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 to 31 October 2020

At the Annual General Meeting (AGM) held today, 27 November 2020, the Group provided an update on its performance for the first four months, ended 31 October 2020, of the financial year (FY21).

Reflecting on the past four months, Bidvest chief executive Mpumi Madisa said: “Bidvest’s FY21 tag line #EmergingStronger, could not be more appropriate. I am immensely proud of the Bidvest family. We prioritised the health and well-being of our employees in the face of the continued pandemic, maintained a healthy financial position through strong cash generation, and digested the significant PHS acquisition whilst delivering value-added services and products into a changed operating environment. The future remains uncertain but the Group is resilient, agile and future fit.”

Since the start of the financial year, the monthly operational performance of the Group has improved sequentially due to market share gains in several businesses, the PHS acquisition, exposure to certain growth segments and exceptional cost discipline. Revenue and trading profit delivered in the first four months of FY21 was broadly unchanged relative to the same period last year. This, despite negative economic growth, low business and consumer confidence in all operating territories and travel and tourism related industries which remained closed.

The Commercial Products and Services divisions delivered excellent results driven by market share gains and further boosted by a performance from PHS that has exceeded expectations. The Freight, Branded Products and Automotive divisions performed well considering negative top-line growth. Freight benefitted from strong bulk volumes handled while cost savings and business optimisation initiatives limited the negative operating leverage in the latter two divisions. Financial Services continue to be plagued by decimated travel forex and a net rolling off of fleet leased assets. Bidvest Properties’ proactive approach to rental yields has stood it in good stead.

The commissioning of Bidvest Freight’s R1 billion Liquified Petroleum Gas (LPG) terminal in Richards Bay was completed on 22 October 2020, two years after being featured in President Ramaphosa’s inaugural investment conference in 2018. Bidvest is proud of its significant contribution to the LPG industry in South Africa, the growth of which will stimulate real GDP growth and lead to job creation across the LPG-supply chain while offering a myriad of opportunities for small, micro and medium-enterprises and potential cost savings for consumers and businesses.

Asset management and operational cash generation remain core focus areas across the Group. The debtors book remains in good shape. In line with historic seasonal patterns, working capital absorption is likely to be reported at the end of the interim period. Various Group businesses have flagged supply chain constraints and some product shortages in recent weeks and appropriate response measures have been put in place.

During October 2020, Bidvest successfully raised R5 billion in long-term funding in the local market extending the Group’s debt maturity profile. These funds, together with other available free cash, have been applied against the PHS bridge loan. The remaining balance of the bridge loan can comfortably be dealt with in the normal course of business. Net debt/EBITDA remains below bank covenants and Group liquidity remains strong. In line with the recent downgrade of SA’s government issuer rating, Moody’s Investors Service downgraded Bidvest’s corporate family rating from Ba1 to Ba2 whilst maintaining the negative rating outlook.

The disposals of Bidvest Car Rental, Bidair Services and the 6.75% stake in the Mumbai International Airport are progressing. Operationally, these businesses have performed as expected.

Group ROFE improved year on year.

The safety, health and well-being of our employees remains an imperative. The R400 million Bidvest COVID-19 Fund continues to support the income of our South African employees not working due to lockdown restrictions. Usage of the Group-wide comprehensive employee wellness programme is encouraging. Bidvest continues to access employee benefit programmes offered in South Africa, the UK and Ireland on behalf of employees. Fortunately, COVID-19 infections and fatalities across our Group have been limited. Prevention and treatment protocols remain in place throughout the operations to manage the health, safety and recovery of our people and businesses during the pandemic.

More recently, renewed lockdown measures have been implemented in Ireland and the UK which will negatively impact some activities while in South Africa, the opening of international borders ahead of the traditional peak tourism season should provide some impetus for travel and tourism related activity. We remain close to our customers with regards to their future office requirements and alert to investment opportunities.

Additional operational commentary:

Services

PHS's results to date have exceeded expectations and the growing hygiene pool bodes well for continued growth. Noonan delivered a solid performance despite Future Cleaning's customer base, predominantly cinemas, being under pressure due to lockdown restrictions. In South Africa, the annuity-income businesses reported good results as the rental and client base expanded and non-contractual services increased. Despite businesses in the Allied cluster having been hard hit by office and hotel closures, revenue is showing sequential improvement. As can be expected, the Travel cluster, Bidair Services and Lounges recorded trading losses.

Freight

The continuation of good manganese, chrome and other bulk mineral volumes together with seasonal maize exports and wheat imports resulted in greater volumes handled by the bulk terminals. Bidvest Tank Terminals delivered a solid performance considering the slight volume declines and challenges at some customers. The Richards Bay LPG terminal will contribute from 1 November 2020. Lower import volumes and freight movement resulted in materially lower revenue and trading profit in the other businesses. The benefit of restructuring efforts will fully materialise from January 2021.

Branded Products

The work-from-home approach maintained by many corporations, the disrupted education sector as well as no flu season and an over-stocked OTC supply chain significantly impacted revenue in Branded Products. Demand for Home of Living Brands' everyday essential products, Adcock Ingram's consumer products and packaging into on-line channels is, however, stronger. Encouragingly, revenue is improving sequentially. The weaker rand at the start of the period resulted in some gross margin pressure. Exceptional cost management means the division is holding its own until demand re-emerges.

Commercial Products

The combination of revenue growth, restructuring and cost containment measures resulted in an excellent trading profit performance. Market share gains across the Trade and DIY/Workwear/Tools clusters as well as leisure product demand growth more than offset continued weak industrial demand. Improved gross margin, lower operating costs and very good asset management led to significantly higher trading profit and cash generation. Supply chain issues, particularly pertaining to container movement, and product shortages have more recently become challenges.

Financial Services

Bidvest Bank's non-interest revenue was severely impacted by international travel restrictions and the net roll-off of fleet management units while lower rates depressed net interest margins. Rationalisation of the branch network and restructuring in response to digital forex and money transfer capabilities are work-in-progress. The insurance operations delivered credible performances driven by improved month-on-month policy sales and sound cost control. The insurance portfolio yielded losses for the period.

Automotive

The Automotive division delivered a good result notwithstanding the subdued trading environment. New and used vehicle sales declined 22% and 15%, respectively. Aftermarket activity has recovered to around 85% of pre-COVID levels. Gross profit margin on vehicle and part sales remained broadly stable with servicing margins slightly down. Cost saving measures limited the decline in trading profit. Asset management has been good, particularly in monetising inventory.

Management appointment

Hannah Sadiki was appointed as the Bidvest Bank and Financial Services divisional CEO, effective 1 November 2020. Hannah brings to the role more than 30 years' banking experience.

Administration

Bidvest results for the six-months ending 31 December 2020 are expected to be released on SENS on or about Monday, 1 March 2021.

The information above has not been audited, reviewed or reported on by the Group's auditors and does not constitute a forecast.

Date: 27 November 2020

Johannesburg
Sponsor: Investec Bank Limited