MEDIA RELEASE

BIDVEST DELIVERS ROBUST TRADING RESULT

Bidvest successfully unbundled its food service operations and separately listed Bid Corporation Limited (Bidcorp) on the JSE Limited on 30 May 2016.

"Bidvest has delivered a robust trading profit, driven mainly by its core South African operations. While markets remain difficult, our seven divisions, as well as the property business, must be commended for maintaining competitiveness, market shares and good cost management. Bidvest would benefit from new infrastructural and other development projects and we remain committed to invest organically and acquisitively. The Group has started to see some growth and optimism emerging in the South African economy and we are confident that this will continue, subject to political stability."

Lindsay Ralphs – Chief executive officer

SALIENT FEATURES

- ***A robust trading result before investment income, up 7.5%***
- ***Bidvest South Africa recorded commendable increases in trading profits despite challenging economic conditions***
- ***Basic earnings per share up 39.6% to 587.4 cents***
- ***Headline earnings increased by 5.6% to R1.7 billion***
- ***HEPS increased by 4.4% to 510.3 cents***
- ***Strong balance sheet maintained and solid operating cash generation, up 30.1%***
- ***Interim dividend declared of 227 cents per share***

Johannesburg, 27 February 2017: The Bidvest Group has delivered a pleasing result against the backdrop of significant and continuing market challenges. The quality of earnings is evident in the performance of the South African trading operations, which delivered solid results.

Despite the competitive and difficult operating environment, five of the divisions managed to maintain or increase margins through enhanced efficiencies and cost control.

Bidvest's South African operations delivered a good trading profit, increasing by 6,2% notwithstanding revenue only increasing 3,6%. Bidvest Namibia continued to be impacted by declining fish quotas and tough economic conditions in that country. Numerous options are being considered to improve the current situation and return these assets to profitability.

Bidvest's basic earnings per share increased by 39,6% to 587,4 cents (H1 2016: 420,9 cents) and headline earnings per share by 4,4% to 510,3 cents (H1 2016: 489,0 cents). The difference in the increase between basic earnings and headline earnings per share is primarily due to the reversal of impairments arising from an increase in the market values of associate companies, Adcock Ingram Holdings Limited and Comair Limited, due to strong profitability gains. The Brandcorp acquisition was finalised with effect from 1 October 2016 and several smaller bolt-on acquisitions have been bedded down.

The directors have declared an interim gross cash dividend of 227 cents a share. The interim dividend is not comparable to the prior year's interim dividend, which was declared as part of the larger Bidvest Group prior to the unbundling of the foodservice businesses.

Financial overview

Group revenue increased 4.1% to R36.0 billion (H1 2016: R34.6 billion).

Gross profit margin was stable. Portfolio mix benefits were achieved by replacing low profit margin companies, with Brandcorp, which is a better margin business. Operating expenses were well controlled, increasing by a modest 2.1%. The operating expense ratio reduced to 20.1% (H1 2016: 20.5%).

All the divisions apart from Office and Print and Bidvest Namibia contributed positively to the 7,5% growth in the trading result and stable trading profit margin. Mark-to-market adjustments on investments reduced the growth in trading profit to 3,2% or R2,8 billion (H1 2016: R2,7 billion).

The investments in Adcock Ingram, Comair and Cullinan benefited from positive mark-to-market adjustments of R319.8 million, relative to negative adjustments of R216.9 million in the corresponding period and R760.8 million for the full 2016 financial year.

Net finance charges were 15.4% higher at R521.3 million (H1 2016: R451.8 million), driven by a 1% increase in the prime interest rate and an increase in net debt due to the Brandcorp acquisition.

Income from associates more than doubled to R200.9 million (H1 2016: R93.8 million), due to significant improvements in the financial results of Adcock Ingram and Comair.

Bidvest's headline earnings increased by 5.6% to R1.7 billion (H1 2016: R1.6 billion).

Cash generated by operations at R1.8 billion was, on a like-for-like basis, 30.1% higher than the R1.4 billion generated in the prior year. The Group absorbed R1.9 billion of working capital in the current period compared to R2.0 billion in the prior period.

The balance sheet remains robust and net debt levels are acceptable at R8.4 billion given Brandcorp's recent inclusion. Net debt to equity at 42.7% (H1 2016: 41.3%) and EBITDA interest cover of 7.0 times (H1 2016: 7.9 times), are comfortably above the Group's conservative self-imposed targets, providing ample capacity for further expansion.

Moody's Investors Service affirmed the Bidvest Group' long-term issuer ratings of Baa2/Aa1.za and short-term ratings of P-2/P-1.za, with a negative outlook, in December 2016.

The negative outlook relates to the challenging and low growth economic environment in South Africa.

Prospects

It is anticipated that current trading conditions will continue for the remainder of the year, although a gradual improvement is anticipated, supported by drought relief and improved business confidence.

Expense control and asset management remain essential pillars of our high-performance philosophy and will continue to be closely monitored.

The Group is continuously assessing and implementing plans for real growth and pursuing selective local and international opportunities to complement existing product and service offerings. This growth drive is supported by Bidvest's sound financial position and strong cash generation, which provides adequate headroom to accommodate expansion opportunities.

Divisional review

Services

The Services division continues to perform well, with a 6.8% increase in trading profit for the period. Expense control and good asset management remain features of the division.

Excellent results were achieved by Facilities Management Services, Security Services and Allied Services. Industrial Services produced steady results, while the Travel Services business remains a concern. The division has a positive outlook for the remainder of 2017, and will benefit from the inclusion of some bolt-on acquisitions and the start-up of several new contracts.

Freight

The Freight division reported a commendable trading profit increase of 6.1%, despite a decrease in revenue following the sale of the Manica business. Results in the second quarter were particularly good. Increased profits were supported by maize import volumes resulting from the drought in southern Africa. Commodity export volumes continued to be below expectations, although manganese and chrome exports have started to improve. Good cost control has contributed to the improved performance.

Automotive

The Motor Retail and Car Rental division reported a pleasing increase of 1.9% in trading profit, against a new vehicle market that has contracted by 13.0% in the six months to December 2016. Used vehicles performed well, increasing revenue by more than 9%. The focus on used vehicles has been critical to offset double digit volume declines and margin pressures in the new vehicle market. The luxury new vehicle component continued to contract at a faster rate than the overall market. Bidvest Car Rental experienced a strong price recovery, despite increased competition in the market. This was achieved through changes in the mix towards higher margin business, leading to a good increase in trading profit.

Office and Print

Revenue declined by 1.4%, mainly due to the non-recurrence of the Tanzanian voter registration project and the disposal of Kolok Mozambique. The division's trading profit result was negatively impacted by currency movements in Konica Minolta and Kolok, which masked solid performances by the other operations. Margins and expenses were generally well controlled.

Commercial Products

The division produced another set of excellent results, delivering a 37% increase in trading profit. The results include the Brandcorp acquisition effective 1 October 2016. Excluding Brandcorp, trading profit increased by a solid 7.5%, despite tough trading conditions. The Industrial segment (excluding Brandcorp) achieved a pleasing performance, growing trading profit by 18%, on revenue growth of 9%. G Fox and Plumblink recorded exceptional performances. The Consumer division experienced some headwinds, with Yamaha bearing the brunt of tough trading conditions and volumes under pressure. Brandcorp's performance was in line with expectation. Cash generation in this division was particularly strong.

Financial Services

Bidvest Bank and the Insurance cluster reported a pleasing set of results. Trading profit increased by 14.1%, with strong contributions from Bidvest Bank, as well as an improved return on the investment portfolio in the Insurance business. Bidvest Bank's performance was driven mainly by increased profits in the Fleet and Asset Finance businesses, as well as an enhanced customer programme and product offering. Bidvest Bank corporate advances increased by 12,9% and deposits grew by 23,7%. The Insurance Group showed good premium growth in the Commercial and Travel Insurance channels, while Compendium produced outstanding results.

Electrical

The division has performed well given the infrastructure development, mining and construction sectors in South Africa remain constrained. The 5.1% increase in operating profit on revenue growth of 1,9% is commendable. Solid State Power generated an excellent set of results, while Voltex managed to improve margins in a tough trading environment. Asset management and a reduction in expenses remain focus areas.

Other investments

Bidvest Namibia (52% share)

Difficult macro-economic factors in Namibia contributed to a disappointing overall performance, with trading profit declining by 80.6%. All operations apart from Properties, reported a decline in profitability, with Bidfish and Food & Distribution generating losses for the six months. The extremely difficult trading conditions are expected to continue in the short term. Various initiatives have been implemented to improve the operating performance. The size of the vessel fleet is being reduced and cost reduction programmes have been put in place.

Bidvest Corporate
Bidvest Properties performed well with a 12,7% increase in trading profit. Mark-to-market adjustments negatively impacted the performance of investments. Ontime Automotive and the DH Mansfield Group, reduced their losses and robust action plans are in place to further improve performance.

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About Bidvest:

Bidvest is a leading trading, distribution and services group, operating through seven divisions: Services, Freight, Automotive, Office and Print, Commercial Products, Financial Services and Electrical. The Group owns 52% of Bidvest Namibia and a significant Bidvest occupied property portfolio. Bidvest continues to hold investments in Adcock Ingram (38.4%), Comair (27.2%), Cullinan Holdings (19.5%) and Mumbai Airport (6.75%), as well as other listed and unlisted investments.