Bidvest

BIDVEST GROUP LIMITED

RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2024

"Bidvest has delivered a decent result, with strong growth in cash generation and excellent execution on key strategic priorities"

Mpumi Madisa, Chief executive

Salient features for the six months ended 31 December 2024

- R64.5 billion revenue, +6%
- Flat trading profit of R6.3 billion
- Trading profit margin of 9.7%, down 66bps
- R4.5 billion cash generated by operations, +18%
- ROFE 37.9%
- Group HEPS 1 015.5 cents, +3%
- Group Normalised HEPS 1 057.7 cents, +1%
- Continuing operations HEPS 941.3 cents, -1%
- Flat continuing operations Normalised HEPS 1 011.4 cents
- Interim dividend of 470 cents, +1%

Johannesburg, 3 March 2025: The Bidvest Group has delivered a decent result for the six months ended 31 December 2024, with most businesses generating substantial and consistent profits.

This performance was driven by continued demand for everyday essential products and services, supplied by the Group, across most sectors of the economy. New business growth, additional tank capacity and bolt-on acquisitions helped to mitigate the headwinds in bulk commodity movements and renewable energy product sales, an unexpected weak Adcock Ingram (Adcock) performance, as well as the impact of price sensitive customers and weaker than anticipated discretionary consumer spend**.**

Pleasingly, free cash generation was positive with almost half a billion rand increase year on year in this seasonally weaker interim period. This resulted in a flat net debt/EBITDA ratio even though we continued to execute on our growth strategy, concluding six bolt-on acquisitions.

The Group declared an interim dividend of 470 cents per share, 0.6% higher year on year.

Highlights

Bidvest Chief executive, Mpumi Madisa, commented, "Four out of the six divisions reported good trading profit growth. The expected contraction in Freight and Commercial Products' trading profit was primarily due to no maize export volumes handled and cycling of the elevated renewable energy sales base. The unexpected Adcock result was due to declining consumer spend, reduced inventory

holdings in the pharmaceutical wholesale channel and the knock-on effect of factory under-recoveries".

Cash generated by operations after working capital increased by an excellent 18.4% to R4.5 billion. The resultant cash conversion ratio improved from 33.4% to 44.8%.

On a FY2024 pro-forma basis, the capital structure of the Group's continuing operations yielded a higher than overall Return on Funds Employed (ROFE), but a lower Return on Invested Capital (ROIC). At 31 December 2024, as a result of the flat interim trading profit and continued capital investment in the business, ROFE and ROIC declined to 37.9% (1HFY2024 40.9%) and 14.4% (1HFY2024 15.8%), respectively, on a like-for-like basis. ROIC remains above the Group's weighted cost of capital.

Continuing operations HEPS and Normalised HEPS[1], a measurement used by management to assess the underlying business performance, contracted by 1.1% and 0.4%, respectively.

(1) Normalised HEPS, which excludes acquisition costs, amortisation of acquired customer contracts and the impact of one-off taxation events, is a measurement management uses to assess the underlying business performance

Financial overview

Group revenue grew 5.7% to R64.5 billion (1HFY2024: R61.1 billion).

Expenses were again well managed and, on an organic basis, the 1.8% increase was below inflation.

Group trading profit of R6.3 billion was in line with the prior period and the trading profit margin moderated to 9.7% (1HFY2024 10.3%).

- In **Services South Africa and Branded Products**, new business wins, volume growth and a broader product and/or service offering, together with firm gross margin and cost control were the common features of the outstanding trading profit growth of 16.0% and 9.7%, respectively.
- The ongoing strategic realignment in the **Automotive** division to increase diversity and adjust to structural changes through a combination of organic and acquisitive actions, yielded an excellent overall result (+14.1%).
- **Services International** delivered strong overall growth (+8.7%) in both hygiene and facilities management services: the domestic businesses performed strongly, while the international contribution was boosted by acquisitions, moderated by foreign exchange movements.
- Negative operating leverage in the bulk commodity terminal operations could not be mitigated by strong performances in the balance of the Freight division (-11.9%).
- The sharp drop off in renewable energy product sales and profitability together with muted industrial demand culminated in a 26.9% contraction in **Commercial Products'** trading profit.
- **Adcock's** trading profit declined by 17.0% due to lower volumes and negative gross margin mix.

On a like-for-like basis, Bidvest's net debt increased by R5.7 billion since 30 June 2024 to R30.9 billion. The majority, R3.5 billion, of the increase was corporate action driven with the balance representing the dividend payment to shareholders. 60.3% (1HFY2024 73.7%) of net debt is offshore.

Group basic earnings per share (EPS) increased from 960.8 cents to 1 016.1 cents, or 5.8%.

Group HEPS increased by 2.8% to 1 015.5 cents, and Group normalised HEPS, which excludes acquisition costs, amortisation of acquired customer contracts and the derecognition of depreciation and amortisation in the discontinued operations, grew by 0.6% to 1 057.7 cents.

Corporate action

On 12 December 2024 Bidvest announced that SPA's were signed for the disposal of Bidvest Bank and FinGlobal. Madisa added, "This makes both financial and strategic sense for Bidvest and it is very pleasing that we are able to provide continued employment for employees. We are working towards closing these transactions, with the remaining conditions precedent mainly regulatory in nature".

Value-accretive corporate action remains a key component of the Group. Bolt-on acquisitions concluded during the last six months included: Dekra, a vehicle testing station business; WearCheck, a condition monitoring specialist; Serco, a truck body builder; Spec Systems, which has complementary products to the existing print portfolio offering; Nexgen, a facilities services business in the UK; and Countrywide, a consumable supplier in the UK care sector.

As reported in July 2024, we announced our proposed acquisition of Citron Hygiene, a provider of washroom hygiene products and services in Canada, the USA and the UK. The acquisition is subject to the UK Competition and Markets Authority approval. This process is still ongoing.

Prospects

Madisa said, "We remain confident in our clearly defined strategy and that our diverse portfolio of businesses, as a collective, can successfully navigate the environments we operate in. Trading conditions are constrained and rapidly changing, making it more important than ever to deliver value to customers, maintain innovation and be nimble. We will remain focused on what we can control and will continue to contribute to structural advancement in our home base".

To date, structural reform frameworks and ambitions relating to South Africa's infrastructure build have not translated into basic infrastructure spend and increased demand. The projected spend and envisaged opportunities pose exciting growth prospects for the Group over the medium- to long-term. What remains outstanding is action and project mobilisation.

Domestically, the beneficial impact of lower interest rates and inflation should ease pressure on consumer spend, but broad economic activity is expected to remain tight in the immediate future until pro-growth initiatives are implemented. Contractual business will remain healthy while order books and contract pipelines across the Group are encouraging.

Offshore, geoeconomic fragmentation and elevated policy uncertainty make for tough economic backdrops and sizeable labour-related increases will need to be recovered from customers. The annuity nature of these operations and the increased use of technology will contribute to defensiveness.

Madisa concluded, "We continue to seek operational excellence and focus on free cash generation while simultaneously shaping our portfolio for the future and creating social value for our own and surrounding communities".

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APPENDIX

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.

Divisional reviews

Services International

Services International reported a pleasing 8.7% increase in trading profit to R2.0 billion. Organic growth, in constant currency, was modest. Overall, growth was slightly faster in facilities management services and this mix variance moderated the gross and trading margin somewhat. The South African businesses delivered impressive results, a combination of new contract wins, improved retention and excellent cost control. Renewal discussions are currently underway with a few large customers. Internationally trading conditions were challenging but new contract wins were pleasing, retention rates improved sequentially, and bolt-on acquisitions delivered in line with expectations. Difficult restructuring projects are now in the rearview mirror and sales pipelines are being vigorously pursued. Clients are price sensitive and innovative, technology-driven solutions, together with up- and cross-selling are incorporated to deliver value. The contractual recovery of significant labour cost increases, particularly in the UK, and contract retention are top of mind. Divisional cash generation was excellent and ROFE increased to 141.7%.

Freight

Trading profit contracted by 11.9% to R1.1 billion compared to a year ago. This was largely due to the anticipated, and complete, lack of maize exports, exacerbated by lower bulk mineral volumes handled as the combination of less favourable prices and high logistics costs curtailed customers' export activity. Liquid and gas volumes handled grew, boosted by additional tank capacity that came on stream in July 2024, while clearing and forwarding as well as container packaging activity was also higher. Stevedoring delivered mixed results in the various domestic ports. Operations in Namibia benefitted from strong oil and gas activity as well as other mineral movement while the operations in Mozambique are undergoing a business model transition. Despite well controlled costs, the high fixed cost base in the terminal operations and unfavourable price mix resulted in the overall margin contraction. The capital investment project in petroleum tanks is progressing well, with anticipated commissioning in the second half of 2025. Two capital investment projects were approved in Namibia to increase handling capacity and efficiency in and around Walvis Bay Harbour. Lease extensions are progressing well. ROFE is 46.0% compared to 60.1%. which is attributable to the lower trading performance.

Services South Africa

Bidvest Services South Africa's outstanding 16.0% increase in trading profit to R721.0 million was as a result of all clusters within the division reflecting growth beyond inflation, with the Allied Services and Hospitality and Catering Services clusters delivering excellent results. Organic trading profit growth of 11.0% was superb. Contractual sales growth and strong water demand were the key drivers of growth in Allied Services. Innovation continues to keep the service and product offering fresh, stimulating demand. Notwithstanding the lounge refurbishment program underway, an improved client offering and more passengers culminated in the airport lounges delivering another stellar result. The Security cluster results were solid. Net new business growth in security services was pleasing but negative business mix moderated profitability. Growing air cargo volumes, efficiency gains and innovative new services drove positive momentum in the balance of the cluster. Inbound travel continued its upward trajectory. This together with higher incentive and conference travel more than compensated for downtrading in the corporate travel segment. The recently acquired WearCheck is performing as expected and recently secured an additional global accreditation relating to water testing that adds to their unique offering. ROFE remained stable at 104.8%.

Branded Products

Branded Products grew trading profit by 9.7% to R710.0 million, an excellent result off a high base with several businesses reporting volume growth. This is despite restrained trading, together with intensified competitor

activity and pricing strategies, as well as the end consumers prioritising essential and value-for-money purchases. Excluding a bolt-on acquisition, trading profit grew 7.2%. The Office Products cluster delivered strong trading profit growth particularly in office automation and office furniture. The Consumer Products cluster delivered a good increase in profit due to improved margins and efficiency gains in the manufacturing plants. The pickup in consumer demand into Black Friday lost momentum into the festive season and supply chains appear overstocked. Demand in Data, Print and Packaging was lower, but the cluster benefitted from a bolt-on acquisition and tight cost control to neutralise gross profit margin pressure. Growing sales through a broader basket and via multiple channels without overtrading is a focus area across the division. ROFE increased from 37.8% to 39.7%.

Commercial Products

Trading profit was sharply lower at R541.9 million, as renewable energy product sales was a fraction of what was transacted in the previous period. Depressed industrial activity and manufacturing confidence outweighed a modest pick-up in DIY demand. Outside of the gross profit margin pressure in renewable energy products, year on year swings were mostly mix related which is commendable in a very price competitive market. Restructuring is in progress in a handful of businesses to align the cost base to topline trends. Strong performances were delivered by the plumbing, lighting and brushware wholesale businesses. Improved efficiencies and the benefit of restructuring resulted in higher profitability in the packaging and tape as well as leisure operations. Project work continued in alternative energy solutions while most other businesses reported muted order intake and/or delays. Cash generation was strong. Looking forward, sales and inventory are the focus areas to address the decline in ROFE.

Automotive

Trading profit grew 14.1% to R506.1 million, mainly as a result of the impact of the strategic realignment in this division, which entails the inclusion of new acquisitions, Dekra and Serco, the work being done to shift the McCarthy brand representation to better reflect current and expected vehicle brand and product landscape and the reallocation of the insurance activities. The non franchise motor operations performed well, while the insurance businesses produced resilient trading results on increased gross written premiums and modestly higher investment income relative to last year. Going into the financial year, we anticipated that new vehicle sales had troughed. Unfortunately, the contraction continued into this interim period with new unit sales down 2.7% compared to flat industry sales. Truck sales, in particular, were under pressure in the commodity-driven areas. Gross profit margins are stabilising but as demand shifts to lower priced vehicles, the absolute profit per unit is less. Aftermarket activity was robust and the penetration of value-added products per deal improved. The newly acquired businesses exceeded expectations and exciting cross-selling opportunities are being explored. Further dealer rationalisation and restructuring is currently being implemented. Active engagement continues to further extend brand representation through multi-franchise operations. On a like-for-like basis, ROFE declined to 26.8%.

Adcock Ingram

Bidvest owns an effective 64.8% in Adcock. Adcock's operational and financial performance during the period ended below expectations, with trading profit of R516.3 million, down 17.0% on the comparable period. This was largely as a result of declining consumer spend, specifically within the lower LSM's, reduced inventory holdings in the pharmaceutical wholesale channel and the material factory under-recoveries. The lower interest rates and reduced inflation should provide some relief to constrained consumers. Management envisages some movement towards normal inventory holdings at pharmaceutical wholesale customers. Adcock remains committed to seeking additional affordable brands to expand the portfolio and is pursuing further partnerships with multinational pharmaceutical companies. For more detail on the Adcock results, please refer to www.adcock.co.za.