

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”)

VOLUNTARY ANNOUNCEMENT: PROPOSED ACQUISITION OF CITRON BY BIDVEST

Introduction

Bidvest is pleased to announce that it has entered into an agreement to acquire 100% of Citron Hygiene LP (“Citron”) from Birch Hill Equity Partners and other investors (“the Acquisition”).

The Acquisition is subject to UK Competition and Markets Authority (“CMA”) approval. The CMA decision is expected within five months of submission.

Overview of Citron

Citron is a provider of washroom hygiene products and services in the USA, Canada and UK. The service offering includes a comprehensive range of commercial washroom hygiene solutions, contracted menstrual hygiene products, consumables and equipment.

Citron, headquartered in Toronto, Canada, was founded in 1974 and serves approximately 50 000 customer locations from seven branches in Canada, four in the USA and ten in the UK. Some 90% of revenue is recurring and the customer base spans manufacturing, hospitality, facilities management, education, commercial and healthcare. The Canadian branch network covers all major cities while, in the USA, the network is concentrated in the north-east and covers five of the 30 most populous cities.

The hygiene services market is resilient with compelling unit economics. Structural growth drivers include hygiene and safety standards, a growing population, urbanisation as well as period dignity awareness. Legislation around free vending of menstrual products in washrooms in North America adds further growth momentum. Bidvest believes the total addressable market in Citron’s North American territories is exponentially bigger than Citron’s current revenue.

Rationale for the Acquisition

The Acquisition of Citron is aligned to Bidvest’s stated strategic intent of expanding its international presence in hygiene services as well as facilities management and the distribution of plumbing and related products.

This Acquisition meets Bidvest’s growth criteria:

- Citron is a meaningful player in the territory – leading hygiene market position in Canada and in the states of the USA in which it operates;
- A competent management team – senior management has extensive experience in operating service businesses;
- There is annuity income – revenue visibility is underpinned by the combination of essential services and long average client tenure;
- Citron has strong growth prospects – established scalable platforms in Canada and four states in the USA in a structurally growing industry, supported by regulation; and
- There are attractive, sustainable returns and strong cash conversion opportunities.

Bidvest is of the view that Citron's service offering, and geographic presence will be complementary to Bidvest's Services International division. Several best practices can be shared, and infrastructure leveraged, thereby improving and deepening the overall service offering. Importantly, Citron's geographic footprint allows for the division's growth optionality in the USA and optimisation in the UK.

Salient terms of the Acquisition

The Acquisition will be made through The Bidvest Group (UK) Plc, a wholly owned subsidiary of Bidvest.

Bidvest is moderately geared at 2.0x net debt / EBITDA (as at 31 December 2023). It has significant undrawn and committed borrowing capacity both internationally and in South Africa. The maturity of its international multi-currency Syndicated loan facility was recently successfully extended to June 2027 with a further one-year extension available.

Accordingly, Bidvest will fully fund the Acquisition through the variable rate Revolving Credit Facility. Adjustments, if any, will be processed through an adjustment mechanism outlined in the sale-and-purchase-agreement.

Citron management have signed service contracts in support of the Acquisition and remain committed to the business.

The effective date of the Acquisition, pending the conclusion of conditions precedent, is expected to be towards the end of the 2024 calendar year.

Conditions precedent

The Acquisition is subject to CMA approval.

Management is aware of the relevant historic rulings and statements made by the UK authority as it relates to the hygiene services industry and have considered and incorporated this in the transaction negotiations and deal terms.

Categorisation of the Acquisition

The Acquisition does not constitute a categorised transaction in terms of the Listings Requirements of the JSE Limited and accordingly this information is disclosed on a voluntary basis.

3 July 2024

Transactional services advisor to The Bidvest Group Limited:

Deloitte LLP

Deloitte South Africa

BDO Corporate Finance

Niche Advisory

Financial advisor to The Bidvest Group Limited:

Barclays UK plc

Legal advisor to The Bidvest Group Limited:

Davies Ward Phillips & Vineberg LLP

Baker & McKenzie South Africa and UK

Sponsor to the Bidvest Group Limited:

Investec Bank Limited

Legal advisor to Citron and Shareholders:

Stikeman Elliott LLP