

THE BIDVEST GROUP LIMITED

("Bidvest" or "the Group")

(Incorporated in the Republic of South Africa)

(Registration number 1946/021180/06)

JSE Share code: BVT

ISIN: ZAE000117321

VOLUNTARY TRADING UPDATE: Four months ending 31 October 2019

At Bidvest's Annual General Meeting (AGM) held today, 28 November 2019, the Group provided an update on its performance for the first four months, ended 31 October 2019, of the financial year (FY20).

Bidvest has delivered a resilient organic operational performance in a challenging market. Domestically, demand is lacklustre in an environment plagued by low business confidence and constrained consumer demand. Cost and capital discipline together with improved margins were highlights. Acquired businesses delivered in line with expectations.

Effective 1 July 2019, the Group restructured from seven divisions into six. This mainly impacted Office and Print and Commercial Products divisions. The former has been renamed Branded Products and now includes Adcock Ingram (consolidated from 1 August 2019) and Home of Living Brands. The Electrical operations now form part of Commercial Products.

The Services and Automotive divisions delivered good results, while Commercial Products and Financial Services held their own. The lack of yellow maize export volumes at the start of the period impacted the Freight division's results, while the lower margin and volumes on the significant Treasury contract put pressure on Branded Products' performance. Underlying trends are similar to that experienced towards the end of FY19.

The adoption of IFRS16 impacted the trading profit positively, while a larger interest expense resulted in a net negative impact on attributable income.

Bidvest still awaits the closing of the Eqstra transaction. Various acquisitions are being pursued. The disposal of Bidvest's 6.75% stake in the Mumbai International Airport is progressing. Management remains committed to disposing of Glenryck, Taeuber & Corssen as well as The Mansfield Group.

Bidvest Freight's R1 billion Liquefied Petroleum Gas (LPG) project in Richards Bay is progressing well. The arrival of the world's largest LPG storage tanks and the establishment of the terminal was celebrated at the end of October 2019. Approval has been given for a further R205 million investment in an inland LPG terminal. Work on this will start once the Richards Bay terminal is operational.

Asset management remains a core focus across the Group. In line with historic seasonal patterns and considering the strain in the local economy, the Group expects working capital absorption at the end of the interim period. Net debt /EBITDA remains healthy, despite continued corporate action and capital investments in South Africa.

In October 2019, Bidvest successfully raised two long-term bonds, totalling R1.5 billion, in a significantly oversubscribed process. This extended the term of Group debt.

Group ROFE improved year on year.

Additional operational commentary:

Services

Services returned a good result in a challenging and price sensitive market. Noonan continued to perform very well and Bidvest Facilities Management secured a material contract, effective 1 April 2020. In SA, the results reflect the predominant annuity nature of the operations. Contract churn at a few businesses is receiving focused attention. Travel continues to be plagued by downtrading and a high cost base. The bolt-on acquisitions made during FY19 contributed in line with expectations. Effective 1 July 2019, Noonan acquired Future Cleaning, a niche cleaning service provider, to expand its footprint in the United Kingdom.

Freight

An excellent performance from Bidvest Tank Terminals, the continuation of good manganese and chrome volumes and improved bulk volumes in Bidvest SADC did not, unfortunately, offset the lack of yellow maize export volumes, the continued decline in warehouse and transport volumes as well as weak trading in Namibia. OnTime delivered a flat result. The DSV Panalpina transaction came into effect, and as a consequence, Bidvest announced the tie-up with a new international network partner, EMO Trans. Bidvest Panalpina Logistics has been renamed Bidvest International Logistics. Overall, the divisional performance to date has been satisfactory.

Branded Products

The divisional performance was significantly impacted by the consolidation of Adcock Ingram, effective 1 August 2019. The overall performance has also been impacted by the lower margins and volumes generated from the Treasury contract in Konica Minolta. Silveray, Lithotech and Cecil Nurse delivered solid performances. The packaging division benefitted from the acquisition of Aluminium Foil Converters and the move to paper packing solutions, specifically to replace plastic. Waltons are preparing for the important back-to-school period. Asset management, rightsizing of businesses and driving top-line growth remain key focus areas.

Commercial Products

The division held its own despite depressed industrial, manufacturing and construction demand as well as delayed contract work. Electrical, Plumblink and Bidvest Materials Handling delivered strong results. This was neutralised by weak trading in the DIY/Workwear/Tools cluster on the back of lower demand that negatively impacted factory production and manifested in margin pressure. Pockets of activity are evident in the electrical businesses. Management is focused on bedding down this restructured division with specific attention given to poor performing operations. Balance sheet management remains a core focus.

Financial Services

Bidvest Bank delivered a solid result with pleasing growth in net interest income as well as good cost control. FinGlobal continued its good performance. FMI continued its strong growth in gross written premiums, Compendium performed well but Bidvest Insurance felt the impact of lower vehicle demand and the closure of its commercial line. The listed equity portfolio returns declined in line with market volatility. One of the key challenges is the declining leased asset book. Roll out of the Transnet heavy commercial vehicle contract should accelerate into the balance of the financial year. Closing of the Eqstra transaction is expected in Q1 of 2020.

Automotive

The Automotive division reported a good result notwithstanding the subdued trading environment. Luxury sales remain weak with gross margin under pressure. Cost containment due to the rationalisation of non-profitable dealerships, both in SA and Namibia, in the prior year contributed significantly to the improved retail performance. Bidvest Car Rental delivered a strong result driven by increased volumes and improved fleet utilisation. Management focus remains on rightsizing the business for current activity levels.

Retirement of executive director

The Bidvest Group announces the retirement of Anthony Dawe. Anthony did not put himself up for re-election as executive director at today's AGM. Anthony's retirement comes after spending 26 years with the Group. He joined the Freight division as an internal auditor and was appointed the Freight CEO in 2006. He was appointed to the Bidvest board as executive director on 28 June 2006. The board and the Bidvest family thank Anthony for his years of service and dedication and wish him well in his retirement.

Wiseman Madinane will succeed Anthony as the Freight CEO, effective 31 December 2019. Wiseman brings to the role experience from various industries prior to joining Bulk Connections.

Conclusion

Bidvest intends issuing its results for the six-months ending 31 December 2019 on Monday, 2 March 2020.

Shareholders are advised that the financial information relating to the 2020 financial year has not been audited, reviewed or reported on by the Group's auditors and that this update does not constitute a forecast.

Date: 28 November 2019

Johannesburg

Sponsor: Investec Bank Limited