking the total for the financial year to R3.22, an 18.4% increase on the previous year. The company's share price closed 0.55% down at R154.35 on the JSE on Thursday.

Source: Business Day

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