Divisional Day – May 12 2016

Management update on the strategy and general trading conditions in the Bidvest Industrial and Bidvest Namibian operations only (in light of the proposed unbundling of the foodservice business)

Shareholders are advised that the executive management of Bidvest (excluding foodservice) met on May 12 2016 with members of the financial community, including shareholders and financial analysts, for an update on current market conditions and the trading environment across the Industrial and Namibian operations.

Management commented as follows:

1. Bidvest Group (ex Foodservice) overview
   • An inaugural international road show has recently been completed indicating overall positive sentiment and an increased understanding of the Industrial operations of the Group.
   • The pleasing performance of the Industrial businesses within a challenging southern African economy has been testament to management’s commitment and experience.
   • Management remains focused on executing on the strategic decentralised entrepreneurial plan to organically grow their businesses, establishing market leading positions within their industries and on adding value to their customer offering through innovation and service delivery.

   • The proposed unbundling would result in Bidvest being a locally based and focused trading, services and distribution business made up of approximately R100bn of Revenue and EBITDA of R7bn (EBITDA margin 8%), based on the previous years audited results.

   • This business is structured in seven divisions, each entrepreneurially run and managed by industry specialists on a decentralised basis.

   • Employing approximately 120,000 people, the business has shown historically solid growth, been highly cash generative and delivered a pre-capex operating cash conversion ratio in excess of 80-90%.
• This business is largely southern African focused with some exposure to neighboring Mauritius and other southern African environments. The opportunity post-unbundling exists to grow these operations beyond the South African borders, starting in niche industries where the business model can be exported and grown over time.

• The executive team driving this business has a long standing record of working together under the guidance of Brian Joffe and are committed to the Bidvest culture and decentralised operating philosophy.

• The post-unbundling board will remain largely the same, with Brian Joffe taking on a non-executive directorship and a consultancy role, focused on assisting with strategic initiatives. Bernard Berson and David Cleasby will resign upon unbundling.

2. Divisional review

• Bidvest is recognised for its strategy of both organic and acquisitive growth, and this will continue to be an area of focus.

• Trading remains positive, activity levels across most markets are resilient and management are expecting results for the year ending June 2016 similar to H1 F2016.

• A significant acquisition will be concluded early in the new financial year, strengthening the Commercial Products division. Recent acquisitions such as Plumblink and Academy Brushware have both significantly contributed to the strategy of scaling up the Commercial Products division.

• Some small disposals may be considered, but these would not impact materially on the Group.

Automotive

• A cyclical business that is currently halfway through an estimated four year downturn, results will be lower than the comparative period to June 2015.

• Management are comfortable with the business model and market reach in South Africa, and do not intend internationalising these operations in the foreseeable future.

Freight

• For the first time in fifteen years, the Freight business is struggling as the lower commodities cycle impacts the flow of manganese, steel and other products out of the South African ports.

• Some benefit is anticipated in H2 F2016 as the drought results in imported maize but this is unlikely to be sufficient to cover the loss experienced in the current commodity down cycle.

Commercial Products

• Management are particularly pleased with the performance of this division. Most likely to deliver similar growth as shown in H1 F2016.
• Acquisitions of Plumblink and previously Academy Brushware have contributed to the good performance.
• Some international expansion is likely in this division, however not in those operations where Bidvest is restricted through agency agreements (Yamaha for example).

Electrical
• Management is very proud of the performance of this division, growing organically in spite of the weak infrastructural investment in the country.
• Double digit growth is anticipated as a result of continued strong operating performance and strategic focus into niche markets.
• No international expansion is intended for this division in the short term, they remain focused on being the largest electrical wholesaler in southern Africa.

Financial services
• Bidvest Bank is a specialist bank, and have positioned themselves as the best foreign exchange service provider in the country.
• Specialised forex services, such as offering the facility of 22 different currencies on a single cash card have created a unique niche offering.
• Fleet finance services have grown significantly and with significant potential in the parastatal area, good growth should continue.
• Insurance product offering has diversified from vehicle insurance products to both short and long term offerings; supported by expansion in the travel insurance industry.
• The equity portfolio performed significantly worse on the prior year, but this is cyclical and is subject to broader economic influences.
• Financial services will not be an international growth area, but will continue to expand its local market presence.

Office & Print
• The 2015 voter registration project in Tanzania significantly boosted profits reported in the prior period, and will not be repeated in F2016. However electoral technologies have positioned the division well to provide similar voter registration services to other countries and management are positive about these prospects.
• Paper continues to be a declining market and management continue to digitise where possible. Konica Minolta continues to perform well and Walton’s is still in recovery mode. The Post Office
strike had a significant negative impact on operational performance of this division.

- Management do not intend to grow this operation internationally beyond the provision of the technological solutions developed.

**Services**

- Services is the largest of all the divisions, with an EBITDA of approximately R1.8bn.

- Bidvest Steiner is the most significant business within this division, having grown organically over the number of years to having an EBITDA of R400m and is the number one operator in South Africa, in spite of competition from many international players.

- This division is likely to be our key focus area for international expansion. Management have identified fragmented international markets where they can draw on their experience, acquire locally established businesses and grow a unified single product offering to compete in these new markets. Opportunities have been identified in Italy and the UK.

- Industrial Services continues to deliver cash generative growth results.

- Management will allocate capital to this division to pursue expansion and are excited about the possibilities.

**Namibia**

- The ability to secure adequate quota remains a key challenge in the Namibian horse mackerel market. Discussions with government continue with no clear indication of resolution as yet. Resolution of the quota issue will be a significant indicator as to whether or not we will continue to operate in the fishing industry.

- Commercial and industrial businesses in Namibia are similar to their South African counterparts. The recently acquired Automotive business is performing well. Food and distribution is delivering pleasing results. Freight and logistics are in a similar down cycle as reflected in the Freight division in South Africa.

**Properties**

- A significant R6-7bn portfolio of strategically owned properties allows us enough headroom to generate capital should it be required.
• No short term intention to make any significant changes to this portfolio.

Material associate investments
• A number of material associate investments will remain in the Group structure post unbundling. Most notably Adcock (37%), Comair (26%), Cullinan (20%), MIAL and various others such as Cargo Carriers.

• These assets will comprise a significantly larger part of Bidvest post the unbundling and the strategic nature of these need to be critically re-evaluated by management over time.

• Other assets comprise the internationally owned Ontime GATS and The Mansfield Group businesses in the UK and will fall under divisional management going forward.

3. Financial review
• Financial disciplines continue to be strong and make up a large part of the Bidvest DNA. Management of working capital is a core focus.
• Bidvest operate a working capital cycle that sees absorption up to December, a small spike in March but a significant recovery at year end.
• Management of cash flow before and after capex is a key performance indicator, with targets of in excess of 80% conversion of operating profit into cash.
• Dividend policy remains unchanged at 2.25x cover.
• Key internal controls assured through an independent internal audit process with strong IT capabilities ensure a good platform for sustainable business growth.

4. Business development and Transformation
• Bidvest has responded well to the new BEE codes, with each division being individually assessed. Overall a Level 4 has been obtained for the Bidvest Group. No significant contracts have been lost as a result of the new BEE codes and we continue to be committed to CSI and procurement initiatives that support the requirements of the BEE codes.
• Executive training and development remain a core focus of our executive team, growing talent through our internal programs such as the Bidvest Academy.
• There are no changes to the shareholding from a BEE perspective. Post the unbundling the current 62% black owned shareholding will
remain however this may change over time depending on the makeup of the share register.

- Business development remain a core focus for the executive team. Clients are looking for the best product and best service at the best price which is resulting in some pressure on margins however volumes are growing.

- Our African growth strategy remains focused on Sub-Saharan Africa; East and West Africa has shown high levels of risk and volatility currently beyond our appetite.

5. General

- Bidvest continues to differentiate itself through its entrepreneurial culture. The executive management team has been around a long time and are committed to this culture. Younger divisional management teams have grown into their roles through the Bidvest ranks and have shown their ability to deliver within the unique decentralized entrepreneurial Bidvest model.

- Management remain focused on our chosen markets, steering away from pure retail, IT, manufacturing, mining and resources industries. We maintain light head office structures, and a divisional management team that is accountable for their performance.

- Management is highly motivated by challenge and the opportunity presented by the unbundling and are excited about continuing to grow off the current solid platform.

The full presentation was recorded and a playback recording is available on the group’s website [www.bidvest.co.za](http://www.bidvest.co.za)

This management update has not been reviewed or reported on by the Company’s independent auditors.

Johannesburg
May 13 2016

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