BIDVEST GROUP LIMITED
RESULTS FOR THE YEAR ENDED 30 JUNE 2023

BIDVEST BOOSTS ANNUAL TRADING PROFIT GROWTH BY 17.6%

"The double-digit trading profit growth from each of the seven divisions is an accolade to our 120 785-strong Bidvest team"

Mpumi Madisa, Chief executive

Salient features for the year ended 30 June 2023

- **R114.9 billion revenue, +15.0%**
- **R11.4 billion trading profit, +17.6%**
- **R12.2 billion cash generated by operations**
- **ROFE 38.3%**
- **HEPS 1 794.8 cents, +24.5%**
- **Normalised HEPS 1 884.7 cents, +17.7%**
- **Final dividend of 439 cents, + 20.6%**

Johannesburg, 4 September 2023: Services, trading and distribution group, Bidvest, has delivered a commendable operating and financial result for the 2023 financial year, with the second six-month period improving on an already impressive first half performance.

The performance was led by exponential demand in renewable energy products as well as travel and tourism services. The recovery in the Financial Services division exceeded expectations, Services South Africa breached the billion Rand trading profit mark, and Freight delivered profit exceeding R2.0 billion, double its contribution a mere three years ago.

Bidvest CEO, Mpumi Madisa, commented, "Seven of our divisions reported double-digit trading profit growth, off already high bases. This is commendable considering the weak and volatile macro backdrop".

Margin management was a key focus area during FY2023, given unprecedented and persistent inflation, particularly in the Group's international geographies, together with record wage inflation and the additional cost of doing business caused by loadshedding and unreliable rail services in South Africa.

The trading profit margin improved by 22bps to 10.0%, despite a slight contraction in gross margin (100bps to 29.0%) as operating expenses were well controlled.

Headline earnings per share (HEPS) grew by 24.5%. Normalised HEPS, which excludes acquisition costs and amortisation of acquired customer contracts and is the measurement used by management to assess the underlying business performance, rose 17.7%.

Return on Funds Employed (ROFE) improved further from 37.6% to 38.3%. Return on Invested Capital (ROIC) of 17.3% compares to 17.1% in the prior year. Despite higher interest rates, this remains well above the Group's weighted cost of capital.

The Group declared a final dividend of 439 cents per share, up 20.6%, bringing the total dividend for the year to 876 cents.

Financial overview

Group revenue grew 15.0% to R114.9 billion (FY 2022: R99.9 billion), with recent acquisitions boosting the growth rate by 2.3%. Exponential renewable energy sales growth, improved demand for travel and related services, price inflation, as well as market share gains were the key growth drivers.

Expenses were well managed and increased by 10.1%, although on an organic basis 8.2%. The consequences of loadshedding, particularly in the factory environments, higher energy cost internationally and distribution costs negatively impacted costs.

Trading profit grew by 17.6% to R11.4 billion. The Freight terminal operations benefitted from elevated demand for bulk commodities as well as positive price mix augmented by healthy clearing and forwarding activity. The anticipated turnaround in Financial Services exceeded management expectations and the return of travel and tourism-related activity manifested in strong growth reported by Services South Africa. Consistent hygiene pool growth, strong consumable sales and new contract wins culminated in growth off the extraordinary FY2022 base in Services International. A ten-fold increase in renewable energy sales elevated Commercial Products to new heights. Branded Products delivered another strong result as the division navigated significant input cost pressures, whilst Automotive's margin focus supported delivery of a record result for the division.

Share of associate profits amounted to R125.9 million, largely attributable to Adcock Ingram's associate holdings.

The Group's effective tax rate, excluding capital items, is 26.8% (FY2022: 30.0%).

Basic earnings per share (EPS) increased from 1 492.2 cents to 1 757.3 cents, or 17.8%, mainly due to a strong operational performance, disposal losses and impairments in the current period as well as the UK deferred tax recognized in the prior year.

Cash generated by operations of R12.2 billion was 4.1% higher than in the prior period.

Bidvest's net debt increased by R3.3 billion year-on-year to R19.1 billion, as at 30 June 2023, but has decreased by R1.1 billion since 31 December 2022.

Corporate action

During FY2023, The Bidvest Group (UK) plc successfully upsized and restructured its multi-currency syndicate funding facility a year ahead of the first renewal. The amended arrangement has a greater revolving credit facility, which allows for M&A funding flexibility at only a slight increase in funding margin for a three-year term, with two one-year extension options. As at 30 June 2023, only the term loan portion was drawn, which leaves an offshore M&A war chest of EUR560 million.

Madisa added, “Corporate action remains an integral part of our growth strategy. We are participating in processes, both locally and offshore, which are in varying phases of completion. Engagement with regards to possible private sector participation in South Africa continues”.

Bolt-on acquisitions of A^2, a complementary forklift hire business, Autosure, an underwriter of insurance and value-added products into the motor retail industry, and Sahicasa, a Spanish-based pest and hygiene services business, became effective during the period under review. Bidvest Australia acquired BIC effective 7 July 2022, as part of the Group’s international growth strategy.

Prospects

Notwithstanding various macro factors, and in true Bidvest spirit, we will find the pockets of opportunity while protecting our base, not in isolation, or at the expense of, but in collaboration with our employees, social partners and broader business.

Madisa concluded, “At Bidvest we are standing tall with many other corporates, voicing our commitment and support to remove obstacles hindering growth in South Africa. Looking forward, we are expecting robust activity in key sectors like renewable energy (albeit not at the frenetic pace seen this year), mining, agriculture, tourism and basic infrastructure while at the same time alert to the pressure in discretionary spend and heightened competition. Our optimism for Bidvest’s ongoing growth remains intact. Our entrenched discipline in cash generation and margin management positions our businesses favourably, and the Group’s acquisition pipeline is exciting and readily executable”.

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NOTE TO EDITORS

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

DIVISIONAL REVIEW

Services International

A superb second half performance resulted in trading profit growing 9.8% to R3.4 billion. The facilities management and hygiene clusters both delivered increased revenue and profitability, with trading profit contribution virtually equal. Record wage inflation and almost full employment in the international territories, on top of unprecedented inflation and lacklustre markets, made for challenging trading where cost recovery was paramount. The hygiene businesses had a successful year, which had a pleasing increase over the prior year that included significant revenue and profits from pandemic and vaccine services. The hygiene pool continued to grow and consumable sales increased strongly as people returned to offices. The facilities management segment benefitted from material contract wins in the prior year and the maiden contribution from BIC, which delivered ahead of expectations. The technical and hard services capabilities in this segment are key competitive advantages in Ireland, Australia and South Africa. The labour-intensive businesses were under pressure but held their own in competitive markets in South Africa and the UK. Technology as well as product and service innovation are deployed to drive efficiencies, add value and assist customers in their sustainability ambitions. Collaboration amongst the individual businesses is encouraging. Cash generation and asset management was fantastic, resulting in a ROFE of 132.9%.

A material facilities management contract was rescoped towards the end of FY2023 and will impact profitability. The strategy to internationalise Bidvest's hygiene and facilities management services continue unabated with numerous bolt-on acquisition opportunities being assessed in Singapore, Australia, Ireland and Northern Ireland.

Freight

The year's operating performance was exceptional with trading profit increasing 22.5% to R2.2 billion, exceeding the R2.0 billion profit mark for the first time. The volume of bulk agriculture and liquid commodities handled were broadly flat in South Africa. The mineral products' demand was up with significant growth in the neighboring country ports as exporters redirected cargo flow due to infrastructure challenges in South Africa. The volume mix, however, changed notably year-on-year driving healthy revenue growth in the terminal operations. Management teams remained alert to opportunities presented by shifts in product demand and logistics to get to market. This benefited terminal operations outside of South Africa disproportionately. International clearing and forwarding activities benefited from increased global air- and ocean-freight activity as well as contract wins. Services closely linked to railed container movement found trading conditions difficult. Building of new capacity, particularly liquid tanks, and the upgrading of infrastructure progressed according to plans. ROFE was an incredible 56.2% considering the capital-intensive nature of the operations.

Investment in capacity will continue in the year ahead, both in and outside South Africa, while discussions continue with regards to capital intensive projects in South Africa.

Commercial Products

An excellent overall trading profit of R1.4 billion, up 21.4%, was delivered. Businesses within the Trade, Catering, Warehousing and General Industrial clusters achieved impressive results despite a turbulent operating environment with many pressures affecting all businesses. Whilst the lack of power availability in South Africa has presented an exceptional opportunity for the division, it had a detrimental impact on factory efficiencies and parts of the local supply chain. Renewable sales increased almost ten-fold year-on-year. Operational optimisation and restructuring continued and notable efficiency improvements are expected from the new Matus and Plumblink distribution centres in Johannesburg. The A^2 acquisition bolstered the Warehousing division and has also given us the opportunity to enter into the lithium-ion battery market. The sales mix changes and input price inflation compressed gross profit margin somewhat in a competitive market. Overall operating expenses were well contained, and cash generation was acceptable, considering working capital investment required to meet market demand. ROFE at 30.6%, although slightly down from the prior year, is good.

Management has noticed the welcome return of some public sector spend and continuing demand for renewable energy, agriculture and mining sectors. Opportunities to add to the product suite are being evaluated.

Services South Africa

Trading profit grew by an outstanding 21.4% to R1.1 billion. The result, which significantly exceeds pre-Covid levels, largely improved as a consequence of impressive profit growth from the Travel Services cluster, with pleasing contributions from the Hospitality and Catering Services and Allied Services clusters. The Travel Cluster continued to see the operating leverage benefits of increased travel volumes that are serviced off a streamlined, technology-enabled, backbone. Higher tourism and corporate occupancies, innovative solutions as well as strong new business wins culminated in strong results from the Hospitality and Catering Services and Allied Services Cluster despite food inflation and infrastructure challenges. Good new business growth across the Security Services cluster did not quite make up for the contraction in air cargo services, coming off an extraordinary base, given a significant increase in the jet fuel price that made alternative logistics channels relatively more attractive. Overall divisional expense growth was aligned to the increase in revenue. ROFE declined from 121.1% to 105.7% as capital investment stepped up to support revenue.

Innovation will continue unabated as complementary areas to expand into are being explored.

Automotive

Trading profit rose 11.7% to R914.9 million, which is impressive considering the shifts in the market, low business confidence and ongoing signs of consumer pressure. An intense focus on margins resulted in a stable overall margin despite meaningful market share shifts and more improved vehicle supply. New vehicle volume growth of 1.8% was below market growth. Used vehicle volumes declined by 10.3%, but aftermarket activity was stronger. The importance of brand and segment diversification is becoming more evident. The independent used car brand, Cubbi, was recently launched and is progressing as planned. Expense management was good but inventory levels, particularly in new vehicles, are too high. As expected, the ROFE moderated off a record level to 40.0% given the elevated inventory.

As new vehicle supply improves at a time when affordability is incrementally weakening, management will be focused on asset turn and operational expenses. Diversification is a key strategic focus area actively pursued.

Branded Products

Branded Products delivered another very pleasing result with R860.6 million in trading profit, which is 15.5% ahead of the prior year. All three clusters delivered double-digit profit growth. Data, Print & Packaging's growth was generated through the recovery in the travel industry, strong demand from the fast-food sector, sustainable packaging demand and increased project work in the mobile computing business. Office Products benefited from a robust back-to-school season, higher office occupancies and the resumption of a material contract. The Consumer Products cluster also capitalised on the aforementioned drivers, but there was a decline in demand for electrical appliances. Increased volumes, product and range extensions, excellent expense control and operating leverage neutralised material input cost increases that could not be fully recovered in prices. ROFE increased from 32.9% to 33.5% on the back of good asset management and cash generation.

Expansion and product innovation, organically and through bolt-on's, are being pursued.

Financial Services

Financial Services delivered an excellent turnaround result, increasing four-fold to a trading profit of R463.5 million. Core trading profit increased from R68.0 million to R329.0 million and investment income to R135.0 million. Bidvest Bank maintained the accelerated capital deployment momentum reported at half-year, which together with higher rates, resulted in strong net interest income. Non interest revenue growth was more muted. Significant strides were made in the digital transformation journey. The Bidvest Bank cost to income and credit loss ratios declined to 80.7% and 1.0%, respectively. Financial emigration services reported strong growth. Reasonable gross written premium growth across the insurance businesses and a bolt-on acquisition together with good expense management resulted in an improved core performance from the Insurance Cluster. The ROFE improved from 2.6% to 13.6%.

A decision was taken to exit the life assurance business which is reported as a disposal group held for sale on the balance sheet. Management will continue to focus on capital deployment, digitisation and cross-selling opportunities.

Adcock Ingram

Bidvest owns an effective 62.3% stake in Adcock Ingram (Adcock). Adcock reported a strong operational and financial performance, driven by improved demand for its over-the-counter (OTC) and consumer healthcare products. Adcock achieved healthy growth in turnover, which with some benefit from the exchange rate and an advantageous sales mix, has yielded a reasonable increase in trading profit and excellent cash generation.

For more detailed results commentary, please visit www.adcockingram.co.za

Bidvest Properties and Corporate

The Group owns a significant property portfolio, which is largely Bidvest occupied. Bidvest Properties delivered a strong result with trading profit up by 12.9% to R635.9 million, driven by rental escalations, declining vacancies and new projects rentalising. The portfolio spanning South Africa, Namibia and the UK has an externally valued market value of almost R10.6 billion, double its book value.

Corporate costs remained well controlled. The last trading losses from the now disposed, non-core, Namibian businesses were accounted for at the center. Several new Group socio-economic initiatives, such as the Bidvest Supplier Development Program, the SASCOC Team SA sponsorship, etc. started during the year under review.