Bidvest

Audited Financial Results

for the year ended 30 June 2019

Agenda

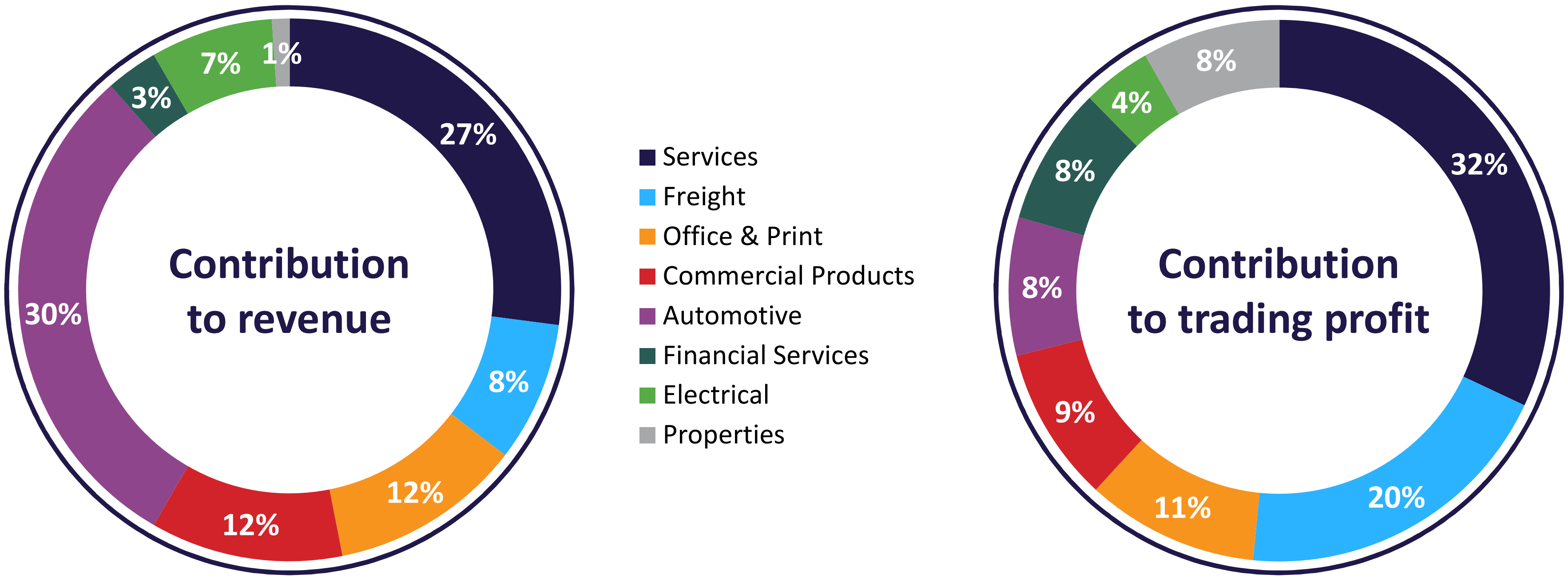
01 Introduction

Lindsay Ralphs

CE

We are **Bidvest**

Diverse portfolio allows for 31-year track record of consistent delivery, returns and growth



Strategic overview and **outlook**

Maximise diverse portfolio

- +3.5% trading profit despite limited economic activity, particularly in industrial and infrastructure sectors. 6.5% growth from combined services businesses
- Focus on technology and innovation to disrupt ourselves and the industries in which we operate
- Higher liquid and bulk commodity volumes handled
- Adcock Ingram now a Proudly Bidvest company (average holding cost R64.41/sh)

Maintain strong financial position

- Debt burden low at 8x interest cover and 0.9x net debt/EBITDA
- 64% of trading profit converted into free cash
- Tight asset management
- Successfully raised bond market funding at attractive rates

Strategic overview and **outlook**

Invest capital for future growth

- **Invest in SA:**
  R1 billion LPG project on time and within budget
- **Internationalisation:**
  Currently exploring multiple opportunities of various sizes
- **R3 billion spent on acquisitions:**
  Acquired UDS, Aquazania, several smaller businesses in Office & Print, Commercial Products and Electrical and bought out Bidvest Namibia minorities

Stewardship

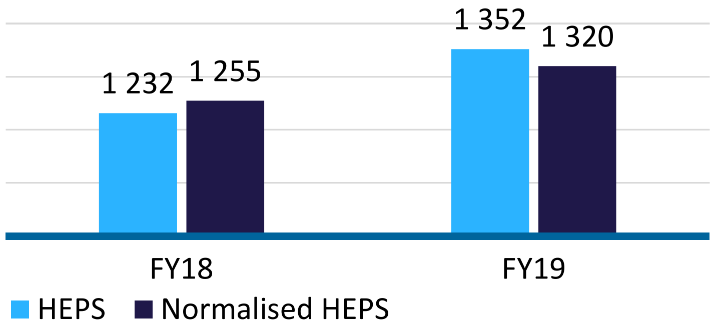
- Broadened alternative energy product range in Electrical and non-plastic packaging in Office & Print
- Invested R439 million in skills development; R133 million on enterprise and supplier development
- More than 50% of businesses achieved level 1-2 B-BBEE ratings. Improvements across most scorecards

Highlights for the **year**

- HEPS up **9.8%**
- Normalised HEPS up **5.2%** to **1 320.0 cents**
- Final DPS of **318 cents (+5.6%)**
- Trading profit up **3.5%** to **R6.7 billion**
  - **Excellent** performance from **Service** and **Office & Print. Freight** and **Properties** performed **well.** Commercial Products, Electrical and Financial Services fell short of expectation
  - **Gross and trading** profit **margins** increased
- **Solid** operational **cash generation** of **R7.1 billion**, despite material swing in net Bank advances and deposits
- **Exceptional** balance sheet
- ROFE improved to **23.3%**
- Investment in **SA infrastructure**, **increased** business **capacity** and **innovation**

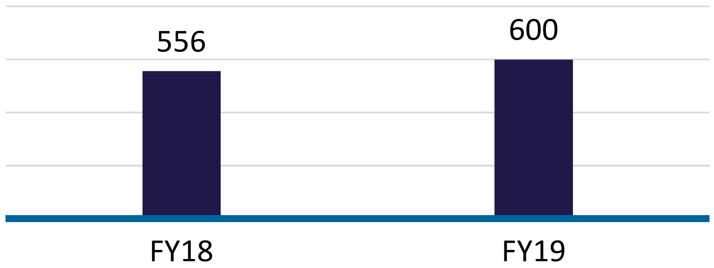
HEPS

(Cents per share)



DPS

(Cents per share)



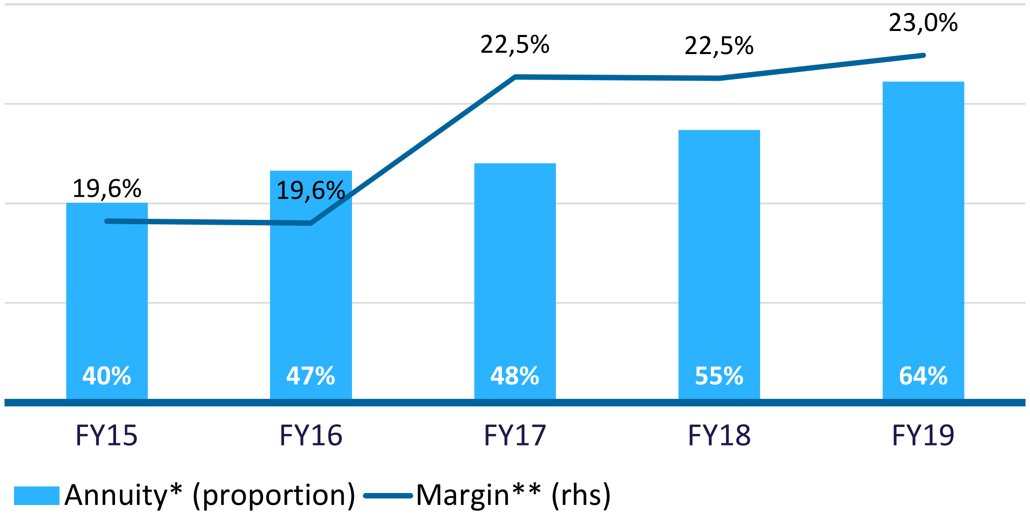
Reflections of the **CEO**

Significant shifts achieved over past three years

- Profit mix has shifted towards annuity income
- Trading and distribution gross profit margin have increased

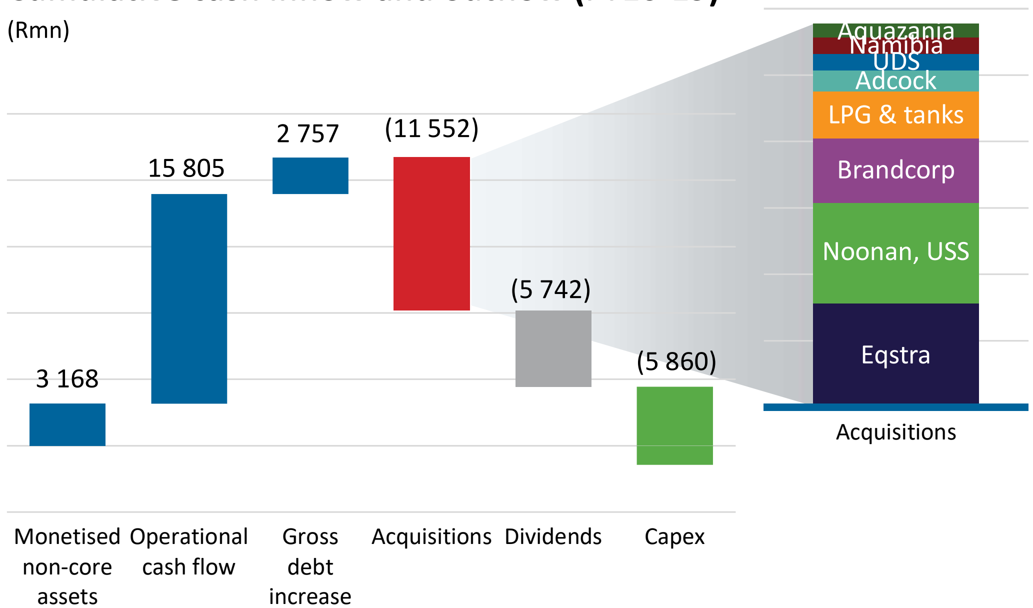
- Capital and cash has been directed from non-core assets to internationalising niche services and greater annuity income streams
- Returns have remained good

Annuity income proportionately higher and trading GP margin improved



Cumulative cash inflow and outflow (FY16-19)

(Rmn)



* *Annuity income are mainly service and property related activities*

** *Wholesale and distribution relates to trading activities in Office & Print, Commercial Products, Electrical and Automotive*

02 Financial review

Mark Steyn

CFO

Financial **highlights**

R billion	**Year ended 30 June 2019**	Year ended 30 June 2018	Change
Revenue	**77.2**	77.0	0.2%
Gross profit*	**29.8%**	28.9%	↑
Expenses*	**22.0%**	21.0%	↑
EBITDA	**8.4**	8.2	2.4%
Trading profit	**6.7**	6.5	3.5%
Trading profit margin	**8.7%**	8.5%	↑
Headline earnings	**4.6**	4.1	10.3%
HEPS (cents)	**1 352.1**	1 231.6	9.8%
DPS (cents)	**600.0**	556.0	7.9%
EBITDA interest cover (times)	**7.9x**	8.0x	↓
Net debt/EBITDA (times)	**0.9x**	0.8x	↓
Cash conversion**	**64.0%**	112.9%	↓
ROFE	**23.3%**	22.9%	↑
ROIC	**18.4%**	18.9%	↓

** As % of Revenue*
*** As % of trading profit*

Income statement **analysis**

Revenue

- Revenue flat
- Disposal of Bidfish, lower luxury vehicle sales and implementation of MBSA agency model, reduced trading across Electrical

Gross income

- Gross margin up almost 100bps to 29.8%
- Distribution-type businesses grew margin despite input cost volatility and fierce competition

Expenses

- Operating expenses increased 4.6%
- Continued, strong focus on cost containment

Trading profit

- Strong performances from Services, Office & Print and Properties
- Freight and Automotive contributed to growth
- Commercial Products, Financial Services and Electrical delivered lower profits

Other costs

- Acquisition costs of R23 million relate mainly to Aquazania, UDS and Eqstra
- Amortisation of acquired customer contracts of R42 million (mainly Noonan)

Net capital items

- R624 million reduction in fair value of associates
- Disposal and closure of businesses
- Insurance compensation for damaged Freight assets

Income statement **analysis**

Net finance charges

- 3.4% higher
- Additional funding for acquisitions
- Capital expenditure continued
- Conservative interest cover of 7.9x EBITDA

Associate income

- Share of current period earnings increased by 37.1%
- Adcock Ingram performed well
- Comair recognised R1.1 billion SAA claim. We accounted for our share

Taxation

- Effective tax rate lower than statutory rate. Flat year on year
- Reduced by income from associates, MIAL and no tax shield on preference shares
- Lower statutory rate in offshore operations

Non-controlling interest

- Predominantly Namibia
- Reduced on disposal of Bidfish, Zonke closure

HEPS

- 9.8% growth despite tough trading conditions
- Reflects organic growth
- Normalised HEPS +5.2%. Acquisition cost, amortisation of customer contracts and non-cash share of Comair claim excluded

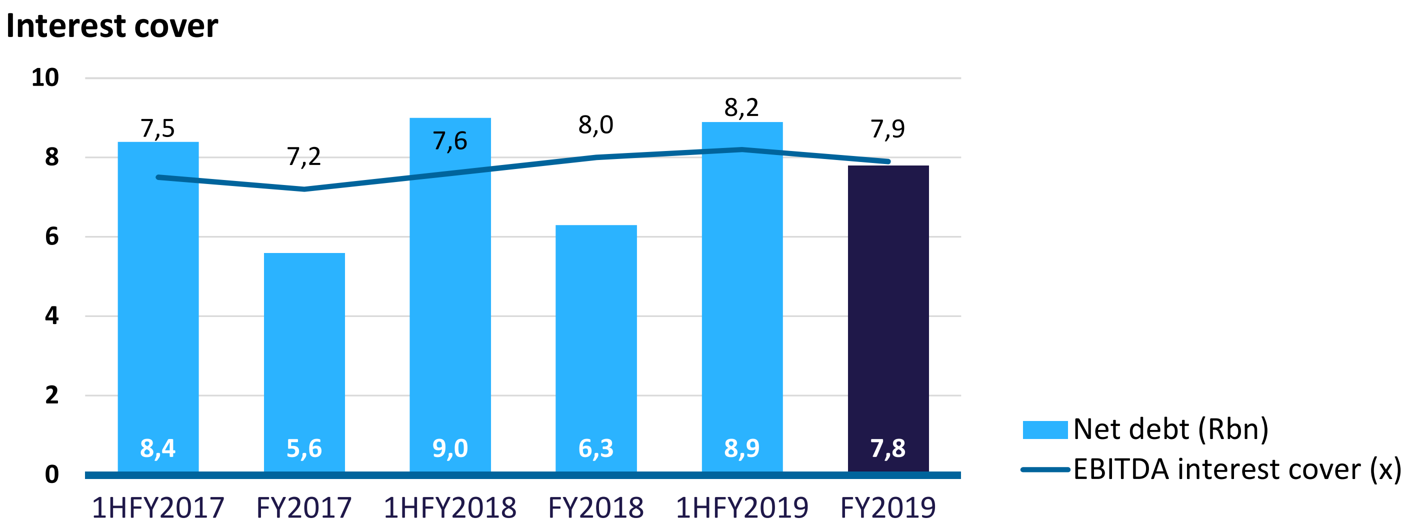
Dividend

- Final dividend 318 cents, up 5.6%, bringing total dividend to 600 cents
- Cover ratio of 2.2x consistent with policy

Debt and **funding**

A conservative approach to gearing

- Net debt of R7.8 billion
- EBITDA interest cover of 7.9 times vs. 8.0 times in 2018
- Net debt/EBITDA 0.9 times
- 49% of gross debt long-term
- Ample headroom to fund organic or acquisitive expansion
- Successful bond placements
- Spent R1.4 billion on AIP and BVN in Jun 19

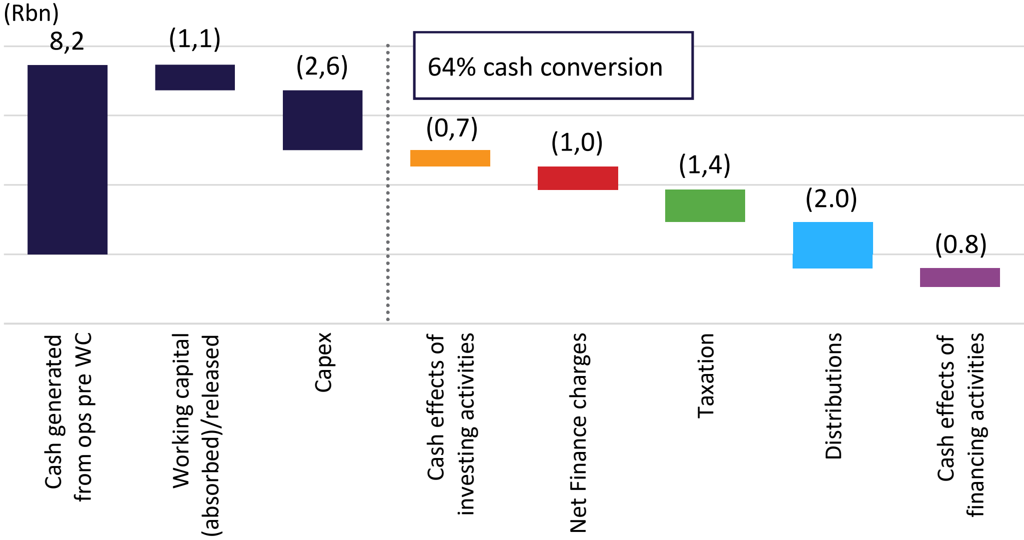


Moody's Investors Service credit rating	Long term	Short term	Outlook
The Bidvest Group Limited			
National scale	Aa1.za	P-1.za	Stable
Global scale	Baa3	P-3	Stable

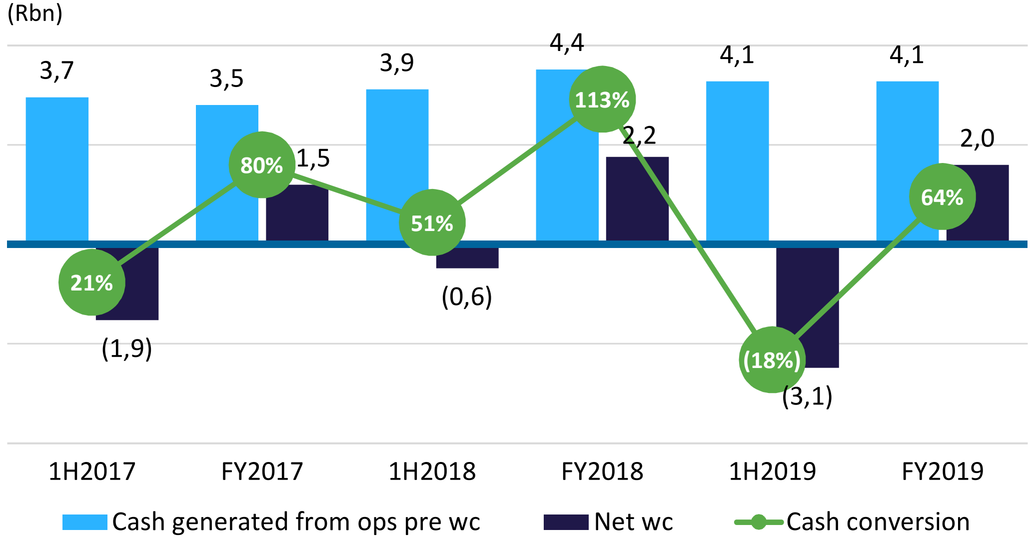
Cash **flow**

Cash generative businesses that are capital light

Free cash flow



Cash generated vs working capital



- Cash conversion 64% (2018: 113%)
- Working capital absorbed of R1.1 billion (2018: R1.5 billion released)
  Bidvest Bank's raised less additional deposits and advanced more loans (net R766 million, or a 1/3rd, of cash movement)
  Lower trade payable balances in the non-financial services due to lower activity levels
- Capex spend continues in SA

IFRS16: **Leases**

No impact on cash flow or strategy

- IFRS16 will be adopted, effective 1 July 2019, using a modified retrospective approach
  - Right of use assets = lease liability using Bidvest's prevailing incremental borrowing rate adjusted for prepaid/accrued lease payments before initial application
  - Will apply practical expedients allowed (onerous lease assessments under IAS37 to impair; short term and low value)
- Approximate impact illustrated below for JSE reporting purposes
- The adoption has no impact on new cashflows. Interest portion of lease payments reallocate from operating activities to financing activities
- Indicative financial statement impact
  - Right of use assets and lease liabilities R5.3 - 5.8 billion
  - Corresponding deferred tax assets and liabilities
  - Trading profit increase R230 - 280 million
  - Profit before tax decrease R150 - 200 million
  - Attributable income decrease R100 - 150 million

03 Operational updates

Lindsay Ralphs

CE

Services | CEO: Alan Fainman

R million	**Year ended 30 June 2019**	Year ended 30 June 2018	Change
Revenue	**20 837**	18 968	9.9%
Trading profit	**2 240**	1 992	12.5%
Trading margin	**10.8%**	10.5%	↑
EBITDA	**2 751**	2 484	10.7%
Average Funds Employed	**2 574**	2 375	8.4%
ROFE	**86.7%**	83.9%	↑

- SA annuity-type businesses performed strongly. Excellent results were delivered by Noonan, Facilities Management and Protea Coin
- Market stagnant and price sensitive. Focus on technology and alternative products & services to remain relevant and well positioned
- Noonan grew trading profit 16% in EUR on strong revenue and margin growth
- Steiner, BidAir Services, BidAir Lounges, BidTrack and the Allied Services cluster performed well. Corporate travel businesses under pressure
- Cash generation was very good and funds employed very well managed
- Acquisitions concluded – ClickOn, Aquazania, UDS – and several others are being explored

Freight | CEO: Anthony Dawe

R million	**Year ended 30 June 2019**	Year ended 30 June 2018	Change
Revenue	**6 419**	6 075	5.7%
Trading profit	**1 369**	1 318	3.8%
Trading margin	**21.3%**	21.7%	↓
EBITDA	**1 645**	1 628	1.0%
Average Funds Employed	**3 301**	2 567	28.6%
ROFE	**41.3%**	49.5%	↓

- Good result despite extremely large decrease in agricultural volumes
- Greater liquid and bulk commodity volumes handled
- Lower volumes and fierce price competition in warehousing and transportation
- Across the general activities, lower import volumes but pockets of export volume growth
- Annuity-income represents 40% of trading profit
- LPG project on track for 2020 completion and within budget

Office & Print | CEO: Kevin Wakeford

R million	**Year ended 30 June 2019**	Year ended 30 June 2018	Change
Revenue	**9 435**	9 305	1.4%
Trading profit	**735**	701	5.0%
Trading margin	**7.8%**	7.5%	↑
EBITDA	**863**	839	2.8%
Average Funds Employed	**2 229**	2 090	6.7%
ROFE	**33.0%**	33.5%	↓

- Excellent result considering structural industry challenges and loss of Zonke monitoring business last year (Dec 2017)
- Good margin management and excellent cost control
- Konica Minolta bedded down new Treasury contract
- Office products market continues to contract but efficiencies, product innovation and ranging allowed them to buck the trend
- Data, Print and Packaging delivered resilient profit growth while Furniture recovered from a slow start
- Bolt-on acquisitions – UFC, Make Me Mobile, Logo Print – were concluded

Commercial Products | CEO: Howard Greenstein

R million	**Year ended 30 June 2019**	Year ended 30 June 2018	Change
Revenue	**9 072**	8 920	1.7%
Trading profit	**617**	710	(13.2%)
Trading margin	**6.8%**	8.0%	↓
EBITDA	**727**	816	(10.9%)
Average Funds Employed	**2 510**	2 513	(0.1%)
ROFE	**24.6%**	28.3%	↓

- Very challenging 2H
- Industrial cluster (2/3rd of profit) reported lower profits in tough market. Consumer cluster held its own
- Good results from Burncrete, Plumblink, Interbrand and Moto Quip. Disappointing results from Renttech, Afcom, Vulcan and Matus
- Gross margin improved and cash generation was significantly higher
- Product range and price points were actively managed in the individual businesses
- Business models under review in Renttech, Afcom, Vulcan and Matus
- Yamaha’s business model change bedding down nicely

Automotive | CEO: Steve Keys

R million	**Year ended 30 June 2019**	Year ended 30 June 2018	Change
Revenue	**23 442**	24 702	(5.1%)
Trading profit	**609**	602	1.1%
Trading margin	**2.6%**	2.4%	↑
EBITDA	**832**	813	2.3%
Average Funds Employed	**3 946**	3 867	2.0%
ROFE	**15.4%**	15.6%	↓

- Pleasing turnaround from Bidvest Car Rental neutralised the lower motor retailing profit
- Bidvest McCarthy sold 5% fewer new vehicles and a similar number of used vehicles
- The luxury segment declined even further and margin pressure was a feature in the used vehicle market
- The aftermarket segment reported a lower contribution as the car parc under warrantee & service plans shrunk and competition became fierce
- Bidvest Car Rental achieved reasonable rental rate increases and lowered the holding cost of vehicles, culminating in improved profitability

Financial Services | CEO: Japie van Niekerk

R million	Year ended 30 June 2019	Year ended 30 June 2018	Change
Revenue	**2 701**	2 563	5.4%
Trading profit	**585**	632	(7.5%)
Trading margin	**21.6%**	24.7%	↓
EBITDA	**836**	867	(3.5%)
Average Funds Employed	**3 558**	3 417	4.1%
ROFE	**16.4%**	18.5%	↓

- Bidvest Bank grew 3%. No contribution from new large fleet contracts (Transnet HCV only started paying out in FY20) and others in run off. Business and personal banking grew
- Fleet assets declined 7%; deposits and loans & advances increased by 14% and 40%, respectively
- Bidvest Insurance had a disappointing year
- Bidvest Life sales grew strongly, continuing to cause new business strain
- Compendium, FinGlobal and Tradeflow delivered pleasing results
- Returns on the investment portfolio halved causing most of the profit decline

Electrical | CEO: Stan Green

R million	**Year ended 30 June 2019**	Year ended 30 June 2018	Change
Revenue	**5 384**	5 695	(5.5%)
Trading profit	**258**	300	(14.2%)
Trading margin	**4.8%**	5.3%	↓
EBITDA	**299**	341	(12.3%)
Average Funds Employed	**2 067**	1 941	6.5%
ROFE	**12.5%**	15.5%	↓

- Near-decimation of the building industry and challenging mining industry
- Voltex reported growth despite fierce competitive pressure. Project-type business performed poorly
- Cabstrut delivered good growth as its vertical integration strategy yielded benefits
- Electech's renewable energy business performed well
- Some businesses ended the year overstocked. The debtors book continue to receive focused attention
- Investments were made into facilities and initiatives to improve efficiencies

Corporate

R million	Year ended 30 June 2019	Year ended 30 June 2018	Change
Revenue	**3 897**	4 596	(15.2%)
Trading profit	**324**	253	27.7%
Trading margin	**8.3%**	5.5%	↑

- Corporate comprises Bidvest Properties, Bidvest Namibia and other investments
- Bidvest Properties performed well (trading profit +14.7%) and continues to be of strategic importance to the Group
- Bought out minorities in Bidvest Namibia and delisted it from the NSX
- The Mansfield Group and Namibia performed poorly
- MIAL has been valued at USD86 million per the signed sale agreement. The transaction is progressing
- R30 million profit recognised on sale of last Bidcorp shares

04 Strategic overview and outlook

Lindsay Ralphs

CE

Strategic overview and **outlook**

Operational outlook

- Need public and private sector to invest to achieve real GDP growth
- Bidvest will continue to strategically invest to generate sustainable profits
- Invest in technology and innovation to disrupt ourselves and industries
- Pockets of opportunities and activity exist. Bidvest will capitalise on these

Maintain strong financial position

- Excellent asset management. Debtors book clean and stock well managed
- Low levels of debt (0.9x EBITDA) allows for significant headroom
- Conclude MIAL disposal

Strategic overview and **outlook**

Maximise diverse portfolio

- Well managed divisions with core competencies and drivers firmly intact
- Incorporate Namibian activities into divisions
- Generate cash
- Continuously broadening our product and service offering
- Adcock Ingram to be consolidated from 1 Aug 2019 (revenue R7 billion; trading profit R1 billion)

Allocate capital to growth

- Local acquisitions will continue. Eqstra expected to close before Dec 2019
- 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

We are **Bidvest**

Investment case

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 – 65% of trading profit
  - Trading and distribution – 35% 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

Services

- FM Services performed well considering the environment. FM had another strong growth year but Catering lost Kusile contract
- Security Services delivered an excellent result. Specialised businesses delivered good results. Margin pressure and contract losses in mining were disappointing. Acquisitions introduced niche technology
- BidAir’s lounges and cargo activities delivered good results
- Travel Services trading profit declined. Middle-office system implementation, lower corporate travel volumes and margin pressure all contributed. Leisure travel doing well
- Allied Services had another strong year. Aquazania is performing in line with expectations
- Noonan Ireland performed very strongly. Noonan UK delivered strong margin improvement. Funds employed reduced and cash generation improved

Outlook for FY20

- Margin management will remain a key focus area
- Niche technology solutions offer exciting opportunities
- Acquisitions are being explored
- Targeted new customer opportunities and bedding down contract wins

Freight

- BTT Richards Bay showed particularly good growth
- SABT handled 26% less volumes as no maize was exported 2H and wheat & rice imports reduced
- Chrome and manganese volumes up 22% in BC. Full berth capacity reinstated from April 2019
- BPL experienced a tough year with high-end consumer spend under pressure and fierce competition in warehousing and transportation. Panalpina Group recently acquired by DSV
- BPO benefitted from good export volumes from Durban while BSACD had a more challenging year
- OnTime Automotive produced a healthy performance

Outlook for FY20

- Maize crop appears average and movement expected later in the year. Wheat imports have started
- Chrome and manganese volumes expected to remain good
- New international forwarding and clearing partner being sought
- Loss of sub-contracted work in Maputo will negatively impact Naval
- Complete LPG project

Office & Print

- Competitive pressure and lower demand remained features for Office Products. Silveray and Kolok reported strong growth
- Konica Minolta held its own despite the new Treasury contract as the expense base was dramatically reduced and the business revitalised
- Data had an outstanding year due to volume growth, new contract wins and strong expense control. Packaging activities rolled out alternative products to customers and bolt-on acquisitions contributed. Print reported strong profit growth despite flat revenue
- Cecil Nurse maintained its profitability in a poor market

Outlook for FY20

- Konica Minolta to broaden its customer base
- Current plans to simplify the businesses will continue
- Tough trading conditions are expected to continue

Commercial Products

- Difficult trading environment and little consumer confidence.
  2H particularly challenging
- Further investments were made into facilities, product ranges and sales forces to drive business
- Plumblink grew revenue and gross margin despite slower contract sales. The 100th branch was opened
- Burncrete delivered an excellent result. G Fox acquired a niche glove distributor to bolster its range
- Renttech scaled back its infrastructure due to poor demand and low rental fleet utilisation. The business model is currently under review
- Growth at Home of Living Brands slowed sharply. ProAudio business was exited. Market share in small appliance increased
- Interbrand and Moto Quip delivered strong growth. Yamaha's new business model is bedding down. Academy Brushware grew its gross profit margin and integrated the House of Locks business

Outlook for FY20

- Business models are reviewed continuously to secure relevance and efficiencies
- Product focus and margin management remain key focus areas, particularly given currency volatility
- Investment in facilities and capacity needs to deliver efficiencies

Automotive

- Bidvest McCarthy sold 5.3% fewer new vehicles (industry -3.2%) and marginally more used vehicles. Industry luxury sales declined 12.0%
- Profit at luxury brand dealers continued to decline sharply
- Nissan, Renault and Toyota dealerships grew profits
- Gross margin pressure was reported in used cars and aftermarket
- Service revenue was flat but parts volumes were lower
- Encouragingly, used car inventory, particularly older stock, declined
- Burchmores grew profit strongly
- Bidvest Car Rental rate per day +5.4%, rental days -1.3% and materially improved fleet utilisation at 67.6%

Outlook for FY20

- Targeting a more balanced motor retail business
- A new intelligent used car procurement system is being rolled out
- Management will focus on driving down the cost and asset base
- Bidvest Car Rental to leverage upgraded technology to drive further improvement

Financial Services

- Growth in Business and Personal banking, trade finance, acquiring treasury services and lending more than offset fleet runoff on the revenue line. Transnet HCV contract took longer than expected to conclude. Negative cost jaws limited profit growth in Bidvest Bank
- Bidvest Bank deposits grew 14% to R6.4 billion, loans & advances 40% to R2.7 billion and leased assets declined 7% to R1.6 billion
- Bidvest Insurance wrote less gross premium due to lower vehicle sales as well as closure of the commercial book. A number of high value claims had to be paid
- Bidvest Life continued on its strong growth path with a unique product. The growth in new business caused a drag on profitability
- Compendium and FinGlobal reported strong results
- The surplus capital in the Bank should be addressed by the acquisition of Eqstra

Outlook for FY20

- Sizeable fleets are being pursued. Timing uncertain. Delivery of Transnet vehicles has started
- The successful acquisition of Eqstra will be transformational for Bidvest Bank
- Growing Business Banking further
- Bidvest Insurance has reverted back to its niche
- Bidvest Life is expected to turn profitable

Electrical

- Activity in the construction and infrastructure sectors very limited. Several customers either under business rescue or experiencing significant liquidity constraints
- Some reasonable order books across the division but delays experienced in the related projects. Voltex branches performed well
- Handful of municipalities spending on infrastructure and housing. Pockets of overhead electrical and alternative energy work
- Cabstrut and Electech delivered good results. MVLV's work is lumpy with long lead times
- Inventory ended the year in excess while the debtors book remain well controlled considering the trading environment

Outlook for FY20

- Industry outlook remains uncertain
- Margin, working capital and expense management will remain key focus areas
- Benefits are expected from investments made in facilities and vertical integration of Cabstrut

Shareholders

Investment management shareholding

Investment manager (30 June 2019)	Shareholding	%
PIC	**43 653 403**	12.9
GIC Asset Management	**16 625 063**	4.9
Lazard Asset Management LLC	**16 574 126**	4.9
J.P. Morgan Asset Management	**16 270 998**	4.8
BlackRock Inc	**13 510 047**	4.0
The Vanguard Group Inc	**12 949 858**	3.8
Old Mutual Plc	**12 397 035**	3.7

Geographic spread of shareholders