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 2022

Shareholders are advised that today, Tuesday, November 22nd 2022, Bidcorp wishes to update the market on the trading environment across its global operations, for the period July 2022 to October 2022. This is in accordance with the group's obligation for continuous disclosure in terms of the JSE Listings Requirements.

Management comment as follows:

Our group trading results have pleasingly achieved a record level in the four months to October 2022, which is highly commendable in the context of current volatile operating conditions globally. Australasia has continued its strong, positive trajectory experienced in H2 F2022 and both Australia and New Zealand have delivered excellent results. Our UK and European businesses have had a solid start to the financial year, benefitting from a "normal" Northern Hemisphere summer. The Emerging Markets businesses, other than Angliss Greater China (China, Hong Kong, and Macau), have continued their growth trajectory and are all performing better than in the previous comparative period. The Angliss Greater China business has seen no improvement in the operating environment since January 2022 due to ongoing restrictive COVID policies, however it remains profitable but below the levels of the prior comparative period.

Overall market trends

The operating environment post June 2022 has remained volatile, aggressive inflation is being driven by higher labour costs and increasing energy and fuel costs, both of which are manifesting in higher food prices. Labour scarcity, ongoing supply chain disruptions, and product shortages remain operational challenges.

However, despite these factors, customer demand has remained strong and maintaining our expected high service levels is challenging. Our teams around the world remain flexible, nimble, and highly adaptive to the environment as it evolves and continue to perform extremely well. We applaud them for their fantastic efforts in this regard.

In all geographies (other than Greater China) in which we operate, discretionary spend appears to have normalised and in some cases improved despite several sectors such as accommodation, workplace catering, entertainment, sports events, business travel, conventions and conferences, and the cruise line industry, not yet fully operating at pre-COVID levels. Non-discretionary demand from our institutional customers, including education, hospitals, aged care, prisons, the military, and government departments, remains stable, subject to the usual anticipated seasonality.

Our multi-year strategy to "rebalance the customer portfolio" towards more appropriate business continues with a number of national and QSR contracts having been exited in the period as anticipated. Our independent customer base has continued to trade well albeit that their credit risk is being closely monitored. In the current inflationary environment, our businesses that have the highest proportion of large customers on longer-term contracts, have had the greatest difficulty in passing on price increases, both in terms of timing and quantum.

We believe that we continue to gain market share in our preferred sectors of the market against competitors who may not have the flexibility, resilience, and financial strength of Bidcorp.

Group trading performance for the four months to October 2022

Our F2023 trading results to the end of October 2022 reflect strong performances across all divisions. In terms of HEPS, YTD to October 2022 has significantly surpassed any previous comparative trading period.

Sales progression by division and for the group (in constant currency but not adjusted for inflation), from the start of July 2022 to early November 2022, as shown in the table below, reflects the sales trajectory of our divisions compared to both F2022 and F2019 (pre-COVID period).

TABLE: Constant currency sales by division and group per month from July 2022 to early November 2022 compared to F2022 and F2019:

MONTH	AUSTRALASIA	EUROPE	EMERGING MARKETS	UNITED KINGDOM	GROUP
% OF F2022					
JULY	122,6%	128,1%	127,2%	140,0%	**129,4%**
AUGUST	144,2%	127,2%	118,3%	130,8%	**130,6%**
SEPTEMBER	156,2%	125,8%	117,6%	123,7%	**123,7%**
OCTOBER	141,0%	129,0%	113,3%	131,3%	**125,4%**
NOVEMBER	127,4%	136,5%	115,0%	130,9%	**128,9%**

MONTH	AUSTRALASIA	EUROPE	EMERGING MARKETS	UNITED KINGDOM	GROUP
% OF F2019					
JULY	132,0%	148,7%	146,2%	136,3%	**141,1%**
AUGUST	120,7%	140,0%	130,4%	117,1%	**127,9%**
SEPTEMBER	125,4%	129,8%	122,8%	116,5%	**124,1%**
OCTOBER	126,7%	135,2%	133,5%	120,9%	**129,0%**
NOVEMBER	124,3%	145,6%	138,7%	127,9%	**134,2%**

Please note that the month-on-month percentages should be viewed as a sales trend rather than absolute numbers and are not cumulative.

- **Australasia (AUS) -** Demand has been buoyant and both Australia and New Zealand are trading very strongly, the comparative sales were negatively impacted by lockdowns and restrictions in Australia from early July 2021 through October 2021; and in New Zealand from mid-August 2021 to early 2022.

- **Europe (EUR) -** Sales held up very well through the Northern Hemisphere summer across all businesses, benefitting from inflation against a relatively normal comparative F2022.

- **United Kingdom (UK) -** Sales strength has continued and is tracking well ahead of both F2021 and F2019.

- **Emerging Markets (EM) -** Our EM region has performed well, other than Greater China. All other businesses continue to report progressively stronger growth against a significantly improved comparative base.

Currency volatility has only slightly positively impacted our rand-translated results. Year-to-date currency movements for the four months to the end of October 2022 are shown below:

	F2023 Average FX rate	F2022 Average FX rate	% Change
AUD:ZAR	**11,61**	10,81	*7,3%*
EUR:ZAR	**17,31**	17,24	*0,4%*
GBP:ZAR	**20,14**	20,21	*(0,3%)*

Group gross profit percentage for the period to October 2022 has held up well, slightly below both F2022 and F2019 but satisfactory in the current inflationary environment. In a few businesses, we have taken strategic decisions to maintain volumes by sacrificing some margin and in others, margins are impacted as there is a timing lag in repricing customer contracts in the national accounts sector. In the main, most businesses have been able to pass through inflation increases to date.

Our operating costs as a percentage of net revenue ("cost of doing business") through to October 2022 has declined to 18,5%, somewhat lower than F2022 and the F2019 level of 19,5%. Constant currency operating expenditure (opex) has increased by 20,8% compared to a constant currency revenue increase of 25,5% for the four-month period to October 2022. We continue to achieve some operating leverage however cost-push inflation remains.

Encouragingly, our cost of doing business percentage is in line with our pre-COVID efficiency. Despite the small impact on gross margins, our cost efficiency has resulted in a positive impact on trading margins.

For the four-month period to October 2022, the group made a pleasing EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortisation) margin of 5,9% of net revenue, higher than for the same period in F2019 (a period unaffected by COVID and inflation) and F2022 of 5,6%.

Average working capital days for Q1 F2023 are 11 days, ahead of the 6 days in F2022. Despite the absorption, working capital is within management expectations considering activity levels, inflation, and the conscious efforts to buy-in inventory and pay suppliers earlier to secure supply. Traditionally Bidcorp absorbs working capital in its first half of the financial year and generates into the second half, a trend which we expect to repeat due to the upcoming festive season trade, which we anticipate to be very strong.

Net capex to September 2022 was R1,0 billion (F2022: R0,6 billion), mainly the ongoing creation of future capacity. A few new bolt-on acquisitions have been concluded in Q1 F2023, notably in the UK, Australia, and Malaysia, the cost of which totaled R292 million.

Free cash flow (excluding dividends but after operating cashflows, working capital, and capex) in Q1 F2023 amounted to an outflow of R2,6 billion (Q1 F2022: R1,8 billion outflow), the key driver of which is the investment in working capital. A dividend payment to shareholders of R1,3 billion was made in September, equating to 400 cents per share.

Liquidity and debt covenants

No further financing or capital has been raised since the refinancing exercise that was undertaken through February and March in F2022. Since December 2021, global interest rates have risen significantly driven by aggressive hiking cycles of central banks. The group and its subsidiaries have at September 30th 2022, total headroom available, including uncommitted facilities and cash and cash equivalents, of R14,9 billion (£731 million). The group remains well within its debt covenants.

Employees

The health and well-being of our management and employees continues to be a top priority for the group. Our teams continue to perform exceptionally well despite the pressures brought on by labour shortages (specifically in warehousing and driver roles) and robust sales demand. Management is addressing the stresses confronting our workforce, with the primary objective of striving to maintain a safe and balanced work environment.

Strategic challenges and opportunities

Our businesses in the UK and Europe are expecting a positive Northern Hemisphere festive season, something which failed to materialise in F2022 due to COVID. In Australasia, the current trajectory is expected to continue in both Australia and New Zealand. Most of our Emerging Markets businesses should continue to perform well, except for Greater China, where the resumption of a more normalised level of economic activity remains uncertain. The potential risk for further disruptions from further COVID-waves remains across all jurisdictions.

Inflation at current levels remains a concern, as are ongoing labour shortages and cost pressures, where the long-term negative impacts on overall economic activity are unknown at this stage. Supply chain disruptions related to food products are most significantly impacting our importing businesses, mainly in the Emerging Market businesses in Asia and the Middle East. Much of our product range is procured locally in most of our markets, and the risk of disruption and shortages exists, although to date this has had a relatively minor impact on our businesses. The sourcing of capital equipment (vehicles, refrigeration equipment, and forklifts) continues to be plagued with lengthy delays.

Our Australasian businesses have undergone a further phase of customer rationalisation. There remains constrained capacity in the wholesaler environment and further rationalisation maybe required to balance demand and resource availability. Typically, this may have a limited short-term sales impact and, in our experience, these volume losses are replaced relatively quickly.

Our ecommerce and digital strategy remain a key enabler of competitive advantage, as our bespoke technology solutions continue to lead innovation in the foodservice industry. We are continually investing in and developing our tech and data capability to drive this key enabler of our growth strategy forward.

The group continues to make very good progress in moving towards our target of a 25% reduction in carbon emissions by 2025. Our initiatives and investments are focused firmly on the areas within our control i.e., in zero-emission, energy-efficient refrigeration and renewable energy generation; however, an environmentally friendly fleet of vehicles capable of meeting our operational requirements remains elusive.

We are currently investigating acquisitions in New Zealand, Brazil, Belgium, the UK, and the Baltics. Despite there being no guarantee of concluding any of these, we remain encouraged by the number of opportunities available to us. We retain significant financial firepower to make acquisitions, however we will continue to be patient in finding the most appropriate and value-accretive opportunities.

Despite the operational challenges, our teams have delivered some fantastic results in the first part of this financial year. The challenges of the past two years have built resilience and flexibility and well-positioned our businesses to deal with the challenges of the current and future economic environments.

Comment

Bernard Berson, CEO, commented as follows:

"Our business is performing very strongly despite the many challenges in the world. Our teams around the world are positive and enthusiastic, there is a pipeline of future opportunities, and our strategy is delivering. Long may this continue."

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

Date: November 22nd 2022
Johannesburg

Sponsor: The Standard Bank of South Africa Limited