Bidvest

30 years

HOMEGROWN ENTREPRENEURSHIP

COMMITTED TO OUR COURSE

Audited Provisional Financial Results

for the year ended 30 June 2018

2018

agenda

01 introduction

Lindsay Ralphs

CE

we are Bidvest

A strong 30-year track record of consistent delivery, returns and growth

A leading B-2-B services, wholesale and distribution group operating in the areas of commercial and industrial products, electrical products, financial services, freight management, office and print solutions, outsourced hard and soft services and automotive retailing

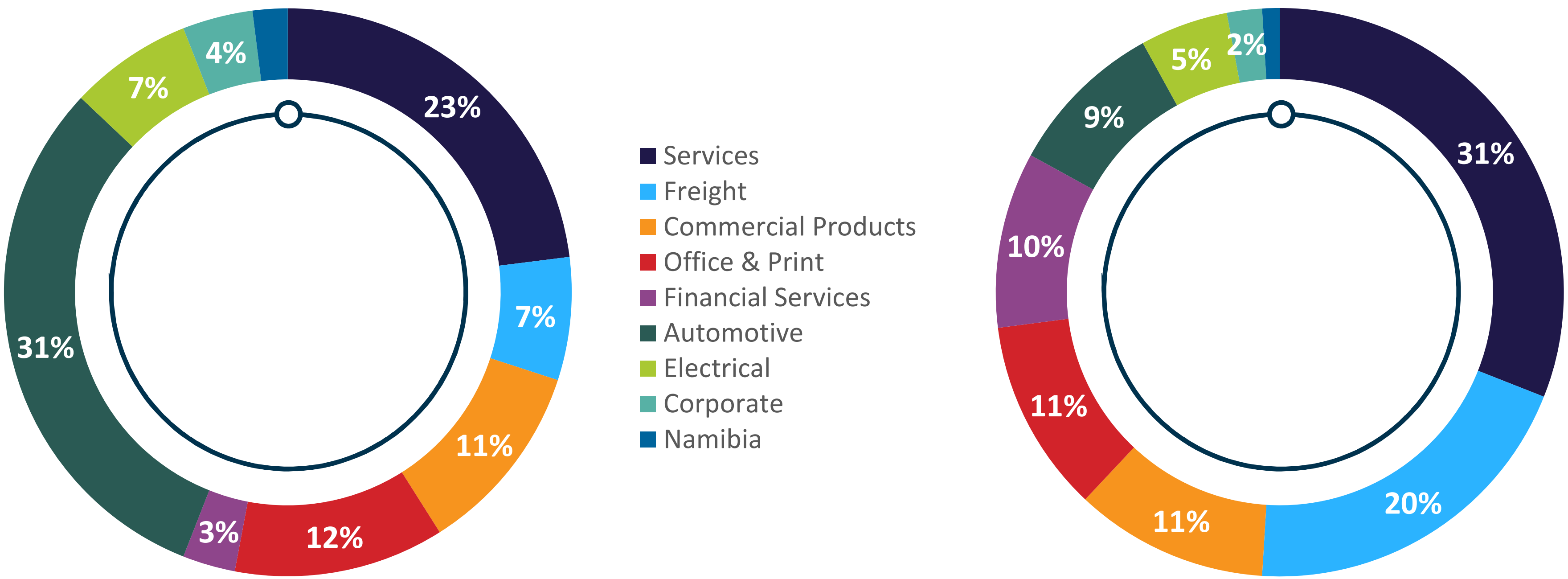
- Highly diversified portfolio spanning broad economic spheres:
  - Services – 63% of trading profit
  - Trading and distribution – 37% of trading profit
- Strongly cash generative assets that are relatively capital light
- Highly entrepreneurial and decentralised management teams supported by a small corporate office
- Leading positions in our markets with a broad product offering
- Strong "Proudly Bidvest" culture
- Outperforming through the cycle
- Embracing change through innovation

diversified portfolio

No one segment dominant in profit contribution

Contribution to revenue

Contribution to trading profit



our strategy and progress

Maximise diverse portfolio	Maintain strong financial position	Invest capital for future growth	Stewardship
+8.2% trading profit despite limited economic activity, particularly in industrial and infrastructure sectors	Tight asset management	**Internationalisation:** Acquired Noonan for EUR175mn (effective Sep 2017)	Energy- and water-saving projects in Services, Electrical and Office & Print
Investment in liquid tanks facilitated greater volumes handled. Bumper agricultural volumes required operational agility	Debt burden low at 8x interest cover; 0.8x net debt/EBITDA	**Invest in SA:** Invested R295mn in multi-purpose tanks. R1bn FY18-20 in LPG tanks	Invested R602mn in training
Facilities management offering remained sought after	106% of trading profit converted into free cash	**R682mn in bolt-on acquisitions:** Acquired USS and various financial services and print related businesses	80% of businesses achieved between level 1-4 B-BBEE ratings
Product and services offering was broadened across most businesses	Ongoing discussions on non-core assets. Namibian fishing activities sold		Governance entrenched in our DNA, it is how we do business. Effective structures in place

highlights for the year

Normalised HEPS up by **12.5%** to **1 254.9 cents**, final DPS of **301 cents (+14.0%)**

Revenue grew by **8.4%** to **R77.0 billion**

Trading profit up **8.2%** to **R6.5 billion**

Excellent results from **Freight and Services. Solid results** from **Office & Print** and **Properties. Commercial Products, Electrical and Financial Services** performed **in line with expectations**

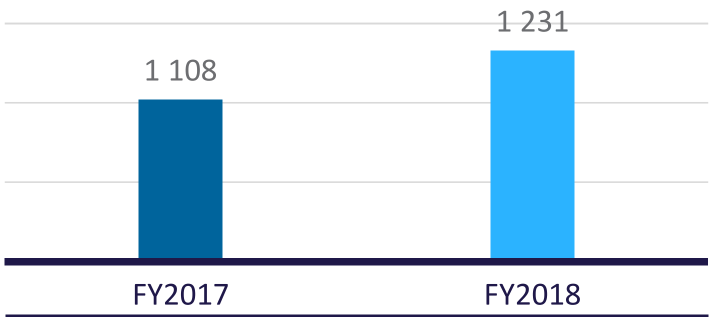
Strong operational **cash generation** of **R9.4 billion**, boosted by bank deposits

Exceptional balance sheet

Invested **R500 million** in **SA infrastructure** and a further **R500 million to increase capacity** across our businesses

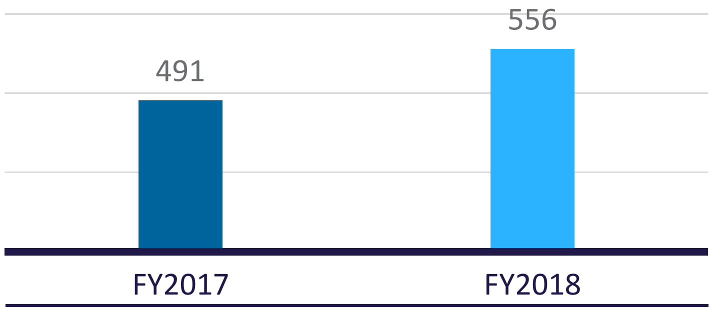
HEPS

(Cents per share)



DPS

(Cents per share)



02 financial review

Mark Steyn

CFO

financial highlights

R billion	Year ended 30 June 2018	Year ended 30 June 2017	Change
Revenue	**77.0**	71.0	8.4%
Gross profit*	**28.9%**	29.1%	↓
Expenses*	**21.0%**	21.3%	↓
EBITDA	**8.2**	7.7	6.5%
Trading profit	**6.5**	6.0	8.2%
Trading profit margin	**8.5%**	8.5%	-
Headline earnings	**4.1**	3.7	11.9%
HEPS (cents)	**1 231.6**	1 108.2	11.1%
DPS (cents)	**556.0**	491.0	13.2%
EBITDA interest cover (times)	**8.0x**	7.2x	↑
Net debt/EBITDA (times)	**0.8x**	0.7x	↓
Cash conversion**	**106.4%**	80.4%	↑
ROFE	**22.9%**	22.3%	↑

* *As % of Revenue*
** *As a percentage of trading profit*

income statement analysis

Revenue	➢ Revenue increase by 8.4% or R77 billion, flat organically ➢ Significant increase in Freight and Services revenue and decrease in Financial Services ➢ Trading operations grew revenue by 8.9%, Namibia declined by 10.9% and Properties grew by 8.8%
Gross income	➢ Gross margin declined slightly. The inclusion of lower margin Noonan and USS reset the overall margin lower ➢ Organic gross margin improved to 30% by 90bps
Expenses	➢ Operating expenses increased 7.1% ➢ Like-for-like expense growth well managed, only 3.4% ➢ The expense ratio improved from 21.3% to 21.0%
Trading profit	➢ Strong contributions from Services, boosted by Noonan acquisition, and Freight. Good contribution from Office & Print and Properties ➢ Commercial Products and Financial Services contributed to growth ➢ Electrical, Automotive and Namibia delivered lower profits
Other costs	➢ Acquisition costs of R50 million relate mainly to Noonan and USS ➢ Amortisation of acquired customer contracts of R33 million
Net capital items	➢ R249 million reduction in fair value of associates, primarily Adcock Ingram and Comair ➢ Impairment of goodwill and other assets relating to disposal of fishing in Namibia and other businesses ➢ Insurance compensation for damaged Freight assets

income statement analysis

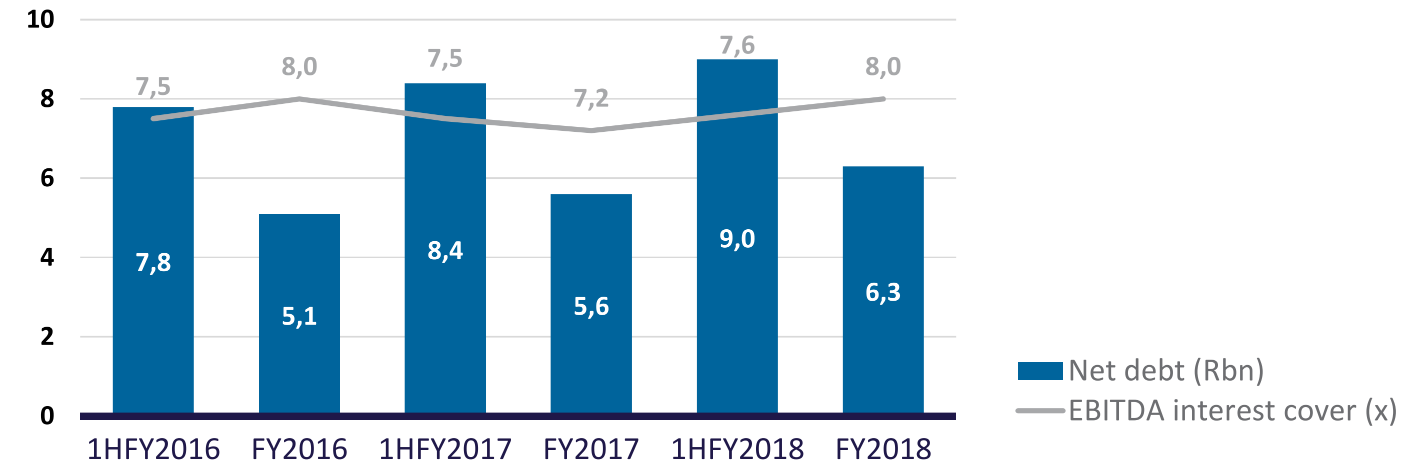
Net finance charges	➢ 3.7% lower yoy despite Noonan and other bolt-on acquisitions ➢ Cumulative 50bps reduction in SA prime rate during the year. Offshore funding secured at favourable rates ➢ Conservative interest cover of 8x EBITDA
Associate income	➢ Share of current period earnings increased by 21.7% ➢ Both Adcock Ingram and Comair performed well
Taxation	➢ Effective tax rate of 28.0% ➢ Statutory tax rate lower in offshore activities ➢ No tax shield on preference shares, MIAL m-t-m and acquisition costs
Non-controlling interest	➢ Predominantly Namibia ➢ Reduced on disposal of Bidfish
HEPS	➢ 11.1% growth despite tough trading conditions in SA and Namibia ➢ Organic growth of 8.0%
Dividend	➢ Final dividend 301 cents, up 14.0%, bringing total dividend to 556 cents ➢ Cover ratio of 2.25x consistent with policy

debt and funding

A conservative approach to gearing

- Net debt of R6.3 billion
- EBITDA interest cover of 8.0 times vs. 7.2 times in 2017
- Net debt/EBITDA 0.8 times
- 26% of net debt at fixed rates
- 57% of gross debt long-term
- Ample headroom to fund organic or acquisitive expansion

Interest cover



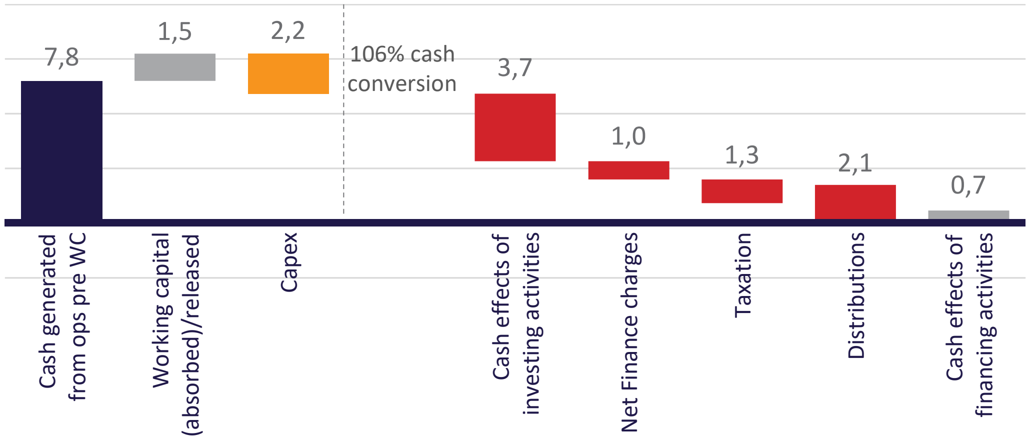
Moody's Investors Service credit rating	Long term	Short term	Outlook
The Bidvest Group Limited			
National scale	**Aa1.za (unchanged)**	P-1.za (unchanged)	Stable (upgraded)
Global scale	**Baa3 (unchanged)**	P-3 (unchanged)	Stable (upgraded)

cash flow

Cash generative businesses that are capital light

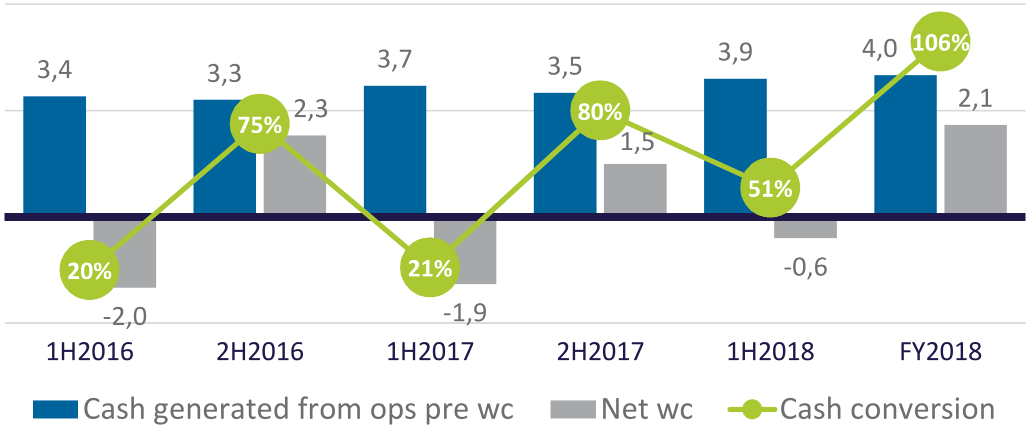
Free cash flow

(Rbn)



Cash generated vs working capital

(Rbn)



- Cash conversion 106.4% (2017: 80.4%)
- Working capital released of R1.5 billion (2017: R368 million absorbed).
  Non-financial services' cash conversion improved and Bidvest Bank raised additional deposits of R1.2 billion
- Capex spend continues in SA

03 operational updates

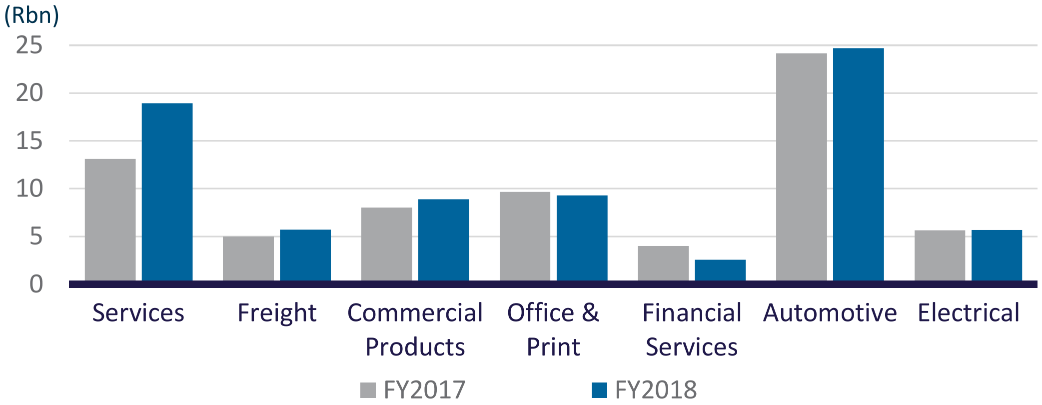
Lindsay Ralphs

CE

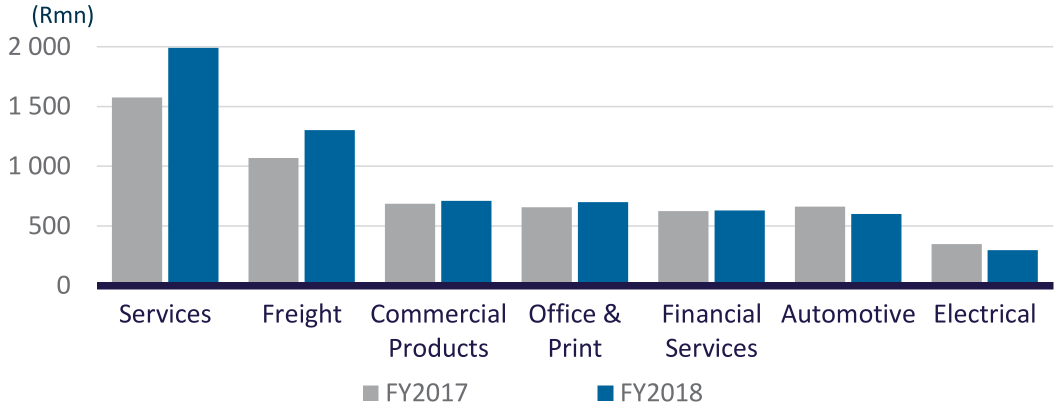
trading operations

R million	Year ended 30 June 2018	Year ended 30 June 2017	Change
Revenue	**75 866**	69 680	8.9%
Trading profit	**6 241**	5 632	10.8%
Trading margin	**8.2%**	8.1%	↑
EBITDA	**7 764**	7 124	9.0%
Average Funds Employed	**18 769**	17 562	6.9%
ROFE	**33.1%**	32.3%	↑

Revenue



Trading profit



Services | CEO: Alan Fainman

R million	Year ended 30 June 2018	Year ended 30 June 2017	Change
Revenue	**18 968**	13 138	44.4%
Trading profit	**1 992**	1 577	26.3%
Trading margin	**10.5%**	12.0%	↓
EBITDA	**2 484**	2 000	24.2%
Average Funds Employed	**2 375**	2 060	15.3%
ROFE	**83.9%**	76.8%	↑

- SA annuity-type businesses performed strongly. Excellent results were delivered by Facilities Management, Steiner, BidAir, Allied Services and Protea Coin. Insourcing and margin pressure remain the key challenges. Management is responding with innovation and a focus on costs
- Travel results continued to decline. Fees and rebate rates were lower. Management focus was on rolling out technology to drive efficiencies and make the business more flexible
- Noonan, including USS, delivered in line with expectations but reset the divisional margin lower. Pleasing new business secured
- Organic trading profit growth was 8.3%. Cash generation was very good and funds employed very well managed
- Acquisitions are being explored

Freight | CEO: Anthony Dawe

R million	Year ended 30 June 2018	Year ended 30 June 2017	Change
Revenue	**5 713**	4 987	14.6%
Trading profit	**1 304**	1 070	21.8%
Trading margin	**22.8%**	21.5%	↑
EBITDA	**1 603**	1 344	19.3%
Average Funds Employed	**2 567**	2 068	24.1%
ROFE	**49.5%**	53.0%	↓

- A record result
- Exceptional volumes of grain imports and exports handled. Liquid volumes boosted by investment in tanks over past two years
- New customer contracts were secured in BPL, resulting in a better 2H. Airfreight volumes remained soft
- Significantly reduced project related work
- Annuity-income represents 35% of trading profit
- 11 of the 17 multi-purpose tanks were commissioned. LPG project on track for 2020 completion

Commercial Products | CEO: Howard Greenstein

R million	Year ended 30 June 2018	Year ended 30 June 2017	Change
Revenue	**8 920**	8 025	11.2%
Trading profit	**710**	689	3.2%
Trading margin	**8.0%**	8.6%	↓
EBITDA	**816**	769	6.2%
Average Funds Employed	**2 513**	2 251	11.6%
ROFE	**28.3%**	30.7%	↓

- A mixed result overall. Industrial products represent two-thirds of divisional profit
- Excellent results from Berzacks, Plumblink, Bidvest Materials Handling, Academy Brushware and Vulcan. Disappointing results from Afcom, Buffalo Tapes, Renttech and Yamaha
- Despite pedestrian demand, industrial businesses grew due to wider product ranges, margin management and remaining relevant to customers
- Consumer businesses faced pricing pressure and weak demand, especially in discretionary spend categories. Home of Living Brands had a much improved 2H
- Delayed industrial projects and depressed manufacturing and construction sectors contributed to disappointing Renttech and Matus results

Office & Print | CEO: Kevin Wakeford

R million	Year ended 30 June 2018	Year ended 30 June 2017	Change
Revenue	**9 305**	9 671	(3.8%)
Trading profit	**701**	658	6.5%
Trading margin	**7.5%**	6.8%	↑
EBITDA	**839**	786	6.8%
Average Funds Employed	**2 090**	2 354	(11.2%)
ROFE	**33.5%**	27.9%	↑

- Particularly pleasing trading result, backed by exceptional asset management and cash generation
- Further contraction in the office products market, the non recurrence of voter registration business, pricing pressure in packaging and the closure of Zonke in 2H weighed on revenue
- The multitude of actions taken to mitigate tough trading conditions and simplify the businesses manifested in higher margins and returns
- Konica Minolta, Silveray, Kolok and Cecil Nurse delivered excellent results

Financial Services | CEO: Japie van Niekerk

R million	Year ended 30 June 2018	Year ended 30 June 2017	Change
Revenue	**2 563**	4 009	(36.1%)
Trading profit	**632**	625	1.0%
Trading margin	**24.7%**	15.6%	↑
EBITDA	**867**	872	(0.6%)
Average Funds Employed	**3 417**	3 191	7.1%
ROFE	**18.5%**	19.6%	↓

- Financial Services consists of Bidvest Bank, Bidvest Insurance, Bidvest Life and various other financial services
- Revenue declined mainly due to non-recurrence of major contract. Despite a healthy fleet contract pipeline, none were converted due to slow decision making in the public sector
- Bidvest Insurance focused on core product lines and profitability while Bidvest Life grew strongly causing new business drag
- The financial services offering was broadened via bolt-on acquisitions
- Improved investment portfolio contribution

Automotive | CEO: Steve Keys

R million	Year ended 30 June 2018	Year ended 30 June 2017	Change
Revenue	**24 702**	24 182	2.1%
Trading profit	**602**	663	(9.2%)
Trading margin	**2.4%**	2.7%	↓
EBITDA	**813**	956	(15.0%)
Average Funds Employed	**3 867**	3 845	0.6%
ROFE	**15.6%**	17.3%	↓

- A disappointing result due to very poor Bidvest Car Rental result
- Bidvest McCarthy outperformed the industry on the sale of new vehicles. Used vehicle market softened in 2H
- Model launches in entry level segment supported retail operations
- Margins were under pressure, particularly in the luxury segment, where Bidvest holds leading market share positions
- The aftermarket segment held its own as the car parc under warrantee & service plans shrunk
- Car rental leases extended for two years

Electrical | CEO: Stan Green

R million	Year ended 30 June 2018	Year ended 30 June 2017	Change
Revenue	**5 695**	5 667	0.5%
Trading profit	**300**	350	(14.3%)
Trading margin	**5.3%**	6.2%	↓
EBITDA	**341**	395	(13.8%)
Average Funds Employed	**1 941**	1 792	8.3%
ROFE	**15.5%**	19.5%	↓

- A commendable performance considering the very poor market conditions and dearth of renewable energy projects
- Voltex held its own despite fierce competitive pressure, project-type business was depressed while the value-added operations delivered respectable results
- Strain in the debtor book is evident and continues to receive focused attention
- Initiatives to improve efficiencies and consolidate the solutions activities are underway

Corporate

R million	Year ended 30 June 2018	Year ended 30 June 2017	Change
Revenue	**1 577**	1 592	(0.9%)
Trading profit	**193**	298	(35.3%)
Trading margin	**12.2%**	18.7%	↓

- Corporate comprises Bidvest Properties, material associates and other investments
- Bidvest Properties performed well (trading profit + 11.0%) and continue to be of strategic importance to the Group
- Ontime and Mansfield, in the UK, delivered the long-awaited turnaround to profitability. These will be reported in Freight from FY19
- Negative mark-to-market adjustment on Bidcorp and an unchanged USD MIAL valuation
- Rand weakened against major currencies

Namibia | CEO: Sebby Kankondi

R million	Year ended 30 June 2018	Year ended 30 June 2017	Change
Revenue	**3 381**	3 795	(10.9%)
Trading profit	**75**	86	(12.9%)
Trading margin	**2.2%**	2.3%	↓
EBITDA	**147**	172	(14.6%)
Average Funds Employed	**1 549**	1 722	(10.1%)
ROFE	**5.4%**	5.6%	↓

- Disappointing result
- Bidfish was sold at NAV, effective 30 June 2018. The balance of the fishing assets in the process of being sold
- Revenue declined across all divisions and most reported lower trading profits. Food and Distribution reported losses
- Recessionary environment in Namibia and the virtual collapse of the fishing industry plagued results

04 strategic overview and outlook

Lindsay Ralphs

CE

strategic overview and outlook

Operational outlook	➢ Expect lacklustre economic growth and consumer demand until national elections ➢ Positive steps taken to clean up corruption flowing through to daily business interactions ➢ Need government to initiate infrastructural programmes to kick-start the economy ➢ Black economic empowerment policy and legislation need to align and settle ➢ Pockets of opportunities and activity exist. Bidvest will capitalise on these
Maximise diverse portfolio	➢ Seven core, well managed divisions with core competencies and drivers firmly intact ➢ Cash generative ➢ Continuously broadening and innovating our product and service offering
Maintain strong financial position	➢ Excellent asset management. Debtors book clean and stock well managed ➢ Low levels of debt (0.8x EBITDA) allows for significant headroom ➢ Monetise non-core assets in a responsible manner
Allocate capital to growth	➢ Local acquisitions will continue ➢ Bolt-on opportunities attractive. Expect to close some soon ➢ Continuously evaluate niche international acquisitions in services and distribution of everyday-essential products ➢ Invest in annuity-type projects in SA ➢ Unwavering disciplined approach

05 appendices

Services

- FM Services performed strongly with further improvement in margin. Facilities Management delivered an excellent result with several new bundled contracts won. In a very competitive market contracts were won and lost
- Security Services delivered a solid result. Margin pressure, particularly in guarding and mining, is a reality. Specialised businesses delivered good results
- BidAir's lounges and cargo activities delivered very strong results. The ground handling tender has been recalled
- Travel Services had a difficult year but management remain confident in the business improvement plan
- Allied Services had a strong year with Pureau and Execuflora the star performers
- Noonan refreshed its business structure, achieved the anticipated USS synergies and secured new business

Outlook for FY19

- Margin management will remain a key focus area
- Delivering value to customers is core to our offering and should again stand us in good stead
- Acquisitions are being explored
- Learnings between Noonan and SA will be implemented

Freight

- BTT benefitted from increased tank capacity. Richards Bay showed particularly good growth on the back of the recent investments
- SABT handled significant maize and wheat volumes. The operating leverage together with well controlled costs resulted in a very strong performance
- Despite operational challenges caused by several incidents, BC delivered a pleasing result. Chrome and manganese remain the key commodities handled
- SACD had a fantastic year, mainly due to good cargo and container volumes and customs inspections in Durban. Costs were well controlled
- BPO struggled given less project work while BPL benefitted from new contracts, particularly in warehousing
- Naval benefitted from higher commodity export volumes

Outlook for FY19

- Maize exports look set to continue until the end of the year. Drought conditions in the Western Cape have eased somewhat. This is key for wheat supply
- Loss of sub-contracted work in Maputo will negatively impact Naval
- Annualisation of the new multi-purpose tank capacity should support growth
- Investment in infrastructure to continue

Commercial Products

- Difficult trading environment and little consumer confidence
- Further investments were made into facilities, product ranges and sales forces to drive business
- The revised Yamaha strategy is on track and the first Yamaha retail store purchased
- Home of Living Brands had a much improved second half
- The lack of project income in Renttech depressed results notably
- Management remains confident that restructuring at Matus will yield benefit

Outlook for FY19

- Product focus and margin management remain key focus areas, particularly given currency volatility
- Business models are reviewed continuously to secure relevance
- Investment in garment manufacturing capacity at G Fox is expected to drive growth

Office & Print

- Competitive pressure and lower demand were felt particularly in Office Products. Despite this, remedial action and good business acumen delivered pleasing profit growth
- Konica Minolta delivered a record result. New contracts were secured and gross margin improved materially
- Data, Print & Packaging held its own assisted by good bolt-on acquisitions. Lithotech delivered a resilient result, Data enjoyed benefits from consolidating its Johannesburg operations while the packaging activities faced challenging trading conditions in terms of volumes and pricing in certain segments
- Furniture had an excellent year
- Zonke contract handover had an impact on divisional results in 2H

Outlook for FY19

- Konica Minolta submitted its bid for the Treasury contract
- Current plans to simplify the businesses will continue
- Tough trading conditions are expected to continue, aggravated by currency volatility

Financial Services

- Revenue declined in Bidvest Bank due to the non recurrence of a short-term fleet contract and the continued Transnet fleet roll-off. Business Banking grew in trade finance, acquiring and treasury services
- Bidvest Bank deposits grew 27% to R5.7bn, loans & advances 13% to R2.4bn and leased assets declined marginally
- Bidvest Insurance focused on writing profitable business and manage claims better
- Bidvest Life continued on its strong growth path with a unique product. The growth in embedded value caused a drag on profitability, in line with expectations
- Compendium reported another strong result
- Fin Global acquired during the year and delivered good results

Outlook for FY19

- Tenders and deals for sizeable leased fleets delayed. Timing uncertain
- Transnet contract expected to run-off due to new Tender becoming effective during the financial year
- Business banking and recently onboarded treasury services and merchant acquiring clients should drive growth
- Bidvest Insurance are pursuing new channels and products
- Bidvest Life is expected to turn profitable

Automotive

- Bidvest McCarthy sold 8.8% more new vehicles (industry +1.8%) and 5.3% fewer used vehicles
- Profit at luxury brand dealers contracted significantly while volume brand dealers held their own
- Service revenue grew but parts volumes were lower
- Bidvest Car Rental rate per day +1.7%, rental days -4.1% and lower fleet utilisation

Outlook for FY19

- NAAMSA lowered new vehicle sales forecast for 2018 into negative growth
- Management will focus on driving down the cost and asset base
- Bidvest Car Rental systems and fleet size are receiving attention

Electrical

- Activity in the construction and infrastructure sectors continue to decline. Several customers either under business rescue or experiencing significant liquidity constraints
- The 100bps decline in margin was a function of a slightly lower gross margin and negative business mix given less project-type work
- MVLV and Cabstrut delivered excellent results while Electech and the lighting businesses had a lower year
- Working capital management was good considering the trading environment

Outlook for FY19

- Industry outlook remains uncertain
- Margin, working capital and expense management will remain key focus areas
- Benefits are expected from investments made

Shareholders

Investment management shareholding

Investment manager	Shareholding	%
PIC	47 694 593	14.1%
Lazard Asset Management LLC	24 092 058	7.1%
GIC Asset Management	18 461 829	5.5%
J.P. Morgan Asset Management	17 051 771	5.1%
BlackRock Inc	14 058 164	4.2%
The Vanguard Group Inc	12 324 163	3.7%

Geographic spread of shareholders