ACQUISITION OF PHS BY BIDVEST AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Introduction
Bidvest is pleased to announce that it has entered into an agreement to acquire 100% of the PHS Group ("PHS" or the "business") from Anchorage Capital Group, L.L.C. for and on behalf of funds managed and advised by it and funds managed by M&G Investments ("the Acquisition").

The Acquisition is for an enterprise value consideration of GBP495 million, approximately R9.1 billion.

Overview of PHS
PHS is the number one hygiene service provider in the United Kingdom (UK) and also holds top positions in the Republic of Ireland (Ireland) and Spain. It offers a comprehensive range of hygiene services as well complementary services such as consumable supplies, laundry and rental of textiles and dust control mats.

PHS was founded in the UK in 1963 and today serves more than 120,000 customers. More than half of its customers have been customers in excess of ten years while the average contract term is three- to five-years. Advance billings and high retention rates result in significant revenue visibility and attractive operational cash conversion.

The hygiene market is resilient and continues to grow supported by structural growth drivers such as urbanisation, hygiene and safety standards as well as a growing and aging population, to name a few. In the UK, the provision of sanitary and nappy bins is legislated by the Environmental Protection Act of 1990. External industry research forecasts the hygiene market to grow at 1.5-2.0 times GDP.

PHS has undergone several ownership and management changes over the past two decades. Aggressive M&A in non-hygiene areas diverted focus and negatively impacted performance of the core business. A simplification and refocus drive was then put in place, followed more recently, by initiatives to leverage the scalable hygiene platform.

Rationale for the Acquisition
The Acquisition of PHS is in line with Bidvest’s stated strategic intent to expand its presence beyond South Africa in niche, asset light businesses that will benefit from Bidvest’s capabilities and expertise.

The Acquisition satisfies the following specific criteria:

- Meaningful player in the territory – No. 1 hygiene market position in the UK and Spain and No. 2 in Ireland;
A competent management team – senior management has extensive experience in operating service businesses;

Annuity income – the combination of essential services and long average client tenure;

Strong growth prospects – established scalable platforms in the UK, Ireland and Spain in a structurally growing industry; and

Attractive, sustainable returns and strong cash conversion.

Bidvest believes that the PHS service offering and geographic presence will be complementary to Bidvest’s Services division. Several learnings can be shared, and enhanced, thereby improving the overall service offering. The geographic footprint allows for growth optionality into Europe and further afield.

**Salient terms of the Acquisition**

The Acquisition will be made through Bidvest Services (UK) Limited, a wholly owned subsidiary of The Bidvest Group (UK) Limited, which in turn is wholly owned by Bidvest.

Bidvest is conservatively geared at 0.9x net debt / EBITDA (as at 30 June 2019) and has an investment grade rating from Moody’s, which is evidence of its strong credit quality as well as its significant borrowing capacity in both Europe and South Africa. Accordingly, Bidvest will fully fund the Acquisition through committed third-party external GBP-denominated debt funding.

PHS management has signed service contracts in support of the Acquisition and remains committed to the business.

The transaction is expected to be completed mid-2020, subject to fulfilment of the below mentioned conditions precedent.

**Conditions precedent**

The Acquisition is subject to fulfilment and/or waiver of the following conditions precedent:

- South African Reserve Bank approval;
- all necessary anti-trust approvals being granted; and
- all necessary approvals or consents from the Financial Conduct Authority in accordance with Part XII of the Financial Services and Markets Act, 2000.

**Financial information**

The Acquisition will be concluded on a debt-free cash-free basis. When the Acquisition is executed all debt and debt-like items will be extinguished.

In the financial year to March 2019, PHS generated earnings before interest, tax and amortisation (EBITA) of GBP37.5 million. The reported loss for the year was GBP60.2 million post servicing the significant shareholder loans and third party debt. PHS reported negative NAV of GBP189.1 million. The NAV subject to the Acquisition totalled GBP348 million.
In the table below, the key financial metrics from the statutory financial statements of PHS for the financial year ended 31 March 2019 are summarised.

<table>
<thead>
<tr>
<th>As at 31 March 2019 (GBP’000s)</th>
<th>Statutory (UK GAAP)</th>
<th>Transaction executed (illustrative)</th>
<th>Statutory (UK GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit and Loss account</td>
<td></td>
<td>Balance sheet</td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>264 998</td>
<td>264 998</td>
<td>381 406</td>
</tr>
<tr>
<td>EBITDA</td>
<td>55 427</td>
<td>55 427</td>
<td>48 247</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(17 895)</td>
<td>(17 895)</td>
<td>(49 987)</td>
</tr>
<tr>
<td>EBITA</td>
<td>37 532</td>
<td>37 532</td>
<td>(31 439)</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(33 305)</td>
<td></td>
<td>348 227</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(11 005)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating (loss) / profit</td>
<td>(6 778)</td>
<td>Cash</td>
<td>22 697</td>
</tr>
<tr>
<td>Interest payable</td>
<td>(55 019)</td>
<td>Loans</td>
<td>(560 026)</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(61 793)</td>
<td>Equity</td>
<td>189 102</td>
</tr>
<tr>
<td>Tax</td>
<td>1 548</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss for the year</td>
<td>(60 245)</td>
<td></td>
<td></td>
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</tbody>
</table>

**Categorisation of the Acquisition**
The Acquisition is classified as a Category 2 transaction in terms of the JSE Limited (JSE) Listings Requirements and accordingly will not require Bidvest shareholder approval.

As PHS will become a wholly-owned subsidiary of the Group, Bidvest will, in terms of paragraph 10.21 of Schedule 10 of the JSE Limited (“JSE”) Listings Requirements, ensure that (i) the provision of PHS’ memorandum of incorporation does not frustrate Bidvest’s compliance with its obligations in terms of the JSE Listings Requirements, and (ii) that nothing contained in PHS’ memorandum of incorporation shall relieve Bidvest from compliance with the JSE Listings Requirements.

**Withdrawal of cautionary announcement**
Bidvest shareholders are referred to the cautionary announcement dated 19 December 2019. Following publication of this announcement, Bidvest shareholders are no longer required to exercise caution when dealing in their Bidvest shares and the cautionary announcement is hereby withdrawn.

24 December 2019

Financial advisor to The Bidvest Group Limited:
Barclays Bank PLC, acting through its Investment Bank (“Barclays”)
*Barclays is acting exclusively for the Company and no one else in connection with the Acquisition and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Barclays nor for providing advice in relation to the Acquisition or any other matter referred to in this announcement.*

Financial advisor and transactional sponsor to The Bidvest Group Limited
ABSA Bank Limited (acting through its Corporate and Investment Banking Division)

Legal advisor to The Bidvest Group Limited:
Baker McKenzie
Sponsor to the Bidvest Group Limited:
Investec Bank Limited