Bidvest

BIDVEST GROUP LIMITED

RESULTS FOR THE YEAR ENDED 30 JUNE 2024

FIVE OF BIDVEST'S SEVEN DIVISIONS DELIVER GROWTH

"Bidvest has delivered a solid performance. Five of the seven Group divisions reported growth in profits, four of those impressive double-digit profit increases", Mpumi Madisa, chief executive.

Salient features for the year ended 30 June 2024

- **R122.6 billion revenue, +6.7%**
- **R12.4 billion trading profit, +8.5%**
- **R14.0 billion cash generated by operations, +15.3%**
- **ROFE 37.3%**
- **Basic EPS 1 873.8 cents, +6.6%**
- **HEPS 1 912.6 cents, +6.6%**
- **Normalised HEPS 1 964.8 cents, +4.3%**
- **Total dividend of 914 cents, +4.3%**

Johannesburg, 2 September 2024: Leading services, trading and distribution Group, Bidvest has delivered a solid performance for the year ended 30 June 2024, with the underlying themes demonstrating the Group's coveted attributes of consistency in performance, strong cash flow and growth.

Trading profit grew by 8.5% to R12.4 billion, with acquisitions boosting growth by 2.9%. The trading profit margin improved slightly to 10.1% (FY2023 10.0%).

The Group declared a final dividend of 447 cents per share, bring the year's total to 914 cents, which is 4.3% higher than last year.

Bidvest Chief Executive, Mpumi Madisa commented, "This year's result is characterised by increased innovation and technology deployment across all our operating regions. Our considered and focused corporate action execution has resulted in our maiden hygiene services entry in the Asia-Pacific market and the doubling of our Australian facilities management operations".

Despite the pressure points of volume contraction in renewables and new vehicles, the overall results are testament to the value of Bidvest's diversified portfolio.

Five out of the seven divisions reported profit growth with four delivering impressive double-digit increases. Two divisions, Commercial Products and Automotive, faced headwinds due to the high renewables base and a declining new vehicle market.

We remain confident in our growth strategy and ability to create sustainable value. To ensure a strong pipeline, Bidvest deployed almost R5.0 billion on eleven acquisitions and growth capital expenditure, both domestically and offshore. These investments added to the Groups geographic footprint (Consolidated Property Services in Australia, RHS in Singapore), further diversified the portfolio (Interloc Freight Services, Green Home Products, Brandability), and augmented key offerings through additional scale (Robinson Services, OSS Contracts, Principal Hygiene, Synergy Waste, Pure Hygiene, Roan Systems).

Madisa added, “Strong cash generation and conversion in the second half allowed us to reduce gearing from the interim stage, and to end in line with the prior year. And yet again, we delivered an excellent value-adding return for shareholders”.

Following a portfolio review, Bidvest has made a significant strategic decision to dispose of Bidvest Bank and FinGlobal, thereby positioning these businesses for their next phase of sustainable growth, whilst recycling capital for the Group. The remaining short-term insurance businesses, whose focus is primarily vehicle insurance cover and related value-added products, transferred to Automotive effective 1 July 2024.

Highlights

Group revenue grew 6.7% to R122.6 billion (FY2023: R114.9 billion), with acquisitions boosting the growth rate by 2.9%. In largely stagnant markets, price inflation, a weaker rand against major currencies, and new business gains, were the key growth drivers.

Top-line growth together with vigorous gross margin management and excellent expense control culminated in Group trading profit increasing 8.5%.

Cash flow from operating activities grew strongly by 18.7%, which is more than double net income growth, after paying more to equity and debt capital providers. The Group’s cash conversion after working capital investment and capital expenditure improved markedly from 76.4% to 83.4%.

Madisa said, “Cash generated by operations was excellent, increasing 15.3% to R14.0 billion”.

HEPS and Normalised HEPS[1], a measurement used by management to assess the underlying business performance, grew by 6.6% and 4.3%, respectively. As a result of the growth capex and working capital investment, Return on Funds Employed (ROFE) moderated from 38.3% at year end to 37.3%. Return on Invested Capital (ROIC) of 16.1% compares to 17.3% in the prior year. The spread over the weighted cost of capital was maintained.

Note 1: Normalised HEPS excludes acquisition costs, amortisation of acquired customer contracts and the impact of one-off taxation events

Segmental highlights included:

- Product innovation and extended ranges to meet shifts in customer demands, together with tight cost control, resulted in **Branded Products'** outstanding trading profit result (+21.1%), surpassing the billion-rand mark for the first time.
- New business wins, unrivalled service and product bundling, as well as strong inbound leisure travel, culminated in excellent profit growth (+18.7%) in **Services South Africa**.
- **Services International** reported impressive growth (+12.4%) as innovative offerings set businesses apart in competitive segments, and the result was boosted by acquisitions that delivered in line with expectations.
- Constant global demand for minerals and very strong oil and gas activity, together with a positive price mix, supported a solid result (+7.3%) from **Freight**, off a multi-year high base, despite agricultural seasonality.
- Strong net interest income growth and a much-improved cost-to-income ratio in Bidvest Bank, were the primary drivers of core profit growth (+38.6%) in **Financial Services**.
- **Commercial Products** delivered a satisfactory result (-9%) given that profit growth from 12 of the 18 operating companies in the division was achieved, notwithstanding the decline in renewable sales and the overstocked inventory channel.
- **Automotive's** new vehicle volumes declined in line with the market trend, resulting in excess new inventory, margin pressure and negative operating leverage (-24.8%).

Bidvest's net debt decreased by R3.2 billion - from 31 December 2023 - to R22.7 billion, as at 30 June 2024, with 64.4% of net debt now offshore. Available debt funding, mainly from the multicurrency syndicated revolving credit facility, was utilised for acquisitions concluded during the period. The Group successfully refinanced and upsized maturing local bonds and preference shares, totalling R3.0 billion, at more attractive interest rate spreads.

Corporate action

Bidvest started FY2024 with a full M&A pipeline, mainly representing opportunities to scale and diversify existing businesses and/or geographic presence. The eleven transactions concluded have advanced the Group's internationalisation in the niche areas of hygiene services and facilities management, while also augmenting the SA portfolio.

At interim stage, Bidvest reported on the acquisition of Consolidated and RHS, as well as several bolt-on acquisitions – Robinsons Service, Pure Hygiene, Principal Hygiene, Synergy Waste, OSS Contracts, Roan Systems, Brandability, Green Home and Interloc. Post year end, on 3 July 2024, Bidvest announced the proposed acquisition of Citron Hygiene, a provider of washroom hygiene products and services in the USA, Canada and the UK. This acquisition is subject to the UK Competition and Markets Authority approval. Approvals have been obtained from the SA Competition Commission for the acquisition of Dekra, a vehicle testing station business and Wearcheck, a condition monitoring specialist, while the NexGen, which is a UK-based specialised facilities management company, transaction concluded.

During the year, strategic advancements pivoted Automotive into greater brand, service and product diversification. In Freight, there was continued engagement with Transnet with regards to terminal operations. Subsequent to year end, the decision to dispose of Bidvest

Bank and FinGlobal was taken, and the remaining Financial Services businesses were transferred to Automotive.

Prospects

There is an undertone of positive sentiment regarding growth in the medium- to longer term. Consequently, we expect market conditions in all our operating territories to start improving.

Following an incident free and successful national South African election, which resulted in the formation of a Government of National Unity (GNU), there are strong signs of a significantly enhanced business friendlier environment in SA.

Reforms in the electricity and logistics sectors are critical to unlock structurally higher and inclusive economic growth. It is therefore pleasing that the recent performance of SA's national energy provider, Eskom, has exceeded all forecasts, and is starting to restore confidence in business and society, which is urgently needed to support future investment in the country. The imperative now is to accelerate energy transition reforms, including rapid transmission expansion, electricity distribution industry reform and the continued expansion of new generation capacity.

SA's transport and logistics utility, Transnet, is making progress in implementing its recovery plan, which is closely aligned to the country's Freight Logistics Roadmap (FLR). The government-led National Logistics Crisis Committee, in which business participates, is actively implementing the FLR, although it is generally acknowledged that additional interventions are required to improve performance. This remains at the core of unlocking value for the country's entire supply chain and to ensure sustainable economic growth.

In the UK and Europe there are early signs of a more positive macro environment.

Operationally, we expect to face headwinds in the first half of the year from no export maize volumes and the ongoing, elevated renewable energy sales base. On the upside, the travel and tourism industry remains buoyant with a strong forward order book. We believe FY2024 was the trough in new vehicle sales volumes, and we should benefit from our brand diversification strategy. The bolt-on acquisitions closed in recent weeks will contribute positively. There is also strong momentum in our businesses, evident in new business wins and the ever-growing product and service baskets.

Management aims to identify a suitable acquirer/s for Bidvest Bank and FinGlobal by the end of the 2024 calendar year. The transaction/s will be subject to several relevant regulatory approvals.

Madisa concluded, "We have a portfolio of excellent, everyday essential assets that are set to benefit from the global megatrends that are becoming evident. We continue to pursue operational excellence, while shaping our portfolio for the future. This, we intend to do through innovation that makes a positive impact and derives cost benefits for us and our customers, whilst at the same time, creating social value and mutual benefit for all stakeholders".

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NOTE TO EDITORS

The Group

Bidvest encourages a performance-driven, decentralised business model that continually seeks scale and growth. We fully empower the leadership across our diverse areas of operations – Services International, Services South Africa, Branded Products, Freight, Commercial Products, Financial Services, Automotive and Adcock Ingram – which acts as a remarkable catalyst for increased value creation.

Segmental Reviews

Services International

Services International delivered another impressive result with trading profit growing by 12.4% to R3.8 billion. Excluding the acquisition of Consolidated in Australia, growth was a very respectable 5.0% despite the rescoping of a significant facilities management contract in SA towards the end of the prior year. Both the hygiene services and the facilities management clusters, which are broadly equal in size, delivered pleasing increases in revenue and profitability. In SA, innovative offerings, new business successes and well controlled expenses, were highlights of the year. The hygiene business in the UK is strong and profit growth is matching continued hygiene pool growth. Client retention and securing new business proved challenging in the facilities management sector in the UK, while business momentum remained pleasingly solid in Ireland. These businesses remain at the forefront of innovation and delivering solutions that assist customers in fulfilling their sustainability ambitions. Organically, profit growth in Australia was subdued due to a negative revenue mix and input cost pressure in a challenging economic environment with the property sector under real pressure. New business wins were reasonable. Consolidated performed in line with expectations. The integration of the two businesses was brought forward and is currently in progress. Since the entry into the hygiene services market in Singapore, investment has been made in people, systems and processes to gear the business up to capture the growth opportunities that exist. Cash generation was excellent, and the ROFE remained stable at 133.0%.

Collaboration across territories, particularly with regards to innovation and sustainability-enhancing solutions, are key competitive advantages that management expects to continue to materialise in new business wins and retention. The envisaged integrated operations in Australia should deliver synergies, both revenue and costs, as this business pursues its growth ambitions, and adds to its scale.

Freight

A solid trading profit of R2.3 billion, up 7.3%, was delivered, off a high base with double digit percentage growth reported over the previous two years. Growth continues to be driven by global demand for minerals, domestic demand for gas and positive price mix. The bulk of the profitability continues to be derived from the terminal and related operations, supported by healthy throughput, even though agricultural volumes were markedly lower in the second half. The butane spheres at Bidvest Tank Terminals were successfully commissioned, and the multi-purpose tanks were fully operational soon after year-end. Buoyant oil and gas activity as well as higher dry bulk volumes imported and exported via Namibian ports manifested in a phenomenal result out of that country. International clearing and forwarding operations benefitted from new business wins and the consolidation of the warehousing and road freight business units yielded good

synergies. The restructuring and repositioning of activities linked to railed container services started to bear fruit. Despite continued capital investment, the ROFE remained stable at 54.4%.
Management does not expect to handle any maize shipments in the first half of the financial year, and this will impact profitability. Additional multi-purpose tank capacity was commissioned in August and the building of additional fuel tanks should be complete towards the end of the financial year. The division remains actively engaged with regards to investment opportunities in SA and Namibia.

Services South Africa
Trading profit grew by an excellent 18.7% to R1.3 billion. This resulted from impressive results in the Hospitality, Security & Aviation and Travel clusters all reflecting double digit growth, together with pleasing results from the Allied cluster. The Security cluster, the largest in this division, delivered excellent new business growth as its unrivalled bundle of security services and technology innovation in tracking services set these businesses apart in a very competitive market. The acquisition of Interloc proved hugely accretive and value-adding to the cargo service offering. Passenger volumes through the multiple airport lounges exceeded pre-Covid volumes. This, together with improved catering contract profitability resulted in an exceptional Hospitality cluster result. The leisure inbound market was particularly buoyant while the corporate travel demand was subdued, but overall resilient with good growth in conferencing and events. We are watching potential global agent consolidation and system disaggregation closely. The Allied cluster reflected steady growth with bottled water demand continuing to grow and investment in rental assets that generate recurring revenue in laundry and garment services. ROFE remained stable at 103.9%.
The unparalleled service and product offering across the division will continue to drive business wins. The inbound leisure order book is very strong. The acquisition of Wearcheck, a condition monitoring specialist business, will further diversify our SA service offering in this growing market.

Commercial Products
Although trading profit declined by 9.0% to R1.3 billion, this was a satisfactory result given the significant contribution from renewable product sales in the prior year. Profit growth from 12 of the 18 operating companies in the division was achieved, despite fierce competition in a stagnant market. Within the Trade cluster, the biggest profit contributor to the division, the specialist electrical businesses performed strongly as industrial and commercial demand for engineering solutions continue unabated, while the plumbing wholesale operation held its own as range extension initiatives in the solar and water segments yielded benefit. In the DIY/Tools/Workwear and Packaging clusters improved factory recoveries and healthy sales, together with tight cost management, culminated in exceptional growth. The Warehousing and General Industrial clusters delivered higher profits regardless of noticeable revenue mix changes, while the Leisure cluster delivered a poor result as discretionary leisure spend shrunk. Improved gross profit margin and flat operating expenses were a highlight, but working capital absorption, particularly in renewable inventory, needs attention. The ROFE declined to 22.1%.
The order book for commercial engineering solutions is healthy and will be delivered during the year. Cycling the base of renewable energy sales to consumers will remain challenging during the first half of FY2025. Opportunities for volume growth exists in the energy, water and industrial sectors as well as cross-border exports.

Branded Products
Branded Products delivered an outstanding result with R1.0 billion in trading profit, 21.1% ahead of the prior year. This is the first time this division surpassed the one billion rand mark. Continuing the trend at half year, all three clusters delivered double digit profit growth. The Office Products and Office and Leisure clusters benefitted from phenomenal office furniture sales focused on innovative, cutting-edge workplace wellness products, an expanded offering, strong office automation sales as well as an acquisition within the promotional and corporate branding space. Despite price pressures, negative revenue mix, the collapse of the SA Post Office and the scrapping of e-Tolls, the Data, Print and Packaging cluster delivered a strong result. Bolt-on acquisitions augmented the product range to include biodegradable packaging and additional mobile computing and barcoding solutions to deliver on changing customer needs while, organically, the businesses continue to supply basic printing and packaging solutions in the most cost-effective manner. Notwithstanding depressed consumer demand, the Consumer Products cluster benefitted from product innovation as well as efficiency gains. Tight operational cost control was again a feature throughout the division. The ROFE improved to an impressive 38.8% from 33.5%.

The strategy of expansion and product innovation, organically and through bolt-on acquisitions, continues unabated.

Automotive
Trading profit in Automotive declined by 24.8% to R688.0 million. This is disappointing, but an understandable result given the weak and very competitive automotive trading environment. Consumers are experiencing considerable strain on disposable income, negatively impacting demand. In SA, new vehicle units declined 8%, more than the 6% reported for the industry due to McCarthy's brand mix being misaligned to current demand trends. During the year, management has engaged with several new brand owners to secure representation. Dealer points for Mahindra, FAW, JeTour, GAC and LDV are now operational. Appropriate support will continue for the traditional brands represented. The number of used vehicles sold grew slightly while the focus remained on the sourcing of good reasonably priced vehicles and expanding activity levels whilst aligning the expense base appropriately. The 100bps decrease in margin realised, together with an extra R1.0 billion in funds employed, mainly in new inventory, resulted in ROFE almost halving Y-o-Y to 21.4%.
The short-term insurance businesses, transferred from the Financial Services division, which focus primarily on vehicle insurance cover and related value-added products, aligns to the strategy of diversifying into allied automotive services. These, as well as the recently acquired Dekra and Serco, will add scale and reduce profit cyclicality. The Automotive divisional executive team was restructured to focus on delivering an end-to-end automotive solution.

Financial Services
Divisional trading profit continued to improve, with trading profit 38.6% higher at R642.6 million. The core business trading profit increased by 62.8% to R533.0 million as investment income declined by R26.6 million. Bidvest Bank performed well, supported by higher interest rates, a favourable funding mix, 24.1% and 3.2% loan and advances, and leased asset growth, respectively. The deposit base grew by 4.2% to R8.3 billion and all regulatory ratios remained very healthy. FinGlobal delivered an excellent result. The insurance and related businesses achieved muted gross written premium growth given the downturn in vehicle sales and a tight insurance market. Good progress has been made in terms of strategic technology upgrades and migration to enhance operational efficiency. Costs were well contained across all businesses and ROFE improved to 20.2%. As announced on 3 July 2024, a strategic decision was taken to dispose of Bidvest Bank and FinGlobal as dedicated financial services ownership is required for the continued sustainability and prosperity of these companies. The disposal of Bidvest Life is underway.

Adcock Ingram
Bidvest owns an effective 64.8% share in Adcock Ingram, post Adcock repurchasing 6 million shares in the market. Revenue growth was supported by average price realisation of 5.0% and a mix benefit of almost 2.0%. Organic volumes declined by less than 1.0%, a substantial recovery from the 5.0% decline experienced in the first six months of the financial year. The second half of the financial year benefitted from increased demand for Adcock's winter products, driven by a rise in cold and flu cases and other respiratory illnesses. With pressure on the gross margin consequent to a weaker Rand and a less favourable sales mix, the focus on control of operating expenses resulted in trading profit growing to R1.2 billion. Adcock increased market share and maintained its position as the leading pharmaceutical player in the SA private market.