The Bidvest Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1946/021180/06)
Share code: BVT
ISIN ZAE000117321
("Bidvest" or "the Company")

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020;
RETIREMENT AND APPOINTMENT OF BIDVEST CHIEF EXECUTIVE

SALIENT FEATURES

- R9.2bn cash generated from operations, up 38%
- Free cash flow of R3.7bn, a R1.4bn increase
- Exceptional asset management during challenging times resulted in a normalised 23% ROFE
- Robust balance sheet with moderate gearing
- R6.9bn trading profit from continuing operations, up 3%, before R1.6bn COVID-19 charges
- Normalised HEPS from continuing operations of 1 028.3 cents
- HEPS from continuing operations 553.2 cents
- CE - designate Mpumi Madisa will assume Chief Executive role from 1 October 2020

Introduction
This financial year has been unprecedented. Never has the world, our country, Group and our people been tested to such an extent. But the true Bidvest spirit shone through. Numerous cost containment, liquidity preservation and strategic steps were implemented in rapid response to considerable demand changes. Various wellness and support interventions were rolled out to assist our employees and communities as their livelihoods were severely impacted. At the same time, innovation within our businesses ramped up to continue to add value to our customers. The Bidvest family is proud of what has been achieved, providing a solid platform to ensure that we are capable of #EmergingStronger.

The Group implemented various measures to lessen the impact of COVID-19 infections on its employees, communities and operations. Prevention and treatment interventions were rolled-out across the Group to manage health, safety and recovery during this time. Our sincerest condolences go to the families, friends and colleagues of the 35 Bidvest employees that sadly succumbed to the COVID-19 virus.

Highlights
The Group delivered a credible financial performance during the financial year which ended on 30 June 2020, considering the already significantly constrained South African economy pre-COVID-19 and the pandemic's impact on the last quarter. Post the complete national lockdown in April, monthly trading results have progressively improved.

At the onset of the lockdown, Bidvest proactively bolstered its liquidity position by securing R4.5 billion additional general credit facilities with South African banks, taking committed general banking facilities to a total of R11.6 billion. An intensified focus on cash generation and working capital management, together with rapid and decisive cost containment measures, resulted in R2.5 billion more cash generated from operations to total R9.2 billion. As a consequence, the Group had no need to access the additional credit facilities secured, a truly remarkable result and testament to Bidvest's long-standing cash generation focus.

The acquisition of PHS Group (PHS), a leading hygiene service provider in the United Kingdom (UK), Ireland and Spain, for GBP495 million was concluded and funded with a GBP-denominated bridge facility. Despite adding this significant amount of debt on the balance sheet, the net debt/ EBITDA remained well within the Group's gearing tolerance.

Exceptional cost discipline and improved gross profit margin were highlights in a very challenging year. Trading profit declined 19.9% after taking account of R1.6 billion in COVID-19 related charges. Almost two-thirds of profit originated from the services businesses, comprising the Services, Freight and Financial Services divisions, and provided a defensive underpin.

Bidvest family
An imperative during this crisis is to protect and provide for the safety, health and well-being of employees who are, collectively, the backbone of our businesses.

Bidvest established a R400 million Bidvest COVID-19 Fund ("Fund"), to assist our South African employees not working due to the lockdown restrictions. The 30% salary and fee sacrifice by the executive management team and board members respectively, during the last quarter, was added to the Fund. Various other employee and family support initiatives, such as a Groupwide comprehensive employee wellness support programme, COVID-19 testing and bursary extensions for children of those retrenched were rolled out.

Applications to the UIF on behalf of our employees for the COVID-19 TERS benefit were made and are ongoing. Furlough support programmes by the governments of the UK and the Republic of Ireland are comprehensive in supporting the livelihoods of our employees in these countries.

During the most stringent lockdown periods, approximately 75,000 of our employees were not working. Today, 91% of our employees are back at work.

Bidvest is also contributing to the social needs of the broader stakeholder community in the country, including a donation to the Solidarity Fund, a donation of PPE, cleaning and hygiene products and decontamination services to 2 800 schools as part of a nationwide school readiness project.

In addition, we sponsored the launch of the Woza Matric of 2020 campaign, a free-to-air television initiative aimed at grade 12 learners, in partnership with the SABC and Department of Education. We are also in the process of distributing food hampers in low-income communities across three provinces, to reach a total of 20 000 households once the project is completed.

Financial overview

R million	FY19	FY20	Chg yoy
Continuing operations			
Revenue	76 058	76 543	0,6%
Trading profit	6 667	5 340	(19,9%)
Normalised headline earnings *	4 500	3 489	(22,5%)
Normalised HEPS (cents) **	1 334	1 028	(22,9%)
HEPS (cents)	1 366	553	(59,5%)
EPS (cents)	1 134	50	(95,6%)
Group			
Normalised HEPS (cents)	1 320	869	(34,2%)
HEPS (cents)	1 352	394	(70,9%)
EPS (cents)	1 119	(137)	nm

* Normalised headline earnings, which excludes acquisition costs, amortisation of acquired customer contracts, fair value uplift of Adcock's inventory includes an adjustment for Bidvest's share of Comair's SAA impairment and COIVD-19 pandemic charges, is a measurement management uses to assess the underlying business performance of the continuing operations.

** Normalised HEPS is normalised headline earnings divided by the weighted average number of shares in issue.

Revenue from continuing operations was R76.5 billion (2019: R76.1 billion). On a comparable basis, the impact of the national lockdown on trading was broadly neutralised by the maiden consolidation of Adcock Ingram ("Adcock") and two months of PHS.

Gross profit margin improved from 29.6% to 30.6%. Operating expenses increased by 9.6%. Cost containment received extra attention, particularly at the onset of the pandemic. Excluding the impact of material acquisitions, IFRS 16 and COVID-19 related expenses, as a direct result of actions taken, expenses declined by 6.3%.

Services delivered a good overall result, with an excellent performance from Noonan while the SA profitability was negatively impacted by no travel- and hospitality-related activity in the last quarter. Freight delivered a resilient result on lower trade activity through South Africa's ports. Branded Products' result was a combination of a solid Adcock performance while the balance of the division bore the brunt of lower demand and trade restrictions during lockdown. The results from Commercial Products and Automotive mirrored the latter. In Financial Services the negative impact of a complete drop-off of foreign exchange demand in the last quarter and fleet contracts rolling off, more than outweighed higher investment income.

Acquisition costs of R178.2 million relate mainly to the acquisition of PHS and other corporate actions.

Net capital items of R2.0 billion were recognised, R1.1 billion of which is attributed directly to COVID-19. Property, plant and equipment as well as goodwill and intangible assets of certain Brandcorp businesses and automotive dealerships in SA and Namibia, amongst others, were impaired by R1.0 billion as a result of lower forecast cash flows impacted by COVID-19, the expected slowdown in economic activity as well as higher discount rates. The losses recognised on the closure and disposal of Glenryck, Mansfield Group, Bidvest Wits and others totalled R247.2 million. Net negative adjustments of R485.7 million were made to the investment values of Adcock and Comair prior to the former becoming a subsidiary and the latter being put into business rescue. The balance of the charge relates to the insurance receipts on damaged Freight equipment.

Excluding the impact of IFRS 16, net finance charges were 7.4% higher at R993.3 million (2019: R924.6 million). Additional borrowings were raised to fund acquisitions. Despite the higher commitment fees and spreads over base rates, the decrease in interest rates and addition of cheaper offshore funding, lowered the Group's average cost of debt to 5.7% pre-tax (2019: 6.7%).

Share of losses from associates resulted from the operating losses incurred by Comair prior to going into business rescue as well as the impairment of the full outstanding SAA settlement. Adcock was accounted for as an associate for only one month compared to a full year previously.

The Group's taxation expense decreased by 40.5% to R851.6 million (2019: R1.4 billion). The effective tax rate of 65.7% (2019: 27.1%) was impacted by non-tax deductible associate, goodwill and Mumbai International Airport Limited (MIAL) impairments, losses on disposal of businesses, no deferred tax assets raised on closed operations Bidair Services, Commuter Handling Services and Voltex Namibia and other items.

Normalised headline earnings per share (HEPS) from continuing operations, a metric utilised by management to assess the underlying business performance excluding acquisition costs and amortisation of acquired customer contracts, fair value uplift of Adcock's inventory, Bidvest's share of Comair's full impairment of the outstanding SAA settlement as well as COVID-19 expenses, declined by 22.9%.

Bidvest's HEPS from continuing operations decreased by 59.5% to 553.2 cents per share. Basic earnings per share from continuing operations decreased from 1 133.8 cents to 49.8 cents mainly due to impairments, business closures and disposals together with the contraction in the share prices of associates.

Bidvest net debt increased from R7.8 billion to R19.2 billion, largely due to the acquisition of PHS for GBP495 million, effective 1 May 2020. Strong free cash flow generation resulted in Bidvest remaining within bank covenants of 3.0x net debt / EBITDA and greater than 3.5x interest cover, despite the disproportionate amount of debt versus EBITDA added and the lost trading in the fourth quarter. Net debt / EBITDA was 2.1x (2019: 0.9x).

The PHS acquisition is funded with a GBP-denominated bridge facility, repayable in December 2021. Following the downgrade of South Africa to junk status, and the resultant impact on the Bidvest credit rating, as well as the deterioration in the country's macroeconomic position, indicative credit spreads have widened considerably. This makes the initial decision to replace the bridge facility with a foreign-denominated bond less viable. The geographic mix of debt is also misaligned relative to trading profit. Management therefore embarked on a process to review the capital structure and evaluate all alternatives. As a consequence, the following steps have been taken to date to part-settle the bridge funding: R4.0 billion debt is in the process of being raised from local banks and offshore cash of R2.5 billion has been earmarked. Expected proceeds from the MIAL disposal and normal free cash generation in the business, will go a long way in settling the bridge funding. Further steps are being contemplated.

Total assets increased by 46.6% to R90.9 billion as Adcock and PHS was consolidated and right-of-use assets recognised under IFRS 16. The acquisition of PHS brought about R11.7 billion of goodwill which represent long-standing customer contracts and a leading brand, from which Bidvest expects to derive significant future value. NAV is R68.16 per share (2019: R75.71).

Cash generated by operations at R9.2 billion, was 38.2% higher than the R6.6 billion generated in the prior year. This is boosted by the adoption of IFRS 16 (positive R1.5 billion impact). The Group released R0.9 billion of working capital in the current year compared to an absorption of R1.3 billion in the prior year. The main impact, year-on-year, was from lower trade receivables on the back of lower activity levels. Free cash flow after leases increased by R1.4 billion to R3.7 billion.

Normalised return on funds employed (ROFE), which excludes COVID-19 charges, declined marginally from 23.2% to 23.0% as asset management remains a core focus, particularly in these challenging times. ROIC was 12.9% (2019: 18.4%) which is still in excess of the Group's weighted cost of capital.

Corporate action
The acquisition of PHS became effective on 1 May 2020. PHS was founded in the UK in 1963 and today service more than 120,000 customers. More than half its customers have long-standing relationship with PHS. Advance billings and high retention rates result in significant revenue visibility and attractive operational cash conversion. During the due diligence, management identified five areas of synergy and cost saving to achieve an improved margin, which is more in line with industry peers. Work has started to bring this into effect.

The hygiene market is increasingly resilient and is supported by structural growth drivers such as urbanisation, hygiene and safety standards as well as a growing and aging population, to name a few. The global outbreak of the Covid-19 pandemic undoubtedly heightened the awareness of and need for out-of-home hygiene. This is expected to accelerate the development and maturity of the industry globally.

As previously reported, the R3.2 billion Eqstra transaction was terminated. Three bolt-on acquisitions were concluded in Services, the most notable being Future Cleaning which augmented the footprint of Noonan's UK operations.

Following a detailed strategic review of all Bidvest businesses, a decision was taken to divest of Bidvest Car Rental and Bidair Services. Formal disposal processes were kicked off and have progressed since year-end. Our preference is to sell the businesses in order to preserve as many jobs as possible. Bidvest Car Rental was disclosed as a discontinued operation.

The disposal of our stake in MIAL has been extremely frustrating and embroiled in litigation. A reduced offer was accepted given the deteriorated financial position of the airport as a result of the pandemic. Parties have agreed to cooperate in order to expedite the execution of the transaction.

Dividend
In light of the extraordinary levels of uncertainty as it relates to the economies and environments in which we operate and the restructuring actions taken, the board believes that the decision to not declared a final dividend balances the interests of all stakeholders. This leaves the total dividend for the year at 282 cents per share, 53% lower year on year.

Prospects
Bidvest recognises that the pandemic will result in socio-economic shifts and consequently long-term structural changes to the economy and business in general. In the recent weeks, Bidvest right-sized operations to make sure that our operating models remain relevant and future-fit, reinforce competitive positions, and ensure that the businesses have sufficient scale for growth. This unfortunately led to retrenchments across all six divisions.

Industries that are under incremental pressure include travel and tourism related activities, while out-of-home hygiene offers good structural growth opportunities. Affected Bidvest businesses have taken account of this in their planning.

Overall, we expect the uncertain and fragile operating environment to persist. Bidvest's basic-need services and everyday essential product ranges should stand it in good stead, especially when coupled with an innovative, value-adding mindset. In recent weeks, we have noted anecdotal market share gains across many of our Commercial Products businesses as we have stock available to trade. Our flagship liquid petroleum gas (LPG) storage project is expected to be commissioned during September 2020. The acquisition of PHS leapfrogged our hygiene exposure and this will be leveraged going forward.

South Africa's need for real GDP growth to create employment and prosperity for all, is undeniable. Bidvest is actively participating in workstreams incorporating labour, government and private sector to achieve this.

Bidvest will continue to invest strategically to generate sustainable profits for the long term. The Group remains alert to opportunities both locally and internationally to further its strategy to expand into niche areas but will remain steadfast in our capital allocation disciplines.

Bidvest is well positioned to participate in pockets of activity and opportunities. Disciplined asset management, cost control and an agile business approach should yield good results. We remain confident in our overall resilience and ability to deliver consistent, sustainable growth over the long-term.

Retirement and appointment of Bidvest Chief Executive

In compliance with Section 3.59 of the listing requirements of the JSE Limited, Bidvest is pleased to announce the retirement and appointment of the Bidvest Chief Executive.

On 4 March 2019, Bidvest announced the appointment of Ms Mpumi Madisa as Chief Executive - designate, consistent with a comprehensive succession plan that was developed and has been executed over the past several years. The last 18 months was spent on extensive preparation for a smooth transition. Mr. Lindsay Ralphs, the current CEO, has now reached his retirement age, and Ms. Mpumi Madisa will assume the position of Bidvest CEO, effective 1 October 2020.

Mr. Lindsay Ralphs will step down as director from all Bidvest Group entities, effective 30 September 2020.

The Bidvest family and board of directors thank Lindsay for 28 years of invaluable commitment and contribution. He will leave behind a deep legacy and his distinct mark on Bidvest that will continue to guide the Group in its future endeavours. We wish him well in his retirement.

Regulatory requirements
The contents of this short-form announcement are the responsibility of the board of directors of the Group. These are the summarised results of the full announcement and do not contain full or complete details of the financial results. Any investment decisions made by investors and/or shareholders should be based on consideration of the full announcement as a whole and shareholders are encouraged to read the full announcement which is available for viewing on the Company's website (www.bidvest.co.za) and https://senspdf.jse.co.za/documents/2020/jse/isse/BVT/FY2020.pdf. The Company's independent auditor, PwC Inc., has audited the Consolidated Annual Financial Statements of The Bidvest Group from which this announcement has been derived, and has expressed an unqualified audit opinion thereon.

The auditor's report with Key Audit Matters together with the accompanying AFS and full announcement are available for inspection at the registered office of Bidvest, Bidvest House, 18 Crescent Drive, Melrose Arch, Melrose, Johannesburg, 2196, South Africa at no charge, during normal business hours.

The information in this announcement has been extracted from the Audited Consolidated Financial Statements. The Audited Consolidated Financial Statements have been prepared under the supervision of the Chief Financial Officer, MJ Steyn, BCom CA(SA).

Date: 14 September 2020

Johannesburg

Sponsor: Investec Bank Limited