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 2023

Shareholders are advised that today, Tuesday, June 6th 2023, Bidcorp wishes to update the market on the trading environment across its global operations, for the period January 2023 to April 2023 which is post our half-year results. 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 pleasingly continued to achieve record levels in the four months period to April 2023, against the backdrop of the Northern Hemisphere winter across the UK and Europe and a few natural disasters which temporarily impacted some operations in various parts of the world. Australasia has continued its strong positive trajectory in Q3 F2023 with both Australia and New Zealand delivering excellent results. Our UK business continues to grow organically with several new contracts being activated as well as benefiting from recently completed bolt-on acquisitions. Our European businesses have continued to grow through the Northern Hemisphere winter and overall, their performance has been very strong. The Emerging Markets segment has experienced some economic challenges in their respective markets, driven by supply chain disruptions and volatile exchange rates, which has muted overall performance. Angliss Greater China (China, Hong Kong, and Macau) has improved its comparative profitability however the anticipated post-COVID bounce hasn't materialised to the same degree previously experienced in other parts of the world. Trading conditions in South Africa remain difficult.

Overall market trends

The operating environment post-December 2022 has remained challenging, high inflation has started to moderate but the food component thereof remains sticky in most parts of the world. Labour costs remain elevated as the demand for skills is competitive in most operating jurisdictions, pleasingly the scarcity of labour is slightly abating. Energy and fuel costs, both of which are not a material component of the cost base, are declining. Supply chain disruptions and product shortages remain day-to-day operational challenges, although easing up overall.

Customer demand has remained robust and our teams around the world remain flexible, nimble, and highly adaptive in maintaining high service levels. We applaud them for their fantastic efforts in this regard.

In all geographies (other than Greater China) in which we operate, discretionary spend has normalised and in some cases improved. We believe most sectors of the industry, such as accommodation, business travel, conventions and conferences, and the cruise line industry, are now approaching normalised trading levels. Workplace catering remains subdued.

Our multi-year strategy to "rebalance the customer portfolio" towards more appropriate business continues. Our independent customer base remains resilient, margins are being maintained, albeit the credit risk in a few jurisdictions is being closely monitored. Our businesses with a higher proportion of large customers on longer-term contracts have had the greatest difficulty in passing on price increases in the current high inflationary environment. In several cases a number of national and QSR contracts have been renegotiated at more reasonable margins.

We believe that we continue to gain market share in our preferred sectors of the market, which has benefitted from the flexibility, resilience, and financial strength of Bidcorp.

Group trading performance for the ten months to April 2023

Our F2023 trading results to the end of April 2023 reflect strong performances across all divisions. In terms of HEPS, YTD to April 2023 has significantly surpassed any previous comparative trading period.

Sales progression by division and for the group (in constant currency), from the start of July 2022 to May 2023, as shown in the table below, reflects the sales trajectory of our divisions compared to F2022.

TABLE: Constant currency sales by division and group per month from July 2022 to May 2023 compared to F2022:

MONTH	AUSTRALASIA	EUROPE	EMERGING MARKETS	UNITED KINGDOM	GROUP
% OF F2022					
JULY	122,6%	128,1%	127,2%	140,0%	**129,4%**
AUGUST	144,2%	127,2%	118,3%	130,8%	**130,6%**
SEPTEMBER	156,2%	125,8%	117,6%	123,7%	**123,7%**
OCTOBER	141,0%	129,0%	113,3%	131,3%	**125,4%**
NOVEMBER	126,1%	140,9%	111,0%	129,9%	**128,6%**
DECEMBER	118,8%	155,1%	109,3%	131,9%	**130,0%**
JANUARY	119,8%	154,8%	109,0%	135,4%	**131,3%**
FEBRUARY	124,2%	137,5%	129,5%	132,7%	**131,6%**
MARCH	125,2%	124,8%	116,3%	126,0%	**123,8%**
APRIL	110,9%	123,5%	111,2%	131,5%	**120,4%**
MAY	110,1%	119,9%	110,0%	128,2%	**118,3%**

Please note that the month-on-month percentages should be viewed as a sales trend rather than absolute numbers and are not cumulative.

Currency volatility has positively impacted our rand-translated results. Year-to-date currency movements for the financial period to the end of April 2023 are shown below:

	F2023 Average FX rate	F2022 Average FX rate	% Change
AUD:ZAR	**11,82**	11,01	*7,4%*
EUR:ZAR	**18,22**	17,22	*5,8%*
GBP:ZAR	**20,93**	20,36	*2,8%*

As a comparison to the aforementioned average FX rates, the current spot ZAR has depreciated by 9,1% to the AUD; 14,8% to the Euro; and 16,1% to the GBP.

Group gross profit percentage for the period to April 2023 has held up well, slightly below F2022 but satisfactory in the current trading environment. In a few businesses, we have taken strategic decisions to maintain volumes by sacrificing some margin, in a few others, margins have been squeezed as there is a timing lag in repricing customer contracts in the national accounts sector and with certain product price volatility, we have written down some stock values to latest pricing. In the main, most businesses have been able to pass through price increases.

Our operating costs as a percentage of net revenue ("cost of doing business") through to April 2023 has declined to 18,6%, somewhat lower than F2022 of 19,3%. Despite the small impact of gross margin, our cost efficiency has resulted in a positive impact on trading margins.

For the ten months to April 2023, the group made a pleasing EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortisation before IFRS16) margin of 5,7% of net revenue, similar to F2019 (a period unaffected by COVID and inflation) and higher than F2022 of 5,4%.

Average working capital days for Q3 F2023 are 14 days, more than the 10 days in F2022 but below the 17 days of F2019. The working capital absorption is within management expectations considering much higher activity levels and installed capacity, inflation, and the conscious efforts to buy-in inventory and pay suppliers earlier to secure supply. Traditionally Bidcorp absorbs working capital in its first half of the financial year and generates into the second half.

Net capital investments to April 2023 was R3,3 billion (F2022: R2,1 billion), mainly for the ongoing creation of future capacity and replacement of vehicles. Several new bolt-on acquisitions have been concluded to April F2023, notably in the UK, Australia, Estonia, Spain, and Malaysia, at a cost of R1,4 billion.

Free cash flow (excluding dividends but after operating cashflows, working capital, and capex) to April F2023 amounted to an outflow of R2,5 billion (April F2022: R1,6 billion outflow), the key driver of which is the investment in working capital, capital investments, and bolt-on acquisitions. Total dividends paid to shareholders in F2023 equates to R2,8 billion (F2022: R2,3 billion).

Divisional trading performance for the ten months to April 2023

- **Australasia (AUS) -** Demand to date has remained buoyant and both Australia and New Zealand are trading strongly. Sales in Australia are up 26% YTD and New Zealand are up 28% YTD, both in home currencies, bearing in mind that in October 2022, two significant QSR contracts were exited. Excluding the base effects of these contracts, Australia's YTD sales growth would have been 32% and New Zealand's 35%. The rate of sales growth, with exited contracts still in the base, has normalised in April and May 2023 compared to the similar months in F2022. Estimated annual food inflation for Australasia to the end of April 2023 is around 9%. Overall trading margins have improved.

- **Europe (EUR) -** Sales held up very well YTD and all businesses traded through the Northern Hemisphere winter above expectation. Comparative sales from April F2022 onwards started to reflect more normalised pre-COVID activity levels. Estimated food inflation has remained elevated at around 16% to the end of April however has moderated against 19% in Q2 and Q3 F2023. Trading margins have held up well.

- **United Kingdom (UK) -** Sales have held up well, benefitting from annual food inflation estimated at 19% to the end of April 2023, the bolt-on acquisitions concluded in Q3 F2023, as well as new contract activations. Sales are tracking well ahead of F2022. Trading margins are tracking in line with F2022 but below their long-term trends, with opportunity for improvement in the medium term.

- **Emerging Markets (EM) -** Our EM region has delivered an overall solid sales performance in Q3 despite the devastating earthquake in Türkiye and South Africa hampered by low economic growth exacerbated by electricity blackouts. Supply chain disruptions on some imported lines have caused some short-term stock valuation issues in the Middle East and Chile which has impacted their trading performances. Brazil, Singapore, and Malaysia continue to report progressively stronger growth against the comparative base.

Liquidity and debt covenants

Finance of €195 million was raised through the USPP market in March, the proceeds of which were used for refinancings and expansion. Since December 2021, global interest rates have risen significantly driven by aggressive hiking cycles of central banks. The group and its subsidiaries have at March 31 2023, total headroom available, including uncommitted facilities and cash and cash equivalents, of R17,4 billion (£751 million). The group remains well within its debt covenants.

Employees

The health and well-being of our management and employees continues to be a top priority for the group. Our teams continue to perform exceptionally well. Labour market pressures have eased a little in many jurisdictions but remain constrained (specifically in operational roles) in view of the robust sales demand. Management remains alert to the stresses confronting our workforce and strives to maintain a safe and balanced work environment.

Strategic challenges and opportunities

Our businesses have delivered an exceptional performance to date, however, are now starting to cycle against the strong rebound in foodservice activity experienced in almost all parts of the world in Q4 of the prior year. Accordingly, the rate of growth is normalising. The UK and Europe are gearing up for a positive Northern Hemisphere summer and activity levels have already pleasingly increased with the change of season. In Australasia, the recent trajectory is expected to continue in both Australia and New Zealand. Most of our Emerging Markets businesses should continue to perform well with the Middle East and Chile now on their recovery path. Greater China, where the expected rebound in activity levels hasn't materialised as expected, should continue to improve its trading performance.

Food inflation overall, although moderating, remains elevated and sticky in most countries. Deflation is presenting itself in some commodity products creating some short-term margin pressures, however management is dealing with these instances responsibly. The long-term impact of inflation on overall economic activity is unpredictable. Supply chain disruptions related to food products, for the most part, have substantially eased but continue to remain a challenge for capital equipment, including trucks and materials handling equipment.

The group continues to invest to deliver on our target of a 25% reduction in carbon emissions by 2025. 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 meeting our operational requirements remains elusive.

We continue to investigate value accretive acquisitions in Australasia, Latam, and Europe as part of our strategy of bolt-on organic growth. Our current balance sheet provides significant financial firepower to make acquisitions, however we will continue to be patient in finding the most appropriate opportunities.

Our teams have delivered record results for the ten months to April 2023 despite the ongoing operational challenges and we remain confident of delivering a record performance for the full period F2023.

Comment

Bernard Berson, CEO, commented as follows:

"Our business is performing very well, delivering a record result to date however we are starting to cycle through an extremely strong comparative base hence the rate of growth achieved to date will normalise. Despite the many challenges that face us, our teams around the world are positive and enthusiastic about the pipeline of future opportunities in each of our markets."

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

Date: June 6 2023
Johannesburg

Sponsor: The Standard Bank of South Africa Limited