THE BIDVEST GROUP LIMITED
RESULTS FOR THE YEAR ENDED 30 JUNE 2019

BIDVEST DELIVERS HEPS GROWTH OF 9.8%

"It is exceptionally pleasing that Bidvest has managed to increase this year's trading profit by 3.5% to R6.7 billion and HEPS by 9.8% to 1 352.1 cents. Despite the difficult environment in which we are operating, four of our seven divisions recorded commendable increases in trading profit, while there was also strong earnings growth from our associate companies. Cash generation from the operations was R7.1 billion and we have maintained a robust balance sheet. We have continued our large investment expenditure programme in South Africa and R3 billion was spent on acquisitions during the year, while our total dividend to shareholders is up 7.9% for the year."

Lindsay Ralphs – Chief executive

SALIENT FEATURES

- *Trading profit up 3.5% to R6.7 billion*
- *Both gross and trading profit margins improved*
- *Strong earnings growth in associate companies*
- *Headline earnings increased to R4.6 billion*
- *HEPS increased by 9.8% to 1 352.1 cents*
- *Normalised HEPS increased by 5.2%*
- *23.3% ROFE and 18.4% ROIC*
- *Strong balance sheet maintained with conservative gearing*
- *R7.1 billion cash generated from operations*
- *R5 billion spend on acquisitions and capex*
- *Final dividend declared of 318 cents per share, up 5.6%*
- *More than 50% of individual businesses achieved Level 1 to 2 B-BBEE rating*

Johannesburg, 2 September 2019: Leading South African business-to-business trading, distribution and services group, Bidvest has delivered a credible result for the year ended 30 June 2019 in a market characterised by weak economic growth as well as significant business and fiscal uncertainty and volatility.

The Group's trading profit increased by 3.5% to R6.7 billion despite flat revenue. Exceptional cost and capital discipline as well as improved margins were highlights against the volatile trading backdrop. The combined services businesses, comprising Services, Freight and Financial Services, representing two-thirds of operational profit, grew trading profit by 6.4% while the profit from the combined trading and distribution businesses contracted slightly.

Bidvest's headline earnings per share (HEPS) increased by 9.8% to 1 352.1 cents (2018: 1 231.6 cents). Normalised HEPS, a metric utilised by management to assess the underlying business performance excluding acquisition costs and amortisation of acquired customer contracts and the portion of Comair's SAA claim not yet paid, grew by 5.2%.

Bidvest Chief Executive, Lindsay Ralphs, commented, "There has been a strong focus on our clients, on solutions, innovation, wholesaling the right product at the appropriate price point as well as bolt-on acquisitions in the Services and Office & Print divisions, which has culminated in acceptable growth."

Bidvest Corporate benefited from a strong performance in the Property division as well as a fair value adjustment on Mumbai International Airport (MIAL), but Namibia performed poorly.

Strong profitability gains were achieved at Adcock Ingram while Comair recognised the successful claim awarded against SAA, which increased Bidvest's share of profits from these associated companies.

The Group declared a final cash dividend of 318 cents per share, bringing the total dividend for the year to 600 cents, up 7.9%.

Financial overview

Group revenue was flat at R77.2 billion (2018: R77.0 billion). On a comparable basis, the impact of the disposed fishing operations in Namibia as well as the revised agency model adopted by Mercedes Benz, which affected the Automotive division, were broadly neutralised by revenue from bolt-on acquisitions.

Services delivered a strong organic result, buoyed further by bolt-on acquisitions. Freight delivered a good result on higher bulk and liquid commodity volumes handled through South Africa's ports. Office & Print's result was excellent considering the significant challenges in this sector. The results from Commercial Products and Electrical were somewhat disappointing while Automotive held its own. Financial Services faced the headwinds of fleet contracts rolling off as well as poor insurance claim experiences and insurance investment portfolio returns. Namibia produced poor results. Acquisitions contributed marginally to the growth.

The gross profit margin improved from 28.9% to 29.8%. The distribution businesses grew margin, despite input cost volatility and fierce competition.

Operating expenses increased by 4.6%. A continued, strong focus on cost containment limited the growth in expenses.

Trading profit grew by 3.5% and the trading margin increased by 27 basis points to 8.7%.

Bidvest's headline earnings increased by 10.3% to R4.6 billion (2018: R4.1 billion) and HEPS by 9.8% to 1 352.1 cents per share, due to the increased number of weighted average shares in issue. HEPS growth reflects organic growth. Basic earnings per share decreased by 1.6% to 1 119.4 cents (2018: 1 137.3 cents) mainly due to the contraction in the share prices of associates compared to material share price increases in the prior year.

Bidvest continues to maintain a conservative approach to gearing and net debt levels are considered acceptable at R7.8 billion (2018: R6.3 billion). A broadly stable net debt to EBITDA metric at 0.9x (2018: 0.8x) and EBITDA interest cover of 7.9 times (2018: 8.0 times), are both comfortably above the Group's conservative targets, providing ample capacity for further expansion.

Cash generated by operations at R7.1 billion, was lower than the R9.8 billion generated in the prior year.

Return on funds employed improved from 22.9% to 23.3% as asset management remains a core focus, particularly in these challenging times. ROIC was 18.4%.

Corporate activity

The Group concluded bolt-on acquisitions mostly in Services as well as Office & Print. The larger transactions were done within Services, namely Aquazania and United Drone Services (UDS). Minorities were bought out in Bidvest Namibia through a take-over and successful delisting offer. The acquisition of Eqstra for R3.1 billion enterprise value was announced on 15 July 2019 and is expected to become effective towards the end of the calendar year, pending the necessary approvals.

Ralphs added, “There were several opportunities, both locally and internationally, that we assessed during the year, some of which are still being considered. We remain steadfast in our disciplines when evaluating and responding to opportunities.”

The disposal of Bidvest’s stake in MIAL is progressing. The remaining 1.3 million Bidcorp shares were disposed of early in the financial year.

Rather than continue holding a minority stake, Bidvest has re-evaluated its strategic options with regard to its Adcock Ingram investment. This followed an extensive period during which Bidvest considered ways in which to dispose of its interest in Adcock Ingram, preferably to a new black entrant, but funding was not forthcoming. On 6 June 2019 it was announced that the Group increased its stake to 43.3% with the knowledge that Adcock Ingram’s Broad-Based Black Economic Empowerment scheme would terminate, pushing Bidvest’s shareholding to 50.1%. Adcock Ingram is now a Bidvest subsidiary and shareholder value will be maximised.

Prospects

The core competencies and drivers of the Bidvest business remain firmly intact. Its diverse portfolio of businesses and extensive reach allow the Group to weather challenging times.

“Our basic-need services,” said Ralphs, “and everyday essential product ranges enable us to support and add value to all our stakeholders. Innovation to disrupt ourselves, and the industries in which we operate, remains a core focus alongside disciplined asset management and cost control”.

South Africa needs real GDP growth in order to create employment and prosperity for all. This is both public and private sectors’ responsibility. Government’s ability to credibly address the precarious financial position of several SOEs, initiation of development programmes and ongoing maintenance in key entities and facilities remains critical to kick-start the South African economy. Private sector needs to invest to establish and grow productive and efficient businesses and sectors.

Bidvest will continue to strategically invest to generate sustainable profits for the long term, while remaining cognisant of suitable timing for embarking on large organic investments, such as the Group’s flagship liquid petroleum gas (LPG) storage project that remains within budget and on time.

Sufficient headroom exists to continue the Group’s strategy of growth in its existing markets, as well as continuing to acquire divisional bolt-on businesses, and to pursue larger, value adding opportunities locally. Internationally, we target expansion in the chosen niche areas of Services and Commercial Products. Adcock Ingram will be consolidated from 1 August 2019. The acquisition of Eqstra is expected to close by end 2019.

Bidvest is well positioned to participate in pockets of activity and opportunities. Management, therefore, expects that continued growth will be achieved and shareholder value created in the current financial year.

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ISSUED ON BEHALF OF: **THE BIDVEST GROUP LIMITED**
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About Bidvest:
Bidvest is a leading business-to-business trading, distribution and services group, operating through seven divisions: Services, Freight, Automotive, Office and Print, Commercial Products, Financial Services and Electrical. The Group owns a significant Bidvest occupied property portfolio. Subsequent to year-end, Bidvest strategically increased its stake in Adcock Ingram to 50.1%, making it a Proudly Bidvest company. Bidvest continues to hold investments in Comair (27.2%) and Mumbai International Airport (6.75%), as well as other unlisted investments.

ADDITIONAL INFORMATION:

Divisional review

Services
The division delivered an exceptional result with trading profit up 12.5% to R2.2 billion in a price sensitive, stagnant market. Most of this division's businesses delivered good growth with excellent contributions from Noonan, which continues to exceed expectations, Bidvest Facilities Management and Protea Coin. There was also improved growth performances from Steiner, BidAir Services, Bidvest Lounges, BidTrack and the Allied Services cluster. The recently acquired businesses are performing according to plan. The corporate travel businesses remain under pressure, however, certain of the travel offerings and businesses still delivered acceptable growth considering current market conditions.

The Services division continued on its drive to introduce technology and alternative products and services to ensure the businesses remain relevant and well positioned. In addition to ClickOn and Aquazania, reported on at the interim stage, UDS, a drone solutions business, was acquired effective 1 March 2019. Other opportunities, in South Africa and offshore, are continually being assessed and certain possibilities are being advanced.

Freight
The division's trading profit for the year rose 3.8% to R1.4 billion despite an extremely large swing in agricultural volumes handled year on year. Bidvest Tank Terminals (BTT) delivered an exceptional result. BTTs new LPG storage facility in Richards Bay is advancing satisfactorily and the fabrication of the bullets have been completed and are currently being shipped to South Africa. South African Bulk Terminal's profits were lower on the back of minimal maize exports and lower wheat imports, but it nevertheless contributed an acceptable profit. Bulk Connections handled significantly higher chrome and manganese tonnages. The lower volumes and fierce price competition in warehousing and transport continued in Bidvest Panalpina Logistics (BPL) resulting in profits being down. The Panalpina Group was recently acquired by a major global group and this will likely result in a new international

forwarding and clearing partner in the near future. Bidfreight Port Operations had a pleasing year as a result of good volumes in the Durban operation, including fertiliser, anthracite and metallurgical coke. Bidvest SACD's import volumes were down but export volumes increased. UK-based OnTime Automotive produced a healthy profit.

Office and Print
The division delivered an excellent set of results considering the significant challenges in this sector. Trading profit rose 5.0% to R735.4 million and revenues were unchanged year-on-year. The year's result was positively impacted by good overall margin management, excellent cost control (operating expenses were down), enhanced efficiencies, and by the bolt-on acquisitions of Aluminium Foil Converters, Make Me Mobile (both effective 1 July 2018) as well as Logo Print (effective 1 December 2018). Konica Minolta bedded down the more onerous, lower margin Treasury contract and strategic revitalisation is progressing. Operationally, Office Products performed well in a challenging market. Product innovation and range extensions in trusted brands are standing this segment in good stead. Data, Print and Packaging delivered a good contribution and Cecil Nurse caught up after a slow start to the year. Pleasing progress has been made on numerous remedial actions across the division and rightsizing businesses to current economic conditions.

Commercial Products
Trading profit was down 13.2% to R616.9 million off revenues that were up 1.7%. The Industrial cluster, in particular Renttech, Afcom, Vulcan and Matus, were severely impacted by the tough market conditions while Burncrete, Plumblink, Interbrand and Moto Quip performed well. Overall, the Consumer cluster held its own even though trading softened noticeably in the second half. Margins were well managed across the division with the gross margin increasing year on year and overall cash generation significantly higher. Academy Brushware and Plumblink in the Western Cape moved to new modern distribution centres which augurs well for productivity improvements going forward. Operating expenses remain a key imperative in this market environment and divisional management has increased attention on those businesses were costs require a greater focus.

Financial Services
Trading profit for the year was 7.5% down at R584.5 million. Bidvest Bank had a reasonable year despite no contribution from any large fleet full maintenance lease contracts and certain contracts are in run-down. Vehicle deliveries in terms of the new Transnet heavy commercial vehicle contract only started in the new financial year. Deposits were 15.4% higher with the fledgling business and personal banking offering showing pleasing signs of growth. The investment portfolios ended the year significantly down in the context of a poor JSE market performance. There were pleasing results from Compendium, FinGlobal and Tradeflow. Bidvest Insurance had a disappointing year and has realigned its offering. The fast-growing life insurance activities continues to cause new business strain on the income statement.

Post year-end, on 15 July 2019, it was announced that Bidvest had entered into an agreement to acquire 100% of Eqstra Fleet Management and Logistics. The acquisition is for an enterprise value consideration of R3.1 billion, including an equity value of R1.3 billion, calculated as at 31 August 2018. The acquisition is subject to normal approvals and conditions precedent.

Automotive
Notwithstanding trading conditions that have shown no respite this financial year, this division did well to grow trading profit to R609.0 million, or 1.1%, while overall revenues declined 5.1%. Bidvest Car Rental delivered a pleasing turnaround in trading profit following a very poor performance in the prior year. Fleet utilisation improved and reasonable rental rate increases were achieved. The national new vehicle dealer market volume decreased year on year by 3.2% (source: Lightstone) and demand

for new passenger cars, especially the luxury brands, remained under pressure. McCarthy dealers sold 5.3% fewer new vehicles. Difficult conditions remain in the used car market with owners driving vehicles for longer periods of time, leading to lower stock availability, a decline in residual values, and an increased gap between trade-in and finance settlement values. These have all resulted in pressure on gross margins. A focus on rightsizing the business to current levels of activity is crucial and management is continuing to enforce a more balanced business.

Electrical
Results reflect the very difficult trading year which has seen a near-decimation of the building industry and challenging mining sector. Trading profit declined by 14.2% to R257.7 million, with revenues down 5.5%. Pleasingly, the overall gross margin improved. The traditional Voltex business performed well while the vertical integration strategy of Cabstrut yielded benefit. The project-type businesses generally struggled with little activity and numerous delays. Electech delivered a good result as its renewable business grew nicely. Invirotel supplied thousands of pre-paid electricity meters to Eskom and City Power which offer electricity vending opportunities in the future. Encouragingly, a pick-up in housing and infrastructure work by a few municipalities were noted.

Bidvest Properties and Corporate
Bidvest Properties delivered another strong result with trading profit up 14.7% to R545.4 million. The portfolio comprises 112 properties with an estimated market value of R7.5 billion. Early in the period under review, Bidvest sold its remaining shares in Bidcorp and recognised a profit. MIAL was valued at USD86 million, representing the fair value less cost to sell per the signed agreement. The Namibian operations and The Mansfield Group performed poorly.

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