

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

BIDVEST TRADING UPDATE FOR THE TEN MONTHS TO 30 APRIL 2020 AND TRADING STATEMENT

Bidvest shareholders were informed at the time of the release of the Group's interim results (2 March 2020), that trading conditions were challenging due to low business confidence in South Africa, constrained consumer demand and an overall weak economic environment.

The COVID-19 pandemic has resulted in the economic and social environment becoming more demanding and uncertain, and has created significant operational disruptions, both on the demand and supply side of our economy. The impact on Bidvest's trading businesses is significant and the services businesses are also being disrupted.

In response to the crisis, South Africa was placed under a complete national lockdown between 27 March 2020 and 30 April 2020 ("Lockdown") to adequately prepare medical and healthcare facilities, and reduce the spread of the virus. The Lockdown was subsequently extended as part of a risk adjusted, phased approach for a responsible return to economic activity. We support government's focus on reducing the spread of the pandemic and flattening the curve, however the impact of the Lockdown has resulted in the closure of many South African businesses and placed many others in distressed situations.

Partial lockdown arrangements in the United Kingdom and the Republic of Ireland also resulted in reduced activity.

Considering the South African economy was already significantly constrained pre-COVID-19, and remembering that the pandemic impacted mainly the April month, the Group delivered a credible trading profit performance for the ten months, albeit at a much slower growth pace compared to the interim result. The Group's financial position remains solid, which provides a level of comfort in these challenging and uncertain times.

Trading result

Two distinct periods have emerged over this ten-month period:

1) Nine months to 31 March 2020

Pre-Lockdown (to end March), activity in South Africa slowed further from the levels reported on for the first six months of the year.

Within the services related activities, which include the Services, Freight and Financial Services divisions, the offshore operations delivered a strong result, augmented by the maiden contribution from recently acquired, Future Cleaning. The annuity income and take-or-pay businesses reported trading profit growth in line with recent history. In the lead up to the Lockdown, demand for hygiene products and services was very high. Lower cargo volumes, together with no maize shipments, negatively impacted on the rest of the Freight businesses. For some time, and especially since the start of the calendar year, demand has been very weak in hospitality, travel and aviation related services, adversely impacting the relevant businesses in both Services, Financial Services and Automotive. Bidvest Bank's solid advances and deposits growth continued, but the insurance businesses remained under pressure. The investment income gains made earlier in the financial year reversed into losses due to the poor performance of the equity markets.

The majority of the trading and distribution activities, which include the Commercial Products, Branded Products and Automotive divisions, continued to face very tough trading conditions. In Commercial Products, the Trade as well as the Warehousing clusters traded reasonably well. The DIY/Tool/Workwear cluster reported a particularly strong March month as demand for personal protective equipment increased. Restructuring efforts at Renttech are yielding benefits. Branded Products continued to benefit from the consolidation of Adcock Ingram ("Adcock"). In the lead up to the Lockdown, there was high demand for Adcock OTC, Consumer and Critical Care products. Excluding Adcock, trading profit contracted further. Most businesses held their own except for those exposed to consumer retail where profits were materially impacted. The weak demand for new vehicles is well known, based on published monthly NAAMSA statistics.

To date, cost control and rightsizing measures more than offset top-line pressures, albeit to a diminishing degree.

2) Month of April 2020

During the Lockdown, activity was very limited with a particularly devastating impact on Bidvest's trading and distribution activities. During April, only half the revenue was generated compared to this time last year, and the Group broke-even in terms of profitability. Four of the six trading divisions generated a profit for the month, albeit at much reduced levels.

Demand was limited, even for those Bidvest businesses registered as essential services during the Lockdown. Revenue from the annuity income contracts were mixed while all the take-or-pay contracts were honoured. General cargo, hospitality, travel and aviation related volumes and demand were virtually non-existent. Full maintenance lease revenue and insurance premiums were earned, while net interest income reduced in line with the interest rate cuts. The trading and distribution businesses were closed with limited trading in only G Fox, Electrical and Plumblink. Adcock held its own.

The Bidvest teams delivered essential services to the Group's normal high standard, putting measures in place to make sure businesses can withstand a prolonged period of disruption and, at the same time, being prepared to restart at short notice. Albeit, that the trading environment remains extremely fluid and uncertain.

People

An important imperative during this crisis is to protect and provide for the safety, health and well-being of employees who are, collectively, the enablers of our businesses. During the Lockdown period, we initiated a work-from-home policy wherever possible and relevant.

Bidvest established a R400 million, Bidvest COVID-19 Fund ("Fund"), to assist our South African employees that have not been working during the Lockdown. Bidvest is also contributing in other ways to the broader humanitarian efforts in the country, including the Solidarity Fund. Additionally, the 30% salary and fee sacrifice by the executive management team and board members, respectively, for the quarter, will be added to the Fund.

Applications to the UIF on behalf of our employees for the COVID-19 TERS benefit have been made and are ongoing. We commend the UIF for facilitating, processing and paying out claims in such a short period of time.

Furlough support by the governments of the United Kingdom and the Republic of Ireland are comprehensive in supporting the livelihoods of our employees.

Liquidity, solvency and gearing

Bidvest has proactively enhanced its liquidity position by securing R4.5 billion additional general credit facilities with South African banks. The Group's committed general banking facilities now total R11.0 billion. Initiatives are ongoing to evaluate options to strengthen and optimise the capital structure further for the medium term. The upcoming debt maturity of R0.5 billion in June 2020 has been factored into cash flow projections.

The PHS transaction closed on 28 April 2020. Bidvest paid the GBP495 million purchase price from the 24-month bridge funding secured in the same currency. The MIAL disposal process is delayed due to the Indian courts being closed.

The construction of the R1 billion LPG terminal in Richards Bay recommenced post the Lockdown. At this stage, the terminal is expected to be operational in September 2020. The outstanding capital commitment, as at 30 April 2020, was R115 million. All other capital expenditure, apart from stay-in-business and contractual capex, is under review.

Bidvest's focus on cash flow and working capital management is receiving even greater attention in the current environment. We strive to balance the challenging short-term commercial realities with our shared responsibility to the South African economy, and all stakeholders. We are ensuring that the Group remains financially viable, while maintaining relationships with our customers and suppliers as we navigate these uncertain times. We will continue to work towards pragmatic solutions that will deliver the best possible outcome for all.

Traditionally Bidvest generates stronger cash from operations in the second half of the financial year. This has not been the case to date, due to both a reduction in trading and lower trade receivable receipts.

Despite the higher commitment fees and spreads over the base rates, the decrease in interest rates lowered Bidvest's average cost of debt by 10bps from the pre-tax 6.5% reported at interim end.

Bidvest's debt covenants remain unchanged at 3.0x net debt / 12-month rolling EBITDA, pre IFRS16, and greater than 3.5x interest cover. As indicated previously, the acquisition of PHS will utilise a meaningful portion of the financial headroom that exists on the Group's balance sheet. Currency volatility could exacerbate the situation further. Management expects the Group to be within bank covenants.

As at 30 April 2020, the Group's net debt was R12.5 billion, compared to R10.0 billion as at 31 December 2019. This excludes IFRS16 lease liabilities.

PHS

Following the transaction close, PHS will be consolidated from 1 May 2020. The performance for the financial year, which ended 31 March 2020, was in line with expectations at the time of negotiating the transaction.

PHS was founded in the UK in 1963 and today serves more than 120,000 customers. More than half of its customers have had an association in excess of ten years with PHS, 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.

During the due diligence, management identified five areas of synergy and cost saving to achieve an improved margin, which is more in line with industry peers.

The hygiene market is increasingly resilient and is supported by structural growth drivers such as urbanisation, hygiene and safety standards as well as a growing and aging population, to name a few. The global outbreak of the COVID-19 pandemic has undoubtedly heightened the awareness of and need for out-of-home hygiene. This is expected to accelerate the development and maturity of the industry globally.

Eqstra

The initial Eqstra transaction long-stop date of 31 March 2020 was extended, in terms of the Sale and Purchase Agreement, to 4 May 2020. The only outstanding condition precedent was approval from the South African Reserve Bank. This was not obtained by close of business on 4 May 2020 and the R3.2 billion transaction terminated.

Comair

On 5 May 2020, Comair was placed into business rescue and as a consequence, the share was suspended on the JSE. The business rescuer will be formulating a proposed plan that will hopefully result in the long-term viability of this airline. In light of this, Bidvest believed it prudent to fully impair its investment in Comair. As a consequence, Bidvest will also no longer equity account Comair.

During FY2020, Bidvest will therefore recognise a capital impairment of R232.2 million (gross) and its share of Comair operating losses of R209.7 million. This compares to a mark-to-market loss of R332.0 million and share of associate profit of R257.3 million in the prior year. The net impact year-on-year is a significant negative swing of R373.7 million on attributable earnings and R467.0 million in headline earnings (9.9% and 10.2% of FY2019 attributable earnings and headline earnings, respectively).

The way forward

Bidvest recognises that the pandemic will result in long term socio-economic shifts and consequently long-term structural changes to the economy and business in general. The Group will strategically review all Bidvest businesses and right-size operations to make sure that our operating models remain relevant and appropriate for the level of demand. This may lead to retrenchments across all six divisions in order to reinforce their competitive positions in the future, and ensure that the businesses have the potential of sufficient scale.

Industries that are under incremental pressure include travel, and related activities, while out-of-home hygiene offer good structural growth opportunities.

In the near-term, management is focused on restarting operations, in a phased, flexible and cost-efficient manner, and within the parameters set by government. Specifically, we are fully aligned to all safety, health and hygiene protocols for all stakeholders that are impacted by our businesses.

The expected impact of a peak in COVID-19 infections on our employees, and our ability to deliver products and services to our customers, is being carefully considered.

The operating environment remains very uncertain for the balance of financial year and forecasting is impractical. The decision to declare a final dividend will only be taken by the board at the time of finalising the year end results.

Trading statement

In terms of the Listings Requirements of the JSE, Bidvest's financial results for the financial year to 30 June 2020 have been and will continue to be impacted by COVID-19, weak macro conditions and business rightsizing, Comair entering business rescue, the decline in the Adcock share price between 30 June 2019 and 31 July 2019 as well as the adverse impact of the adoption of IFRS16.

Shareholders are advised that headline earnings per share and earnings per share for the financial year to 30 June 2020 are expected to be more than 20% lower compared to the previous year.

A further trading statement will be issued to provide specific guidance once there is reasonable certainty of this information.

The information contained in this announcement has not been reviewed or reported on by the Group's external auditors.

Date: 1 June 2020

Johannesburg

Sponsor: Investec Bank Limited