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: TEN MONTHS TO APRIL 2022

Shareholders are advised that today, Wednesday May 25th 2022, Bidcorp wishes to update the market on the trading environment across its global operations, particularly in the period January 2022 to April 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 achieved a record level in Q3 F2022, which is pleasing considering the challenging operating conditions being experienced. Our UK and Europe businesses have had a solid start to the calendar year, bearing in mind the seasonality which impacts hospitality during the Northern Hemisphere winter. Only the Netherlands business, constrained by the harsh government response to the spread of the Omicron-COVID variant, was significantly negatively impacted, which resulted in a lower-than-expected performance. The Emerging Markets businesses, other than Angliss Greater China, have continued along their positive trajectory and are performing better than in all previous comparative periods. Our Greater China business (China, Hong Kong, and Macau) has had severe restrictions to contend with from late January onwards which continue to affect activity levels. In Australia, activity levels have bounced back strongly. Our New Zealand business has been affected by lower activity with the delayed emergence of the country from Omicron restrictions and impacts.

Overall market trends

The operating environment post December 2021 has been generally challenging, driven by diminished labour availability, ongoing supply chain disruptions, and product shortages. In addition, aggressive inflation is being fueled by labour costs, increasing energy and fuel costs, as well as higher food prices, compounded by the Russian invasion of Ukraine.

The consequence of these factors creates a challenge to maintaining service levels, as balancing supply disruption with demand uncertainty remains challenging. Our customers are also contending with the same labour issues as we are, restaurants are only opening for limited hours or staying closed for entire days. Hotels are not using multiple floors because they cannot find staff for housekeeping or service areas. Our teams around the world have come to expect unpredictability and continue to remain flexible, nimble, and highly adaptive to the circumstances as they inevitably evolve and have continued to perform admirably well.

In most geographies in which we operate, we have seen a normalisation of the majority of the discretionary spend sectors. However, several activities such as accommodation, workplace catering, entertainment, sports events, business travel, conventions and conferences, and the cruise line industry, continue to be adversely affected to a lesser or greater degree by the ongoing but lessening COVID fallout. Non-discretionary demand from our institutional customers, including education, hospitals, aged care, prisons, the military, and government departments, has remained stable subject to the usual anticipated seasonality.

The work-from-home (WFH) requirement has been replaced with hybrid arrangements in many workplaces, allowing employees flexibility to work part of their week at home. This has improved workplace catering activity in large inner-capital cities, but demand currently is only tracking at 60% - 70% of pre-COVID levels, impacting the activity levels of our some of our national customers.

Our multiyear efforts to "rebalance the customer portfolio" continues to put us in a very favourable position. We have spread our sales risk and we deal with a higher number of reasonably sized partners, and fewer large operators who have greater concentrated leverage in the market. It is evident in 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 we continue to gain market share in the "preferred" sectors of the market against competitors who may not have the flexibility, resilience, and financial strength of Bidcorp. Our independent customer base has generally managed the reopening of their markets relatively well through their flexibility and adaptability.

Group trading performance for the ten months to April 2022

Our F2022 trading results reflect the strong performances of most of our businesses, many of which are seeing record performances. The Northern Hemisphere winter has reflected a more normalised seasonality, other than in the COVID-restricted Netherlands. COVID-related lockdowns and the consequential opening journey in parts of Greater China and New Zealand have impacted their trading results. Emerging Markets overall has performed well through the ten months of the financial year-to-date. In terms of HEPS, YTD to April 2022 has delivered a good performance compared to the F2019 pre-COVID comparative period, reflecting the strong recovery of the financial year.

Sales progression by division and for the group, from the start of July 2021 to mid-May 2022, as shown in the table below, reflects the sales trajectory of our operations compared to both F2021 and F2019 (pre-COVID period).

TABLE: Constant currency sales by division and group per month from July 2021 to mid-May 2022 compared to F2021 and F2019:

MONTH	AUSTRALASIA	EUROPE	EMERGING MARKETS	UNITED KINGDOM	GROUP
% OF F2021					
JULY	108,6%	118,9%	132,9%	126,9%	**119,8%**
AUGUST	94,9%	117,7%	132,6%	130,0%	**116,9%**
SEPTEMBER	91,8%	120,6%	120,6%	135,7%	**116,7%**
OCTOBER	98,0%	151,8%	124,9%	146,1%	**129,9%**
NOVEMBER	103,9%	179,4%	122,0%	180,8%	**142,1%**
DECEMBER	110,1%	157,1%	124,2%	167,6%	**136,2%**
JANUARY	103,3%	153,0%	119,5%	237,4%	**140,4%**
FEBRUARY	106,4%	168,8%	112,5%	252,3%	**148,5%**
MARCH	102,9%	194,3%	117,6%	205,0%	**150,0%**
APRIL	110,4%	194,6%	122,6%	160,1%	**146,4%**
MAY	110,1%	167,4%	118,4%	149,8%	**137,9%**

MONTH	AUSTRALASIA	EUROPE	EMERGING MARKETS	UNITED KINGDOM	GROUP
% OF F2019					
JULY	107,8%	116,2%	114,6%	97,4%	**109,0%**
AUGUST	78,4%	110,2%	109,9%	91,4%	**97,4%**
SEPTEMBER	80,3%	103,2%	104,2%	94,2%	**95,5%**
OCTOBER	89,9%	104,9%	117,5%	92,1%	**99,6%**
NOVEMBER	100,1%	102,6%	119,5%	99,4%	**103,8%**
DECEMBER	105,9%	94,0%	123,0%	96,9%	**102,8%**
JANUARY	99,4%	92,4%	112,5%	97,9%	**99,1%**
FEBRUARY	97,7%	103,0%	116,4%	103,2%	**103,6%**
MARCH	106,2%	124,0%	120,5%	115,0%	**116,5%**
APRIL	114,6%	118,8%	115,9%	113,6%	**116,0%**
MAY	116,7%	126,1%	117,2%	115,1%	**119,5%**

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 was negatively impacted by lockdowns at varying times in Australia from early July 2021 through October 2021; and in New Zealand from mid-August 2021 to April 2022; notably with the Omicron impacts in both geographies in January & February 2022.

- **Europe (EUR) -** Sales held up very well through the Northern Hemisphere summer and for most countries, through the winter as well (factoring in normal pre-COVID seasonality) other than in the Netherlands due to restrictions.

- **United Kingdom (UK) -** Wholesale sales (approximately 90% of the total division) have held up well and are tracking ahead of both F2021 and F2019. Fresh, a business that was scaled back and restructured at the commencement of the COVID pandemic, is tracking at approximately 83% of those sales achieved pre-COVID.

- **Emerging Markets (EM) -** Our EM region has performed well, other than Greater China in Q3 F2022. All businesses (except Greater China) continue to report progressively strong growth where our current activity levels are significantly larger than they were pre-COVID.

Currency volatility has negatively impacted our rand-translated results. Year-to-date currency movements for the ten months to the end of April 2022 are shown below:

	F2022 Average FX rate	F2021 Average FX rate	% Change
AUD:ZAR	**11,00**	11,63	*(5,4%)*
EUR:ZAR	**17,22**	18,65	*(7,6%)*
GBP:ZAR	**20,36**	20,93	*(2,7%)*

Group gross profit percentage for the period to April 2022 has held up well, ahead of both F2021 and F2019. We are benefitting from our strategic mix in our customer base serviced. The onset of the Omicron variant in December, the rise of input costs, and food inflation put some pressure on gross margins in Q2 F2022 but has recovered in

Q3 F2022 to Q1 F2022 levels. Our selling prices supported by buying gains associated with stock purchases made ahead of significant price increases are assisting in driving gross margin gains, attributable to the skill and flexibility of our operators, inherent in our decentralised model.

Our operating costs as a percentage of net revenue (“cost of doing business”) through to April 2022 has declined to 19,4%, lower than F2021; however, it is elevated compared to the F2019 level of 18,8%. Constant currency operating expenditure (opex) has increased by 27,1% compared to a constant currency revenue increase of 31,6% for the ten-month period to April 2022. We have achieved some operating leverage however this has recently been dissipated by cost-push inflation, driven by the following trends:

- supply chain disruptions and product shortages;
- higher labour costs due to the lack of available staff (mainly warehouse workers and drivers); and
- rapidly rising energy and fuel costs.

Encouragingly our constant currency cost of doing businesses in March and April 2022, where normalised pre-COVID sales levels have been achieved, have tracked back to a pre-COVID run rate. Accordingly, there is relatively neutral pressure on margins as we generally have been able to pass through cost increases to date, although the timing is not always matched. Bidcorp remains a reliable supplier with a broad range of products at competitive prices in this current environment.

For the ten-month period to April 2022, the group made a pleasing EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortisation) margin of 5,3% of net revenue, higher than for the ten-month period to April 2021 of 4,3%, but slightly below EBITDA to April 2019 of 5,7% (a period unaffected by COVID and inflation).

Average working capital days to April 2022 are 7 days, the same as that achieved in F2021. Working capital is within management expectations considering activity levels and the conscious efforts to ‘buy in’ inventory where possible. The working capital % of net revenue (WAR%) has increased from 4,2% in Q3 F2021 to 4,4% in Q3 F2022. Normal levels of WAR% are between 4,0% and 5,0% of net revenue. 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 continue relative to much higher activity levels.

Of the gross capex to March 2022 of R2,0 billion (F2021: R1,4 billion), significant contributors include: **Australia** (R511 million); **Bidfood UK** (R316 million); the **Netherlands** (R247 million); and **Czech Republic** (R228 million). The majority of the capex is in respect of new warehousing facilities to facilitate further growth, as well as to deliver operational and environmental efficiencies.

New acquisitions in Q3 F2022 were in the Netherlands for the Zegro (Rotterdam) business (R216 million) and property (R315 million); and the Australian Bayview business of R37 million (a manufacturing facility for battered protein and vegetable products).

Free cash flow (excluding dividends but after operating cashflows, working capital, and capex) for the ten-month period to April 2022 amounted to an outflow of R2,3 billion, the key diver of which is the investment in working capital. Dividend payments to shareholders of R2,3 billion have been made this financial year (a payment of 400 cents per share paid to shareholders in October 2021 and 300 cents per share paid to shareholders in March 2022).

Liquidity

A significant refinancing exercise was undertaken through February and March to rollover and refinance term debt that was maturing. The US Private Placement market was accessed for €225 million and bank debt of €75 million was rolled. This enabled a significant portion of group debt to be termed out to three, five, and seven years at competitive fixed interest rates, which reduces both liquidity as well as interest rate risks in the current environment. Since December 2021, global interest rates have started to rise, and the expectation is that they will continue increasing as market participants price-in aggressive hiking cycles by Central Banks being front loaded to stem inflation risks. The group and its subsidiaries have at April 30 2022, total headroom available, including uncommitted facilities and cash and cash equivalents, of R15,9 billion (£833 million).

Debt covenants

The group's debt covenants sit at 2,5x net debt to EBITDA, and interest cover ratio of EBITDA to net consolidated finance costs (excluding the effects of IFRS 16) of not less than 5x. At April 2022, the group remains well within these ranges.

Update on under-performing businesses

Fresh UK has delivered profitable results to April 2022, notwithstanding that there remains more work required to improve the meat and produce divisions. Our business in Spain continues to improve with all segments profitable following the Carnicas meat business disposal in January 2022. Germany is making slow but steady progress towards stability.

Update on the Miumi fraud

With regards to the fraud in the Miumi division of our Angliss Greater China business as extensively detailed previously, nothing further has come to light to impact the total financial impact as accounted for at June 30 2021. Forensic investigations into this complex fraud are now complete, and we are now pursuing criminal and civil proceedings against various parties in both Hong Kong and China. We remain hopeful of some recoveries in the future, none of which have been accounted for to date.

Employees

The health and well-being of our employees continues to be a top priority in the current difficult operating environment. Our teams continue to deliver outstanding service despite the added pressure brought on by labour shortages and strongly rebounding sales demand. Some of these shortages are driven by COVID-related isolation rules, compounded by acute shortages of people willing and capable of warehousing and driving roles. There is also a limit as to how hard our existing workforce can push themselves, as we strive to maintain a safe and balanced work environment.

Strategic challenges and opportunities

Bidcorp's focus is to operate in accordance with activity levels anticipated from country-to-country, which are positively returning to pre-COVID levels in most jurisdictions. We remain confident that the combination of the strength our teams and business model are well equipped to deal with each country's 'new normal', whatever that maybe.

It appears that there hasn't been any long-term fundamental shift in consumer behaviour negatively impacting the eating-away-from-home market. The consumer currently appears to be in reasonable shape worldwide and this is benefitting our desired target market.

Our businesses in the UK and Europe are expecting a positive Northern Hemisphere summer with a return of significant tourism and higher business travel, all of which bode well for higher market activity. In Australia, the current trajectory is expected to continue with New Zealand hopeful that the opening of its borders will improve its bruised economy. Most of our Emerging Markets businesses should continue to perform well, except for Greater China, who are dependent on the eventual easing of current COVID-restrictions and resumption of more normalised level of economic activity. The potential risk for further disruptions from new COVID-waves and variants remains across all jurisdictions.

The Russia-Ukrainian war is a source of great concern for our people in Eastern Europe and for the broader group, as we just don't know what the impacts will be and for how long. Inflation is a concern, as are labour shortages and wage pressures, but both appear manageable at this stage, however the long-term negative impacts of inflation on overall economic activity cannot be discounted. Supply chain disruptions related to imported food products are most significantly impacting our Emerging Market businesses in Asia and the Middle East. For the rest of our businesses, much of our product range is procured reasonably locally and although there may be an element of disruption and product shortages, this is having a minor impact on the businesses.

Some of our businesses are going through a further phase of customer rationalisation, as at present, there is limited capacity in the wholesaler environment and if certain larger customers cannot meet our expectations for a mutually beneficial relationship, then we have no choice but to amicably part company. This process may have a limited short-term sales impact but will free up capacity to onboard more of the 'right' type of customer, a void which in our experience has been filled 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 component of our growth strategy forward.

Bidcorp has made very good progress in moving towards its target of a 25% reduction in carbon emissions by 2025. We are a user of energy in that we operate refrigerated warehouses, and we operate fleets of vehicles delivering our multi-temp product range to our customers. 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 delivering the required payloads over the required distances remains elusive. We continue to actively trial new technology as it becomes available.

Capex has returned to our pre-COVID run rate to sustain anticipated demand into the future. A significant portion of our capex is in new modern and efficient warehousing capacity.

No new country acquisitions in the foodservice industry have become evident but we remain on the lookout for suitable potential transactions. We retain the financial firepower to make acquisitions, even of significant scale, however we will be patient in finding the most appropriate opportunities.

Within Bidcorp, there is a sense of great optimism that we have navigated the challenges of the past two years successfully and that our businesses are probably in better shape than they were pre-pandemic. We continue to work with our partners, including customers and suppliers, to enthusiastically keep moving forward and to continue to deliver on the strong, positive momentum we are experiencing now.

Comment

Bernard Berson, CEO, commented as follows:

> *“We have a great team in place, with our various country leadership groups all driving their businesses forward. I remain indebted and in awe of our people around the world who make it happen every day, through snow and floods, and even when large numbers of their staff are absent with COVID. They are hero’s”*

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

Date: May 25th 2022
Johannesburg

Sponsor: The Standard Bank of South Africa Limited