

THE BIDVEST GROUP LIMITED (“Bidvest” or “The Group”)
(Incorporated in the Republic of South Africa)
(Registration number 1946/021180/06)
JSE Share code: BVT
ISIN: ZAE000117321

TRADING STATEMENT AND BUSINESS UPDATE FOR THE TEN MONTHS TO APRIL 2021

Bidvest’s executive management are today briefing stakeholders, including shareholders and financial analysts, on the performance of the Group for the ten months ended 30 April 2021.

The year-to-date performance has been exceptionally pleasing as the Group’s operating and financial performance exceeded pre-pandemic comparatives. Sequential trading profit growth accelerated in almost all businesses, supported by excellent cash generation, as the benefits of decentralisation and agility materialised. All divisions delivered improved performances compared to the interim period. This is set to accelerate because of the limited demand and restricted trade activity in the last quarter of FY2020.

While this update covers the first ten months of the financial year, it is already clear that earnings will exceed that of the prior financial year. In terms of Section 3.4(b) (i) of the Listings Requirements of the JSE, shareholders are therefore advised that Group headline earnings per share and earnings per share for the financial year to 30 June 2021 (FY2020: 394,0 cents per share and a loss of 136,6 cents per share, respectively) are expected to be more than 20% higher compared to the previous year. A further trading statement will be issued to provide specific guidance once there is reasonable certainty pertaining to this information.

The annuity-type businesses, bulk terminals as well as industrial and vehicle trading businesses delivered strong growth. Despite stricter lockdowns in our foreign territories, the UK and Ireland, the businesses reported good results. Tight expense control and efficiency improvements have resulted in margin being either maintained or improved in most businesses. The businesses exposed to travel, tourism and hospitality related activities remain under pressure.

Bidvest’s growth and investment aspirations, both locally and internationally, have been further advanced since December 2020. The bolt-on acquisitions of Interact, a technical service provider in Ireland, and Axis Group (Axis), a security and cleaning group in the UK, were concluded by Noonan. These businesses performed in line with expectations. The LPG terminal in Richards Bay is operating well. Management is working on closing out the final conditions precedent in terms of the signed sale and purchase agreements relating to the disposal of both Bidvest Car Rental and BidAir Services.

A solid balance sheet, which strengthened since the end of the interim period, is a key enabler of our strategy. Operational cash generation and asset management have been strong, particularly in light of supply chain challenges and cash flow pressures experienced by some customers. The maturity profile of Group debt is proactively managed. The management team remains firmly committed to ensuring an acceptable shareholder return is generated.

Since we last reported, our continued focus on diversity and equality was evidenced by the appointment of Sindi Mabaso-Koyana and Lulama Boyce to the Bidvest board to replace Erick Diack and Alex Maditse who retired end-March 2021. Bidvest also contributed to the private-sector led Gender-based Violence and Femicide Response Fund, launched by President Ramaphosa in February 2021, as well as the Female Academic Leaders Fellowship Programme.

The safety and health of our people remain a priority. Unfortunately, a further ten Bidvest family members succumbed to the pandemic during the recent months. 95% of our employees are back at work and the 5% that have not been able to return to work full time, continue to be supported from the Bidvest COVID-19 Fund in South Africa and government employee relief schemes in the UK and Ireland. Having committed to pay for vaccines for employees not on medical aid, we are exploring options to enable access to the vaccine in the most efficient manner.

Additional operational commentary:

Services

Trading profit growth from Services has been exceptional with good underlying performance from all three territories. PHS, acquired effective 1 May 2020, delivered a strong performance as the hygiene pool continued to grow while hygiene services delivered to government vaccination sites and other COVID-19 related revenue streams were optimised. Noonan's facilities management services continued the growth trajectory, augmented by Axis, despite no cleaning of entertainment venues and a competitive UK market. The South African businesses delivered good results with the exception of the travel, hospitality and related activities. The Facilities Management and Security & Aviation clusters performed particularly well. Office occupancy rates remained broadly unchanged. The market remains price sensitive with little tender activity. Despite this, management continued to extract value through a broader product and services basket and active cost management. Sales pipelines are actively built and converted. Funds employed were very well managed.

Branded Products

Revenue declines moderated sequentially while excellent cost and funds employed management delivered an acceptable financial result. Adcock Ingram delivered a resilient result, especially considering the panic buying experienced in March 2020. Demand was lower in all businesses, driven by structural changes such as hybrid work- and learn-from-home practices and increasing digitisation. Packaging volumes into, and products sold through, on-line channels increased. Management is focused on simplifying businesses and enhancing efficiencies.

Freight

The terminal operations, stevedoring and ships agency businesses performed well on the back of bulk commodity, agricultural and LPG volumes. General cargo, air freight and import volumes remained weak. Container shortages, port congestion and imbalances in global cargo flow resulted in significantly higher freight logistics costs, which negatively impacted on volumes handled by the rest of the Freight businesses. Cost rationalisation benefits were evident. Rerouting of cargo affected Naval, and Manica Group Namibia was impacted by lower economic activity.

Commercial Products

The overall strong trading performance reported at interim continued unabated. Through pro-active sourcing and inventory management in the face of increasing product and raw material shortages, businesses were able to satisfy demand. In recent months, trading with industrial and basic infrastructure businesses picked up. New renewable energy tenders in the market have attracted divisional attention. Management continues to actively source and refine the product range in various businesses. Cash generation has been strong as was margin management.

Automotive

Operational results are good despite a decline in new and used vehicle sales volumes. Management is focused on realising an improved margin per sale, rather than chasing volumes. Aftermarket activity was lower, particularly into the panelshop segment, but gross profit margin was broadly maintained. Supply constraints from key OEMs remain material challenges and are not expected to ease in the next few months. As a consequence, good quality used vehicle inventory is difficult to secure at appropriate pricing. Various automation initiatives have started to yield benefit. Cash generation was exceptionally strong.

Financial Services

Trading profit remained under significant pressure with Bidvest Bank's non-interest revenue well down due to less foreign exchange demand, reduced transactions across channels and the net roll-off of fleet management units. Lower interest rates resulted in a reduced net interest margin. Bidvest Bank's liquidity and capital ratio's remain strong. Gross written premiums in the insurance and related businesses held up relatively well. Investment portfolios have delivered a pleasing rebound in returns. The division is focused on driving revenue opportunities across the complete spectrum of products and services offered.

Administration

The information contained in this announcement has not been reviewed or reported on by the Group's external auditors.

Bidvest intends issuing its results for financial year to 30 June 2021 on Monday, 6 September 2021.

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

Date: 1 June 2021

Johannesburg

Sponsor: Investec Bank Limited