Bidvest

30 years

HOMEGROWN ENTREPRENEURSHIP

Investor presentation

for the half-year ended 31 December 2018

2019

agenda

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01 introduction

Lindsay Ralphs

CE

we are Bidvest

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

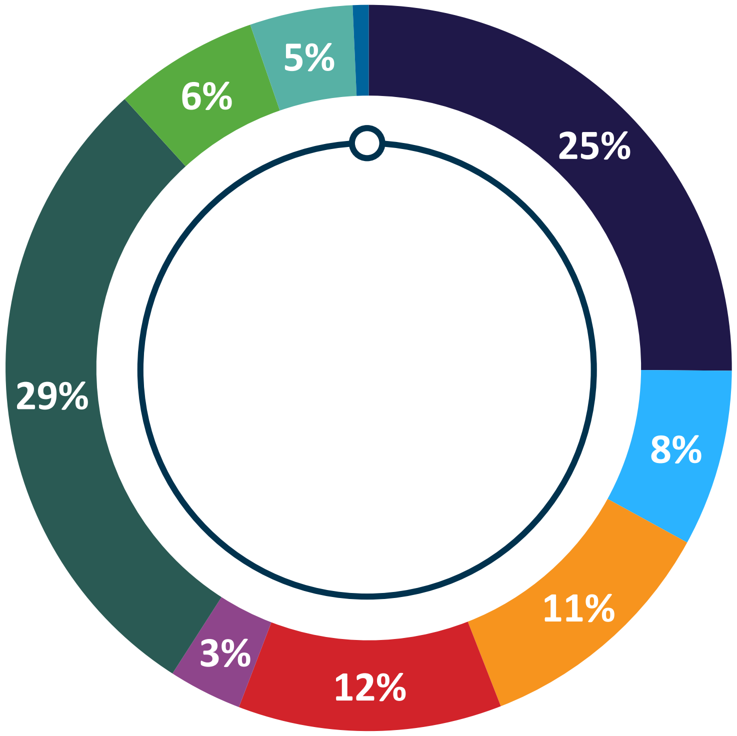
A leading B-2-B services, wholesale and distribution group operating in the areas of commercial and industrial products, electrical products, financial services, freight management, office and print solutions, outsourced hard and soft services and automotive retailing

- Highly diversified portfolio spanning broad economic spheres:
  - Services – 62% of trading profit
  - Trading and distribution – 38% 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

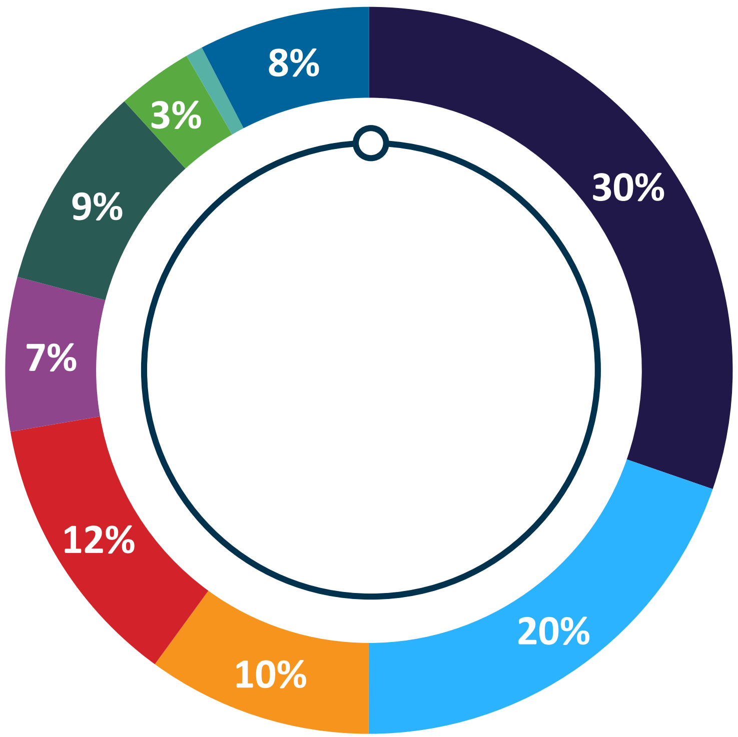
No one segment dominant in profit contribution

Contribution to revenue



Services
Freight
Commercial Products
Office & Print
Financial Services
Automotive
Electrical
Namibia
Properties

Contribution to trading profit



our strategy and progress

Maximise diverse portfolio	Maintain strong financial position	Invest capital for future growth	Stewardship
Trading profit +6.3% despite frail economic backdrop	Tight asset management	**Internationalisation:** Evaluating opportunities None executed in H1	80% of businesses achieved between level 1-4 B-BBEE ratings
Stand-out results in Services, Freight and Office and Print divisions	Debt burden low at 8.2x interest cover; 1.1x net debt/EBITDA	**Invest in SA:** LPG project on track; Efficient distribution centres; technology to lower cost of doing business	Governance entrenched in our DNA, it is how we do business. Effective structures in place
Noonan performing ahead of expectations	Acceptable cash generation during the period. Large working capital absorption at period end	**Several bolt-on acquisitions.** Additional R566mn post December	Sustainability initiatives continue across the Group
Ongoing investments to lower the cost of doing business	Ongoing discussions on non-core assets. Bidcorp shares sold		Development and growth of talent pool continues

highlights for the year

HEPS up by **9.6%** to **629 cents**

Interim DPS of **282 cents (+10.6%)**

Trading profit up **6.3%** to **R3 billion**

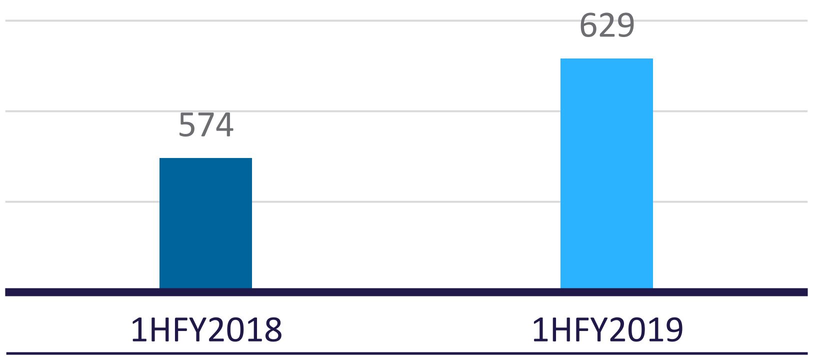
Stand-out results from **Freight, Services, Office & Print** and **Properties**
Commercial Products and **Financial Services** delivered **acceptable performances**
Electrical and Automotive in line with weak markets

R4 billion cash generated from operations pre working capital
Seasonal working capital absorption greater than last year

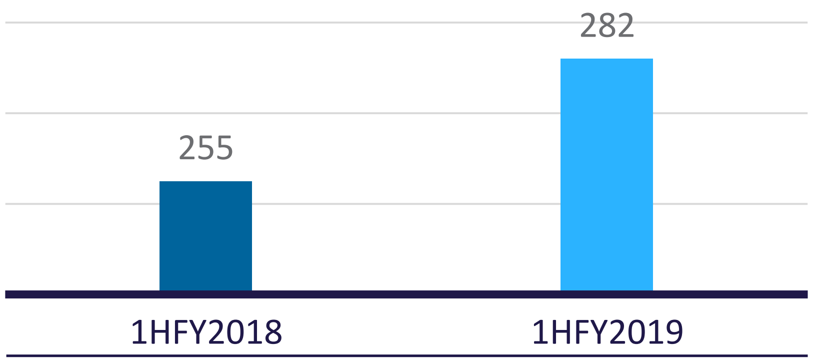
Exceptional balance sheet

Invested **R2 billion** in **capex** to expand **infrastructure, modernise** and **increase capacity** across our businesses

HEPS
(Cents per share)



DPS
(Cents per share)



02 financial review

Mark Steyn

CFO

financial highlights

R billion	Interim ended 31 December 2018	Interim ended 31 December 2017	Change
Revenue	**40.0**	39.9	0.2%
Gross profit margin*	**29.3%**	28.1%	↑
Expense margin*	**21.5%**	20.6%	↓
EBITDA	**4.2**	4.0	4.3%
Trading profit	**3.3**	3.1	6.3%
Trading profit margin	**8.4%**	7.9%	↑
Headline earnings	**2.1**	1.9	10.0%
HEPS (cents)	**629.1**	574.0	9.6%
Normalised HEPS (cents)	**635.7**	591.7	7.4%
DPS (cents)	**282.0**	255.0	10.6%
EBITDA interest cover (times)	**8.2x**	7.6x	↑
Net debt/EBITDA (times)	**1.1x**	1.1x	-
Cash generated from operations before working capital	**4.1**	3.9	6.0%
ROFE	**22.8%**	22.8%	-

* *As % of Revenue*

income statement analysis

Revenue	➢ Revenue flat ➢ Accounting change in Tradeflow (June 2018), disposal of Bidfish, lower luxury vehicle sales and implementation of MBSA agency model, reduced trading across Electrical
Gross income	➢ Gross margin improve 120bps to 29.3% ➢ Most divisions reflected improvement ➢ Margin mix impact from Noonan
Expenses	➢ Operating expenses only increased by 4.7% ➢ Good expense management across the businesses
Trading profit	➢ Strong trading profit growth reported by Services, Freight, Office & Print and Properties ➢ Acceptable performances from Commercial Products and Financial Services excluding the insurance portfolio returns ➢ Tough trading conditions evident in Electrical and Automotive results
Other costs	➢ Acquisition costs of R3 million ➢ Amortisation of acquired customer contracts of R22 million (Noonan)
Net capital items	➢ R123 million uptick in fair value of associates ➢ Insurance compensation for damaged Freight assets

income statement analysis

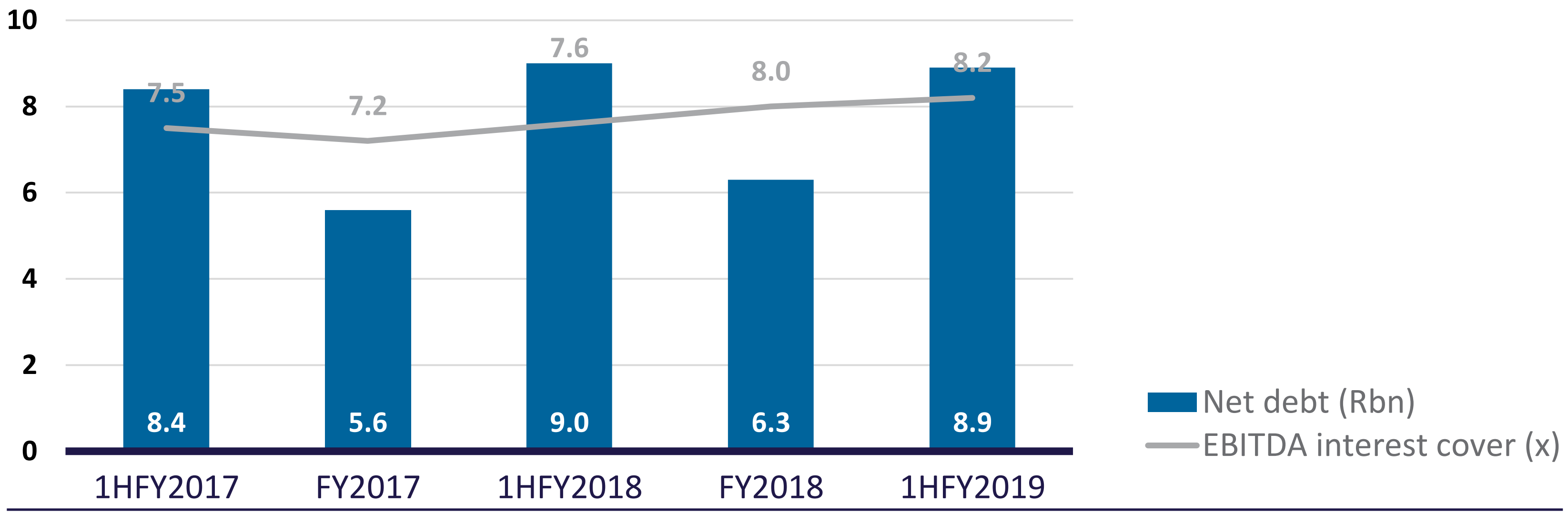
Net finance charges	➢ Flat net interest charge despite full period of Noonan debt and capital expenditure ➢ Indication of good cash management focus throughout the period ➢ Interest cover of 8.2x EBITDA
Associate income	➢ Share of current period earnings decreased by 7.4% ➢ Adcock Ingram performed well. Comair hit by higher fuel price
Taxation	➢ Implied tax rate lower than statutory rate ➢ Reduced by income from associates, MIAL m-t-m and capital items ➢ Statutory rate in offshore entities
Non-controlling interest	➢ Predominantly Namibia ➢ Reduced on disposal of Bidfish, Zonke closure
HEPS	➢ 9.6% growth despite tough trading conditions ➢ Normalised HEPS 636 cents
Dividend	➢ Interim dividend 282 cents, up 10.6% ➢ Cover ratio of 2.25x consistent with policy

debt and funding

A conservative approach to gearing

- Net debt of R8.9 billion (1HFY18 R9.0 billion)
- EBITDA interest cover of 8.2 times vs. 7.6 times in 2017
- Net debt/EBITDA 1.1 times
- 44% of gross debt long-term
- Ample headroom to fund organic or acquisitive expansion

Interest cover & net debt



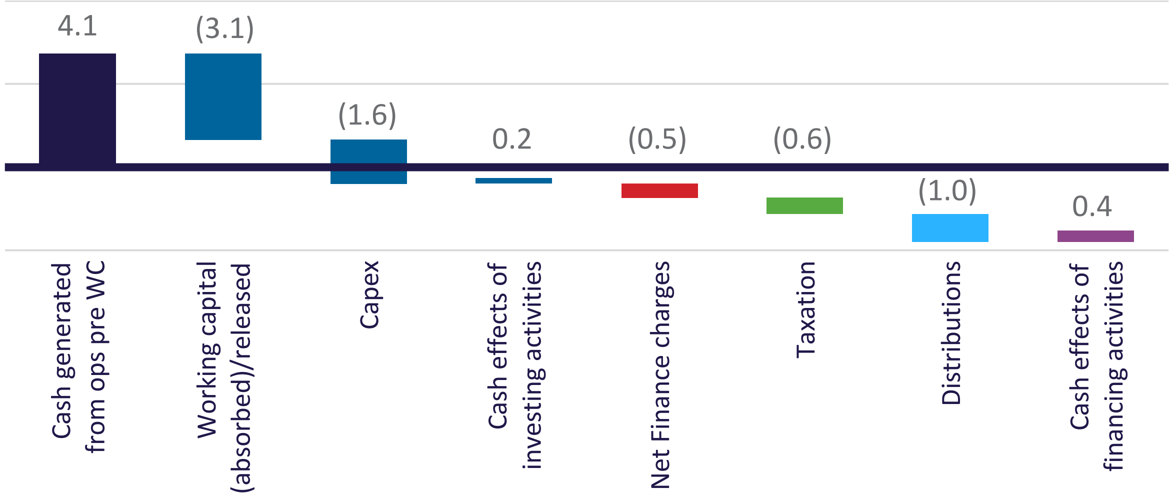
Moody's Investors Service credit rating	**Long term**	Short term	Outlook
The Bidvest Group Limited			
National scale	**Aa1.za (unchanged)**	P-1.za (unchanged)	Stable
Global scale	**Baa3 (unchanged)**	P-3 (unchanged)	Stable

cash flow

Cash generative businesses that are capital light

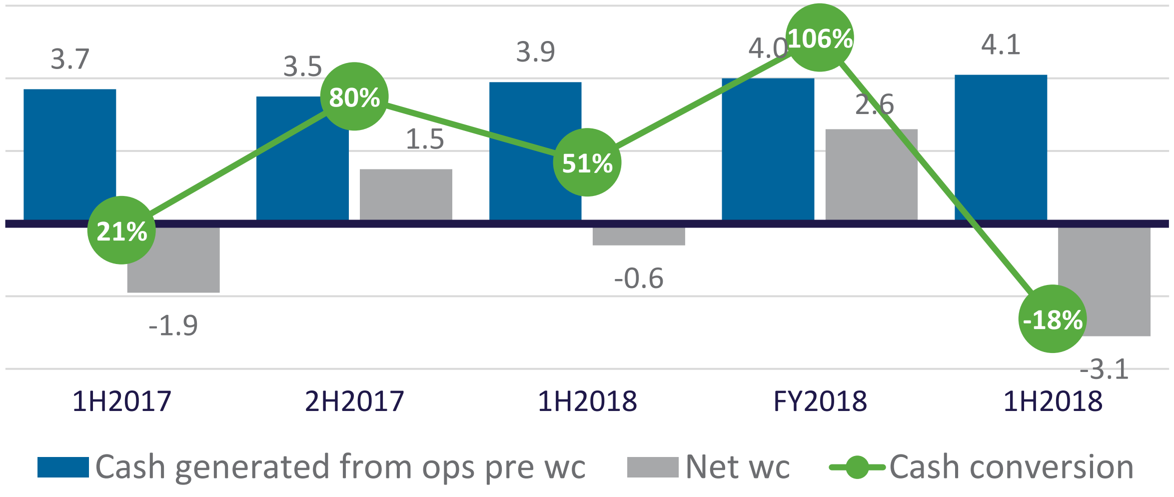
Free cash flow

(Rbn)



Cash generated vs working capital

(Rbn)



- Flat interest expense reflects good, consistent cash generation despite negative cash conversion
- Working capital absorbed of R3.1 billion (2017: R0.6 billion)
  - Timing of disbursements in Freight – slower exports for 2 significant clients
  - Limited inflow of bank deposits and an increase in bank advances
  - Strategic inventory build-up in Electrical (wire and cable); Office & Print (automation)
  - Debtors book remains well managed and adequately provided for
- Capex spend continues in SA

03 operational updates

Lindsay Ralphs

CE

Services | CEO: Alan Fainman

R million	Interim ended 31 December 2018	Interim ended 31 December 2017	Change
Revenue	**10 380**	8 999	15.3%
Trading profit	**1 076**	951	13.0%
Trading margin	**10.4%**	10.6%	
EBITDA	**1 340**	1 198	11.8%
Average Funds Employed	**2 510**	2 252	11.5%
ROFE	**85.7%**	84.5%	

- Strong result in both SA and offshore
- SA trading profit grew 8%. Steiner, Facilities Management, Protea Coin, BidAir and Allied Services delivered strong results in price sensitive market
- Noonan exceeded expectations, delivering good real trading profit growth in EUR terms. Integrated solutions in Ireland and cleaning in the UK traded particularly strongly
- Bolt-on acquisitions concluded: ClickOn (electronic access control system) and Aquazania (bottled water and dispensers)

Freight | CEO: Anthony Dawe

R million	Interim ended 31 December 2018	Interim ended 31 December 2017	Change
Revenue	**3 248**	3 103	4.7%
Trading profit	**700**	645	8.6%
Trading margin	**21.6%**	20.8%	
EBITDA	**843**	798	5.7%
Average Funds Employed	**3 014**	2 331	26.8%
ROFE	**44.7%**	54.9%	

- Strong result off a high base
- Freight volumes buoyant until October 2018 but slowed thereafter, particularly in maize. Chrome, manganese and fertilizer volumes increased
- BTT delivered another good result, benefitting from extra capacity
- BPL warehouse volumes ended slow. BSACD impacted by reduced imports
- Ontime accounted for here
- Strong ROFE despite LPG project capital investment (R308 million to date)

Commercial Products | CEO: Howard Greenstein

R million	Interim ended 31 December 2018	Interim ended 31 December 2017	Change
Revenue	**4 584**	4 429	3.5%
Trading profit	**355**	354	0.4%
Trading margin	**7.8%**	8.0%	
EBITDA	**413**	406	1.7%
Average Funds Employed	**2 564**	2 425	5.7%
ROFE	**27.7%**	29.2%	

- Acceptable overall result. Consumer businesses delivered strong growth. Industrial profit decline
- Strong results from Burncrete, G Fox, Home of Living Brands, Interbrand, Moto Quip and Yamaha. Afcom, Buffalo Tapes, Matus, Renttech and Vulcan impacted by minimal industrial, agricultural and project work
- Total GP margin slightly up as focus remain on margin and having relevant product at the “right” price point
- Consumer businesses benefited from a shift to aspirational brands
- Good operational cash generation and a reasonable ROFE achieved

Office & Print | CEO: Kevin Wakeford

R million	Interim ended 31 December 2018	Interim ended 31 December 2017	Change
Revenue	**4 853**	4 940	(1.8%)
Trading profit	**436**	403	8.3%
Trading margin	**9.0%**	8.2%	
EBITDA	**506**	466	8.4%
Average Funds Employed	**2 180**	2 198	(0.8%)
ROFE	**40.0%**	36.6%	

- Pleasing result
- Strong results from Konica Minolta ahead of Treasury’s new RT3 contract roll-out
- Good result in traditional print activities. Data saw growth from existing customers. Packaging activities benefitted from new business
- Office products maintained revenue and margin while expenses were well controlled
- 40% ROFE outstanding

Financial Services | CEO: Japie van Niekerk

R million	Interim ended 31 December 2018	Interim ended 31 December 2017	Change
Revenue	**1 351**	1 787	(24.4%)
Trading profit	**243**	319	(23.8%)
Trading margin	**18.0%**	17.9%	
EBITDA	**358**	433	(17.3%)
Average Funds Employed	**3 497**	3 378	3.5%
ROFE	**13.9%**	18.9%	

- Higher underlying trading profit dragged down by negative investment portfolio returns
- Bidvest Bank grew profits by 8% despite lower Leasing contribution as growth strategy in Personal and Business Banking gained momentum
- Several new FML contracts secured. Transnet heavy commercial vehicle contract worth up to R800 million
- Modest underwriting profit growth in Bidvest Insurance as commercial book performed poorly
- FMI strong sales growth causing new business strain
- Equity return on investment portfolios declined R86 million

Automotive | CEO: Steve Keys

R million	Interim ended 31 December 2018	Interim ended 31 December 2017	Change
Revenue	**12 058**	12 696	(5.0%)
Trading profit	**324**	343	(5.5%)
Trading margin	**2.7%**	2.7%	
EBITDA	**459**	498	(7.8%)
Average Funds Employed	**4 027**	3 850	4.6%
ROFE	**16.1%**	17.8%	

- Luxury automotive segment remains meaningful drag on result
- McCarthy new vehicle sales flat compared to -2% for industry. Used car market remained soft
- Aftermarket disappointed in terms of volume and margin
- Realignment of cost base to lower demand a priority
- Normalisation of Bidvest Car Rental profit on higher rental rates but fewer days, together with improved fleet utilisation

Electrical | CEO: Stan Green

R million	Interim ended 31 December 2018	Interim ended 31 December 2017	Change
Revenue	**2 662**	2 901	(8.2%)
Trading profit	**120**	147	(18.6%)
Trading margin	**4.5%**	5.1%	
EBITDA	**146**	173	(15.6%)
Average Funds Employed	**2 045**	1 922	6.4%
ROFE	**11.7%**	15.3%	

- Understandable result under the industry circumstances
- Voltex delivered solid performance in very competitive market
- Value-added operations delivered reasonable results. Project-type businesses were depressed
- Cable and wire were strategically purchased ahead of supply disruption

Corporate & Properties

R million	Interim ended 31 December 2018	Interim ended 31 December 2017	Change
Revenue	**604**	611	(1.0%)
Trading profit	**58**	(27)	
Trading margin	**9.7%**	(4.4%)	

- Property trading profit grew 16% as projects rentalised and vacancies declined
- 118 properties in the portfolio. Market value estimated R7 billion
- Corporate office costs well contained
- Profit realised on Bidcorp share disposal; positive m-t-m adjustment on MIAL

Namibia | CEO: Sebby Kankondi

R million	Interim ended 31 December 2018	Interim ended 31 December 2017	Change
Revenue	**1 893**	2 040	(7.2%)
Trading profit	**27**	8	258.7%
Trading margin	**1.4%**	0.4%	
EBITDA	**47**	46	0.5%
Average Funds Employed	**1 028**	1 612	(36.2%)
ROFE	**6.2%**	1.3%	

- Mixed results from continuing operations off low base
- Freight and Logistics benefitted from Oil & Gas projects. Automotive and Food & Distribution reported losses. Commercial & Industrial Products and Services negatively affected by recession
- Healthy cash generated from operations. Net tangible NAV 685 cents
- Bidvest Namibia under cautionary: take-over offer made by Bidvest. This is being considered by independent board committee

04 strategic overview and outlook

Lindsay Ralphs

CE

strategic overview and outlook

Operational outlook	➢ Expect lacklustre economic growth, industrial activity and consumer spend until national elections ➢ Need to initiate infrastructural and development programmes to kick-start the economy ➢ Pockets of opportunities and activity exist. Bidvest will capitalise on these ➢ Acutely aware of our responsibility towards all stakeholders
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 (1.1x EBITDA) allows for significant headroom ➢ Monetise non-core assets in a responsible manner. Progress being made
Allocate capital to growth	➢ Local acquisitions will continue ➢ Bolt-on acquisitions to continue. Closed Aquazania acquisition post interim end. More to come ➢ Continuously evaluate niche international acquisitions in services and distribution of everyday-essential products ➢ Invest in annuity-type projects in SA

succession – another homegrown story

- Succession planning, key part of good corporate governance
  - Unbundling of Bidvest
- Mpumi Madisa appointed CE-designate
  - Period to ensure smooth transition
- Mpumi CV
  - 12 years with Bidvest Group
  - Executive director since May 2013
  - Non-executive director at Adcock and BLSA

05 appendices

Services

- FM Services performed well, improving the trading margin slightly. Facilities Management and Steiner performed strongly on the back of contract wins. Prestige lost some contracts but recently secured a few sizeable contracts
- Security & Aviation Services delivered a good result with superior growth in the higher margin businesses. A strategic focus on specialised security businesses are yielding benefit. ClickOn acquisition an example of this. BidAir delivered an outstanding result
- Travel Services reported a decline in trading profit. Customers are downtrading and contracts were lost. Rennies Travel, Travel Connections and Cruises International performed well. A technology overhaul is ongoing to lower the cost of doing business
- Allied Services delivered a strong result with growth across all the businesses
- Noonan delivered a strong result in underlying currency, particularly in Ireland. UK security activities somewhat slower. New contract wins to date are positive

Outlook for FY19

- Aquazania acquisition effect February 2019
- Margin management will remain key focus area
- Acquisitions are being explored

Freight

- SABT experienced buoyant volumes for four out of six months
- All BTT's new multi-purpose tanks operational. Slow industrial activity reflected in lower chemical volumes
- BPL experienced slowdown in warehousing and road freight; international logistics performed well on new business
- BC handled 7% higher volumes, mainly chrome and manganese, despite only 2 out of 3 berths available
- BPO benefitted from strong fertilizer and other commodity volumes
- BSACD negatively impacted by lower imports
- Ontime is experiencing some growth

Outlook for FY19

- Wheat export volumes have started to improve
- Maize export programme delayed due to late planting season
- LPG project remains on track

Commercial Products

- Difficult trading conditions in Industrial environment
- Despite little consumer confidence, HOLB and Interbrand capitalised on strong brand equity and well-positioned price points
- Yamaha's 1st retail outlet began trading. 2nd one to open in H2
- Pricing pressure experienced in Afcom, Buffalo Tapes, Vulcan and Renttech on top of weak demand
- Plumblink to open 100th store in H2
- Increased costs in Plumblink and Academy Brushware to accommodate future growth
- Increase manufacturing capacity in G Fox yielded benefit

Outlook for FY19

- Product focus and margin management remain key focus areas
- Depressed manufacturing and industrial activity likely to continue in H2
- Consumer businesses rebased

Office & Print

- Konica Minolta retained approved supplier status under Treasury's new RT3 contract. New management recalibrating the business model
- Lithotech grew revenue and profit
- Data and packaging delivered acceptable results by securing several new contracts and growth from existing customers
- Waltons arrested revenue decline with benefits materialising from prior restructuring efforts
- Silveray and Kolok delivered good results
- Cecil Nurse had a slow start

Outlook for FY19

- H2 traditionally slower than H1
- Bedding down RT3 contract a key focus area. Considerable pressure on margins expected from new requirements
- Branded product across the portfolio expected to remain in demand
- Tight control on costs and assets will remain a priority

Financial Services

- Bidvest Bank profit +8%. FML profit down; Personal & Business Banking growth strategy implemented; FX volumes under pressure; strong merchant volumes
- Bidvest Bank lease assets down 2%; advances growing more than deposits
- Bidvest Insurance grew underwriting but experienced poor claim ratios in the commercial book
- FMI's sales continue to grow but put new business strain on the income statement
- Investment portfolio's recorded negative equity returns
- Other businesses performed reasonably

Outlook for FY19

- Secured new FML contracts which will be onboarded in H2
- Investment portfolio at the mercy of equity markets
- Expect a better H2 performance from FMI

Automotive

- McCarthy grew new vehicle market share slightly to 8%. Volume brands performing well. Luxury volumes declined further
- 4% increase in used car unit sales but at lower average price points
- Service revenue broadly flat but parts revenue down
- Bidvest Car Rental rate per day +6%, rental days -5% and better fleet utilisation

Outlook for FY19

- New vehicle sales expected to contract further in 2019
- Management focus on lowering the cost and asset base
- Bidvest Car Rental systems to stabilise

Electrical

- Divisional profit declined 19% due to very challenging industry conditions
- Voltex maintained revenue and GP margin despite a challenging market. Branches performed admirably
- Cable and wire were acquired ahead of product shortages
- Versalec struggled due to the lack of projects
- Cabstrut busy with projects both in SA and offshore
- MVLV recently secured projects and working on delivering them
- Waco, Cabstrut moved into new premises. Envisage synergies and improved cross-selling

Outlook for FY19

- Industry outlook remains uncertain with financial strain evident in the customer base
- Management focus will remain on costs, inventory and debtors