

THE BIDVEST GROUP LIMITED

("Bidvest" or "The Group")

(Incorporated in the Republic of South Africa)

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BIDVEST BUSINESS UPDATE FOR THE TEN MONTHS TO APRIL 2018

Bidvest executive management are briefing stakeholders, including shareholders and financial analysts, on Friday, 8 June 2018 with regards to the performance of the Group for the ten months ended 30 April 2018.

Overall, the year to date operating performance has been satisfactory. As anticipated, the positive sentiment stemming from the political changes post the December 2017 ANC elective conference has not, as yet, translated to increased economic activity. This is also evident in the GDP contraction in the first quarter of 2018. Spend at some State Owned Enterprises contracted even further as procurement decisions and policies are interrogated and delayed.

Despite this background, Bidvest's trading profit continued to grow, albeit at a slower pace than that reported to December 2017. This is testament to the resilience of the underlying Bidvest businesses, tight expense control, strategic measures implemented to remain relevant and competitive, as well as the continuing strong focus of the management team on ensuring an acceptable shareholder return.

The South African operations delivered a solid trading result, which was also partially assisted by the acquisitions of Brandcorp (effective 1 October 2016) and Noonan (1 September 2017). Given the broad reach of activities, Bidvest has benefitted from greater commodity and agricultural volumes in various businesses, as well as the annuity-type nature of many of its operations.

Contract pricing is very competitive and has challenged margins to some degree. Businesses exposed to the infrastructure and construction sectors witnessed further contraction in demand. Consumer facing businesses reported weak results.

Bidvest has always maintained strong B-BBEE credentials. Current demands around economic transformation are varied and the heightened focus on black ownership presents its own set of challenges. The Group continues to address this on a basis that is both relevant and commercially sound.

The Group concluded bolt-on acquisitions and assessed several opportunities during this period, some of which are still being pursued. Recent acquisitions, Noonan and Ultimate Security Services, have traded in line with expectations.

Investment activity continues unabated. Bidvest Freight's ZAR1 billion Liquefied Petroleum Gas (LPG) project in Richards Bay is on track. Piling of the site and manufacturing of the tanks have started and two-thirds of the multi-purpose tanks have been commissioned. Our specialist alternative energy solutions business, Electech, implemented a significant green laundry solution at Bidvest Laundry's Spartan facility. This solution takes significant consumption off the electricity grid, thereby giving real relevance to going green and resulting in sustainable and meaningful savings, including the reduction in carbon emissions.

Discussions and processes continue with regards to the strategic assessment of Bidvest's non-core assets. No further monetisation has occurred since year-end. Bidvest Namibia continues to trade under a cautionary. Bidvest divisional management have critically evaluated all businesses and are discontinuing various smaller operations in a portfolio clean-up exercise.

Asset management remains a core focus. Management of debtors is a key focus in these challenging times and the current profile is acceptable. In line with normal seasonality, the Group absorbed working capital as at the end of the interim period. This is expected to reverse by year end. Net debt /EBITDA remains healthy, despite the acquisition of Noonan and capital investments in projects in South Africa.

Bidvest's sound financial position and strong balance sheet provides adequate headroom to support our growth and investment aspirations, both locally and internationally.

Additional operational commentary:

Freight

Higher agricultural and bulk commodity volumes have driven greater utilisation and therefore operating leverage. The benefit from investments in liquid fuel and multi-purpose tanks during the 2017 and 2018 financial years continues to flow through in higher trading profit. Activities exposed to airfreight and other discretionary consumer product imports improved recently after a weak first half period. Margin pressure in general logistics type activities remain a feature. Operating conditions have been suboptimal in the handling of non-agricultural bulk commodities due to ship collision damage caused to a berth. Despite this, the division delivered a strong result.

Services

The core annuity income businesses in Services delivered good results with pleasing performances from Facilities Management, BidAir, Allied Services, Steiner, Bidtrack and Laundries. Industrial project services weakened further with a lower trading result year on year. Travel results have been negatively impacted by lower volumes and less lucrative rebate structures. Security held its own. Noonan's maiden contribution is in line with expectations and contract wins recently have been pleasing. Management interventions across the division continue to lower the cost of doing business and further diversify the portfolio. Sizeable contracts are up for tender and are very price sensitive.

Commercial Products

Overall, the business result has been positive but below expectation, with the industrial focused businesses performing better than the consumer facing operations. Academy Brushware, Plumblink, Bidvest Materials Handling, Berzacks and Vulcan delivered good results. Constrained consumer spending, delayed industrial projects and margin pressure continue to weigh on the results. There are some early signs of the benefits from the structural changes implemented.

Financial Services

Banking advances and deposits continue to grow. Fleet contract roll-off and the termination of a major short-term rental contract are material headwinds to both revenue and trading profit. Certain large fleet contract tenders have been delayed. Net interest income and gross written premiums continued to grow. The negative new business drag from the fast growing life insurance activities remain a feature. The investment portfolio's good performance has been moderated by recent market softness.

Automotive

New vehicle sales volumes continued to grow, but margin retention is poor. The luxury segment is particularly challenging with trading profit lower year on year. Used vehicle gross margins improved and aftersales are stable. Bidvest Car Rental revenue, cost control and fleet management have been disappointing. This was recently exacerbated by a very competitive market, resulting in a contraction in trading profit.

Electrical

Considering the challenging conditions in the building and construction industry and the severe downturn that the larger construction companies are experiencing, Electrical continued to hold its own. Project-type businesses were depressed as key programmes have stalled. Despite a cable market in flux, Voltex managed margins well. Niche products and services performed nicely.

Office & Print

The year to date result is good, especially considering the contracting industry in which it operates and the loss of the Zonke monitoring contract, effective December 2017. Initiatives to simplify businesses, improve efficiencies and tight cost controls were the main contributors to the improved result. Gross profit margins continue to be well managed. The furniture order book remains healthy. Packaging experienced both volume and pricing pressure. A key contract tender within the Technology division is receiving focused attention.

Namibia

Bidvest Namibia recorded weaker results as difficult macro-economic conditions persist. The disposal of the fishing interests remains a work in progress.

Conclusion

Bidvest intends issuing its results for financial year to 30 June 2018 on Monday, 3 September 2018.

Shareholders are advised that the financial information relating to the 2018 financial year has not been audited, reviewed or reported on by the Group's auditors and that this update does not constitute a forecast.

A recording of the stakeholder briefing will be available on www.bidvest.com shortly after the event.

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Johannesburg

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