

Festive promotions help Clicks outperform rivals

By [Michelle Gumedé](#)

23 Jan 2018

The Clicks group delivered impressive growth in the 20 weeks to January, lifted by strong promotional offerings as it continues to show resilience in the tough economic climate.



On Monday, the health and beauty retailer reported an 11.3% increase in turnover to R11.1bn, a significant improvement on the 8.6% growth reported in the previous period.

CEO David Kneale attributed the sales growth to Clicks's strong promotional offerings over the festive season, particularly the 3-for-2 promotion on Christmas gifts, which was highly attractive to consumers.

The retailer, which has a R47bn market capitalisation, provides health and beauty products as well as pharmaceuticals through its wholesale unit and pharmacies.

Casparus Treurnicht, portfolio manager at Gryphon Asset Management, said Clicks had been the outperformer in the retail sector, with only DisChem posting similar numbers before. He said that in a competitive environment all retailers tried to sell higher volumes at discounted prices, but Clicks's sales were particularly successful. "All retailers tried some or other type of promotion to make those feet continue coming through the doors. You only need to make the 'sale' sound better than the rest," he said. The Clicks chain increased sales 14.2% in the period, while comparable store volume grew 7.5%. This

translated into real volume growth of 4.8%, with selling price inflation measured at 2.7%.

The retail division showed 13% total sales growth. Clicks's distribution division jumped 11.6% in sales. United Pharmaceutical Distributors, Clicks's pharmaceutical wholesale and distribution business, grew turnover 11.6%, ahead of selling price inflation of 6.2%.

The Clicks group showed flexibility in a tight consumer spending environment. Total group retail sales increased 13% and 6.7% on a comparable store basis, with selling price inflation of 3%.



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Kneale was also impressed by the online incremental sales growth, without indicating what the total figure was. He said that while the company was not expecting any easing of the financial pressure on consumers, Clicks remained confident of its ability to trade through these challenging market conditions, "as demonstrated by our recent performance".

Over the past two years, Clicks has consistently outperformed the average of the food and drug retailers index, which was up 24.88% and 5.24% in 2017 and 2016, respectively. The retailer's share price climbed 56.82% in 2017 and 29.78% in 2016, while close rival DisChem gained 61.8% in 2017.

However, Treurnicht said he was concerned about the extremely expensive share. "Investors need to be careful not to confuse a defensive operation with a defensive investment."

Clicks's share price gained 134c to close at R173.65 on Monday. It has dropped 3.28% so far in 2018. The group's interim results for the six months to February 28 2018 are expected out on April 19.

Source: Business Day

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