

THE BIDVEST GROUP LIMITED
RESULTS FOR THE YEAR ENDED 30 JUNE 2020

BIDVEST DELIVERS R9.2 BILLION IN CASH, UP 38% YEAR-ON-YEAR

“This financial year has been unprecedented. Never has the world, our country, our Group and our people been tested to such an extent. But the true Bidvest spirit shone through. Numerous cost containment, liquidity preservation and strategic steps were implemented in rapid response to considerable demand changes. Various wellness and support interventions were rolled out to assist our employees and communities as their livelihoods were severely impacted. At the same time, innovation within our businesses ramped up to continue to add value to our customers. The Bidvest family is proud of what has been achieved, providing a solid platform to ensure that we are capable of #EmergingStronger. Our sincerest condolences go to the families, friends and colleagues of the 35 Bidvest employees that sadly succumbed to the COVID-19 virus.”

Lindsay Ralphs – Chief executive

SALIENT FEATURES

- ***R9.2bn cash generated from operations, up 38%***
- ***Free cash flow of R3.7bn, a R1.4bn increase***
- ***Exceptional asset management during challenging times resulted in a normalised 23% ROFE***
- ***Robust balance sheet with moderate gearing***
- ***R6.9bn trading profit from continuing operations, up 3%, before R1.6bn COVID-19 charges***
- ***Normalised HEPS from continuing operations of 1 028.3 cents***
- ***HEPS from continuing operations 553.2 cents***
- ***Mpumi Madisa will assume Chief Executive role from 1 October 2020***

Johannesburg, 14 September 2020: The Bidvest Group delivered a credible financial performance for its full year ended 30 June 2020, despite the headwinds presented by an already constrained South African economy pre-Covid-19 and the pandemic’s severe impact on the final quarter.

Group revenue from continuing operations was R76.5 billion (2019: R76.1 billion). On a comparable basis, the impact of the national lockdown on trading was broadly neutralised by the maiden consolidation of Adcock Ingram (Adcock) and two months’ contribution from the newly acquired PHS Group (PHS), a leading hygiene service provider operating in the UK, Ireland and Spain.

Exceptional cost discipline and improved gross profit margin were highlights in a very challenging year. Group trading profit increased 3% to R6.9 billion from continuing operations, before R1.6 billion in Covid-19 charges. Trading profit declined 19.9% after accounting for Covid-19-related charges.

Almost two thirds of profit originated from the services businesses - comprising the Services, Freight and Financial Services divisions – which provided a defensive underpin.

Normalised headline earnings per share (HEPS), excluding acquisition costs, amortisation of acquired customer contracts, fair value adjustment to Adcock inventory, Bidvest's share of Comair's full impairment of an outstanding SAA settlement and Covid-19 expenses - declined by 23.0%.

Services delivered a good overall result, with an excellent performance from Noonan while the SA profitability was negatively impacted by no travel- and hospitality-related activity in the last quarter. Freight delivered a resilient result on lower trade activity through South Africa's ports. Branded Products' result was a combination of a solid Adcock performance while the balance of the division bore the brunt of lower demand and trade restrictions during lockdown. The results from Commercial Products and Automotive mirrored the latter. In Financial Services the negative impact of a complete drop-off of foreign exchange demand in the last quarter and fleet contracts rolling off, more than outweighed higher investment income.

Normalised return on funds employed (ROFE), which excludes COVID-19 charges, declined marginally from 23.2% to 23% as asset management remains a core focus, particularly in these challenging times.

Following the upliftment of South Africa's level five lockdown in April, monthly trading results have progressively improved.

Responding to Covid-19

The Group implemented prevention and treatment interventions across the Group to manage health, safety and recovery during this time.

The Group established a R400 million Bidvest Covid-19 Fund (Fund), to assist South African employees not working due to the lockdown restrictions. The executive management team and board members donated 30% of their salaries and fees to the Fund during the fourth quarter. Various other employee and family support initiatives were rolled out, including a Group-wide employee wellness support programme, Covid-19 testing and bursary extensions for children of retrenched employees.

Bidvest has also contributed to the social needs of its broader stakeholder community in South Africa through various donations of financial resources, cleaning and hygiene products and decontamination services. The Group sponsored the launch of the Woza Matrics of 2020 campaign, a free-to-air television initiative aimed at grade 12 learners, while Bidvest is also in the process of distributing food hampers in low-income communities.

The Group applied for the Covid-19 TERS benefit on behalf of South African employees. Furlough support programmes by the governments of the UK and the Republic of Ireland have been comprehensive in supporting the livelihoods of our employees in these countries.

CE appointment

On 4 March 2019, Bidvest announced the appointment of Mpumi Madisa as CE-designate, consistent with the succession plan developed and executed over the past several years. The past 18 months were spent on extensive preparation for a smooth transition. Lindsay

Ralphs has now reached his retirement age and Mpumi will assume the position of Bidvest CEO, effective 1 October 2020.

Bidvest CE, Lindsay Ralphs, commented: "This is an exciting time for Bidvest. Mpumi becomes the third Chief Executive in the history of the Bidvest Group and her appointment coincides with tremendous change. I believe her exceptionally strong knowledge of our businesses and markets positions her well to lead Bidvest into its next chapter of growth and sustainability. Her extensive strategic capability will certainly prove beneficial to our large and varied stakeholder base."

Corporate action

The acquisition of PHS became effective in May 2020 and management have identified areas of synergy and cost saving to achieve an improved margin more in line with industry peers. Work has started to bring this into effect.

As previously reported, the R3.2 billion Eqstra transaction was terminated. Three bolt-on acquisitions were concluded in Services, the most notable being Future Cleaning, which augmented the footprint of Noonan's UK operations.

Following a detailed strategic review of all Bidvest businesses, the Group decided to divest from Bidvest Car Rental and Bidair Services. Formal disposal processes have progressed since year end. Management's preference is to sell the businesses to preserve as many jobs as possible. Bidvest Car Rental was disclosed as a discontinued operation.

Dividend

In light of the extraordinary levels of uncertainty as it relates to the economies and environments in which we operate and the restructuring actions taken, the board believes that the decision to not declare a final dividend balances the interests of all stakeholders. This leaves the total dividend for the year at 282 cents per share, 53% lower year on year.

Prospects

The pandemic will result in long term socio-economic shifts and structural changes. In recent weeks, Bidvest right-sized operations to ensure its operating models remain relevant and future-fit, reinforces competitive positions and ensures the businesses has sufficient scale for growth. This, unfortunately, led to retrenchments across all six divisions.

South Africa's need for real GDP growth to create employment and prosperity for all is undeniable. Bidvest is actively participating in national workstreams incorporating labour, government and private sectors to achieve this.

Ralphs added, "Overall, Bidvest expect the uncertain and fragile operating environment to persist. Bidvest's basic-need services and everyday essential product ranges should stand us in good stead, especially when coupled with an innovative, value-adding mindset. In recent weeks, we have noted anecdotal market share gains across many of our Commercial Products businesses as we build stock available to trade".

Bidvest will continue to invest strategically to generate sustainable profits for the long term. The Group remains alert to opportunities locally and internationally to further its strategy to expand into niche areas but will remain steadfast in its capital allocation disciplines. Ralphs concluded, "We remain well positioned to participate in pockets of activity and opportunity. Disciplined asset management, cost control and an agile business approach should yield

good results. We remain confident in our overall resilience and ability to deliver consistent, sustainable growth over the long term”.

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NOTE:

Bidvest is a leading business-to-business services, trading and distribution group, operating through six divisions: Services, Freight, Branded Products, Commercial Products, Financial Services and Automotive. The Group owns a significant Bidvest-occupied property portfolio and has a 53.6% stake in Adcock Ingram.