

Bid Corporation Limited

(Incorporated in the Republic of South Africa)

Registration number: 1995/008615/06

Share code: BID

ISIN: ZAE000216537

("Bidcorp" or "group" or the "company")

CAPITAL MARKETS TRADING UPDATE: FOUR MONTHS TO OCTOBER 2021

Shareholders are advised that today, Wednesday December 1st 2021, Bidcorp wishes to update the market on the trading environment across its operations. This is in accordance with the group's obligation for continuous disclosure in terms of the JSE Listings Requirements.

Management comments as follows:**Overall market trends**

The operating environment in most countries is challenging, created by the rapid bounce back that we have experienced in many operations. Although our trading results have achieved a record level in Q1 F2022, this is not across the board. On the positive side, our UK, Europe, and the Emerging Markets businesses have had a good start to the financial year as most segments of their markets have bounced to pre-COVID levels or above, whilst the negative impact has been from the Australasian businesses, which traditionally accounts for around one third of the group's profits. Australia saw approximately 60% of its population under strict lockdown for almost the entire first quarter (NSW and VIC) whilst in New Zealand, there has been an even stricter lockdown in the greater Auckland region since the middle of August. Fortunately, the vaccination programs have been very successful in both countries, and we are seeing Australia open again very quickly and New Zealand opening slowly.

Inflation, labour shortages, supply chain disruptions, wage pressures, and other exogenous factors are now very real and present and are being dealt with by each of our businesses in the most relevant and appropriate manner for their circumstances. The consequence of these challenges is impacting our service levels as we match demand to resource. Ensuring we operate with adequate inventory levels, balancing supply disruption with demand uncertainty remains challenging. Our teams around the world have come to expect unpredictability and continue to remain flexible, nimble, and highly adaptive to the circumstances as they inevitably change, sometimes very quickly.

In most geographies in which we operate, we have seen a swift recovery in demand in the discretionary spend sectors. However, activities such as entertainment, sports events, business travel, conventions and conferences, and the cruise line industry, continue to be adversely affected. Non-discretionary demand from our institutional customers, including education, hospitals, aged care, prisons, the military, and government departments has remained stable subject to the usual seasonality where applicable.

The work-from-home (WFH) requirement has in many cases been replaced to a degree with hybrid work requirements, allowing flexibility to employees of major institutions. Although this has improved activity in large inner capital cities, demand currently is only tracking at 50% - 60% of pre-COVID levels, primarily impacting the activity levels of our national customers.

We believe we have gained market share in the independent sector of the market against competitors who may not have the flexibility, resilience, and financial strength of Bidcorp. Our independent customer base has managed the reopening of their markets relatively well through their flexibility and adaptability. We have gained many new customers, the benefits of which haven't fully been reflected in trading performance.

Trading performance for the four months to end October 2021

Our F2022 trading has benefitted positively from a largely unrestricted Northern Hemisphere summer and negatively from COVID related lockdowns in parts of Asia and Australasia. Emerging Markets has performed well through the first four months of the financial year. In terms of HEPS, Q1 F2022 delivered a record performance compared to pre-COVID comparative periods reflecting an excellent recovery to the start of the financial year.

Sales progression by division and for the group, from the start of July 2021 to the last week of November 2021, as shown in the table below, reflects the sales trajectory of our operations compared to both F2020 (pre-COVID period) and F2021. From March 2021 onwards, comparatives of group and divisional sales to F2021 become less meaningful as they are COVID impacted.

TABLE: Constant currency sales by division and group per month from July 2021 to the last week in November 2021 compared to F2020 and F2021:

| F2021 – Constant currency revenue July to November vs F2021 and F2020 | | | | | |
|--|-------------|--------|---------------------|-------------------|--------|
| MONTH | AUSTRALASIA | EUROPE | EMERGING MARKETS | UNITED KINGDOM | GROUP |
| % OF F2020 | | | | | |
| JULY | 98,9% | 101,4% | 99,4% | 90,4% | 97,8% |
| AUGUST | 81,8% | 104,5% | 103,9% | 99,7% | 97,9% |
| SEPTEMBER | 83,6% | 102,7% | 109,1% | 97,9% | 97,9% |
| OCTOBER | 91,1% | 101,4% | 111,2% | 96,8% | 99,3% |
| NOVEMBER | 98,0% | 91,8% | 114,4% | 98,2% | 99,0% |
| % OF F2021 | | | | | |
| JULY | 108,6% | 118,9% | 132,9% | 126,9% | 119,8% |
| AUGUST | 94,9% | 117,7% | 132,6% | 130,0% | 116,9% |
| SEPTEMBER | 91,8% | 120,6% | 120,6% | 135,7% | 116,7% |
| OCTOBER | 98,0% | 151,8% | 124,9% | 146,1% | 129,9% |
| NOVEMBER | 103,9% | 179,4% | 122,0% | 180,8% | 142,1% |

Please note that monthly percentages should be viewed as a sales trend rather than absolute numbers.

- **Australasia (AUS)** - Demand has been negatively impacted by lockdowns at varying times in Australia from early July 2021 and in New Zealand from mid-August 2021.
- **Europe (EUR)** - Sales have held up very well through the Northern Hemisphere summer both compared to F2020 and F2021 benefitting from both local staycations and some international tourism.
- **United Kingdom (UK)** - Wholesale sales (approximately 90% of the total division) have held up extremely well and are tracking slightly ahead of both

F2020 and F2021. Fresh, a business that was scaled back and restructured at the commencement of the COVID pandemic, is tracking at approximately 72% of those sales achieved in F2020.

- **Emerging Markets (EM)** - Our EM region has performed well, outstripping sales in both F2020 and F2021. All businesses continue to report strong growth, notably in Brazil, Chile, Middle East, and Turkey where our current activity levels are significantly larger than they were pre-COVID.

Currency volatility has negatively impacted our rand-translated results; however this impact is diminishing with the current rand weakness. Year-to-date currency movements for the four months to the end of October 2021 are shown below:

| | F2022 Average FX rate | F2021 Average FX rate | % change |
|-----------|--------------------------|--------------------------|----------|
| AUD : ZAR | 10,81 | 11,98 | -9,8% |
| EUR : ZAR | 17,24 | 19,66 | -12,3% |
| GBP : ZAR | 20,21 | 21,71 | -6,9% |

Group gross profit percentage for the period to October 2021 has held up well, slightly above both F2020 and F2019. We are benefitting from our strategic mix of smaller independent customers, as well as reasonably buoyant trading.

Most businesses are experiencing labour shortages, having gone from using furlough schemes and a surplus workforce, to no government assistance schemes and a shortage of suitably skilled personnel. Our decisions previously to access various government wage assistance schemes in jurisdictions where we were eligible to do so, in order to retain the 'muscle' in the respective business, has proven fortuitous in this recovery phase.

Our operating costs as a percentage of net revenue ("cost of doing business") through to October 2021 has declined to 19,3%, lower than F2021; however elevated compared to the F2020 level of 18,8%. Constant currency operating expenditure (opex) increased by 18,4% compared to a constant currency revenue increase of 20,8% for the 4-month period to October 2021. We have achieved some operating leverage however this is quickly being dissipated by cost-push inflation, driven by the following trends:

- supply chain disruptions not only restricted to food products but across the supply of many inputs such as refrigeration equipment, delivery vehicles, and forklifts. New construction projects are inevitably being delayed and accordingly becoming more expensive; delivery vehicles lead times have increased from a normal 6-9 months' lead time to 12-15 months, also at higher costs;
- higher staff costs due to the lack of suitable employees (mainly warehouse workers and drivers) and aggravated by restrictions on movement of people, as mostly evident in the UK and Europe, but also in most other markets; and
- rapidly rising energy and fuel costs.

Fortunately for the group, there is relatively neutral pressure on margins as we are generally able to pass cost increases through although the timing is not always matched. Bidcorp is a reliable supplier with a broad range of products at competitive prices in this stronger market.

For the period to October 2021, the group made a pleasing EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) equivalent to 5,7% of net revenue, higher than for the period to October 2020 of 4,9%, and broadly comparable to EBITDA for F2020 of 5,9%.

Constant currency non-IFRS 16 finance charges to October 2021 are 13,7% lower than the period to October 2020, benefitting from lower comparative levels of gearing and lower interest rates.

Average working capital days to October 2021 are 5 days versus 6 days in F2021. As expected, there has been an absorption of working capital as markets have “normalised”. Traditionally Bidcorp absorbs working capital in its first half of the financial year and generates into the second half. The working capital % of net revenue (WAR%) has increased from 3,5% in October 2020 to 4,4% in October 2021. Normal levels of WAR% are between 4,0% and 5,0% of net revenue. Our inventories are in good condition, customers are honouring their payment terms and our payables terms are back to normal. We are heading into the traditionally higher trading Christmas period, for which there is a required inventory buildup.

Free cash flow (excluding dividends but after operating cashflows, working capital and capex) for the 4-month period to October 2021 amounted to an outflow of R1,7 billion, the major portion being the absorption of working capital. A dividend payment to shareholders of R1,3 billion was paid in October 2021.

Liquidity

Our priority over the past 18 months has been to ensure that our operations have had sufficient liquidity for their respective requirements. Going forward, we believe the group has sufficient liquidity for the ongoing recovery and are managing our headroom to improve efficiency and preserve costs. A €300 million 3-year revolving credit facility (RCF) was finalised in September 2021 to provide further capacity for growth. The group and its subsidiaries have as at October 31 2021, total headroom available, including uncommitted facilities and cash and cash equivalents, of R18,1 billion (£869,5 million).

Debt covenants

The group’s debt covenants sit at 2,5x net debt to EBITDA, and interest cover ratio of EBITDA to net consolidated finance costs (excluding the effects of IFRS 16) of not less than 5x. As at October 2021, the group remains well within these ranges.

Update on under-performing businesses

Our businesses in Spain, Germany, and Fresh UK have all delivered profitable results to October 2021. They are stable and although the financial numbers don’t yet show their potential levels of profitability, they are well on track to recovery.

Update on Miumi fraud

As regards the fraud in the Miumi division of our Angliss Greater China business as extensively detailed previously, we remain satisfied that we have fully accounted for the total financial impact of this fraud as at June 30 2021. Forensic investigations are ongoing into this complex fraud, and we continue to piece together the evidence that proves the collusion between our former management, external service providers, and third parties. Criminal and civil proceedings against various parties in both Hong Kong

and China are ongoing, to which we are bound by confidentiality undertakings and cannot provide further detail at this stage. We remain hopeful of recoveries in the future, none of which have been accounted for to date. The new management team in the Miumi business has scaled back the activities and is now operating at anticipated levels. We have appointed a new CFO for our Angliss Greater China business who started in October 2021.

Employees

The health and well-being of our employees continues to be a top priority in the current difficult operating environment. These conditions are proving very difficult and stressful for our teams, particularly labour shortages in the context of strong sales demand. We are very aware of this challenge and are ensuring our people are getting the appropriate support through this. Our focus remains on making sure our businesses are sustainable for the long term. We are extremely proud of our teams' great achievements in every jurisdiction we operate in, and how well they continue to adapt to the ever-changing landscape.

Our customer base remains more affected than most, whereby any form of lockdown and social restrictions inevitably results in hospitality closures. We continue to work with our partners, including customers and suppliers, in navigating this ongoing crisis in order to keep moving forward.

Strategic challenges and opportunities

Forecasting remains difficult as it is not possible to confidently predict sustained activity levels while governments' responses to current conditions remain unpredictable and inconsistent. Bidcorp's focus is to operate in accordance with activity levels anticipated from country to country. We remain confident that the combination of our teams and business model are well equipped to deal with each country's 'new normal', whatever that maybe.

We have not seen evidence of any long-term fundamental shift in consumer behavior negatively impacting eating-away-from-home where activity levels have recovered and where confidence has returned. The consumer appears to be in reasonable shape worldwide and this is benefitting our target market, namely the small to mid-size independent customer.

Our businesses in the UK and Europe are likely to see the impacts of the emerging fourth-wave of the pandemic through the Northern Hemisphere winter, however the impact thereof will be determined by effectiveness of immunisations and the extent of restrictions imposed. Australasia is starting to emerge from its recent lockdowns, with Australia on a much quicker recovery trajectory than New Zealand. Asia is performing well and most Emerging Markets businesses should continue to perform well, depending on potential further disruptions from new COVID-waves and variants.

Supply chain disruptions related to imported products are impacting those businesses most reliant thereon, notably Angliss Greater China and the Middle East. For the rest of our businesses, much of our product range is procured reasonably locally and although there may be an element of disruption, this is having a relatively minor impact on these businesses.

Our ecommerce and digital strategy remains a key enabler of competitive advantage, as our bespoke technology solutions continues to lead innovation in the HORECA sector. Our digital transformation journey has accelerated through this crisis, and we

are seeing great benefits in customer service, business efficiency, and insights through data analytics, of which we have the benefit of a multi-jurisdictional view as well as significant scale. We continue to make substantial progress in changing many aspects of our business to be innovative and technology driven, which has seen an increase in customer acquisition, retention, and basket expansion and maximisation metrics. Disruption is something we embrace, and as such we are continually investing in and developing our tech and data capability to drive this key component of our growth strategy forward.

Bidcorp has committed to a target of a 25% reduction in carbon emissions by 2025. We are a user of energy; we operate warehouses with refrigeration, and we operate fleets of vehicles delivering our multi-temp product range to our customers. Our initiatives and investments in low-emission, energy-efficient refrigeration, vehicles, and particularly in warehousing is significant and ongoing.

No new country acquisitions in the foodservice industry have become evident yet but we remain on the lookout for any suitable potential transactions. In the absence of these opportunities, we are seeing more in-country opportunities and are in discussions exploring tangible targets in Chile, Belgium, the Middle East, Netherlands, and Argentina. We have concluded a few small in-country acquisitions in Australia, New Zealand, South Africa, and Brazil. We have the financial firepower to make acquisitions, even of significant scale, however we will be patient in finding the most appropriate opportunities.

We are investing in those jurisdictions where activity levels have returned, as well as reconsidering investments that were delayed by the onset of the pandemic. Capex will return to pre-COVID levels in the medium-term, to sustain anticipated growth in future. A significant portion of our committed capex is into new warehousing capacity, where planning is important as the time delay between conceptualisation and conclusion can be up to three years.

Comment

Bernard Berson, CEO, commented as follows:

“We are extremely proud of our teams’ great achievements in every jurisdiction we operate in, and how well they continue to adapt to the ever-changing landscape.”

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

Date: December 1st 2021
Johannesburg

Sponsor: The Standard Bank of South Africa Limited