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 UPDATE

Shareholders are advised that today, Tuesday, November 14th 2023, Bidcorp management wishes to update the market on the trading environment across its global operations, for the period July 2023 to October 2023. This is in accordance with the group's obligation for continuous disclosure in terms of the JSE Listings Requirements.

Performance for the four months to October 2023

Our F2024 constant currency trading results to the end of October 2023 reflect a very pleasing performance. The year-to-date (YTD) constant currency Headline Earnings Per Share (cc HEPS) to October 2023 has shown real growth, after taking into account an estimated weighted average inflation of approximately 8% to October, well surpassing the comparative trading period. In addition, currency volatility has positively impacted our rand-translated results, with YTD forex movements to the end of October 2023 having a 14% favourable impact on our rand numbers.

Overall market conditions

Customer demand post-June 2023 held up well both in the UK and Europe through the Northern Hemisphere summer despite generally poor weather in the peak holiday season. Australasian demand is stable despite weaker economic conditions. In Emerging Markets, except for Greater China, market demand has held up despite generally unfavourable economic conditions.

The operating environment has remained challenging. High food inflation has started to moderate but remains sticky tracking higher than core inflation in most parts of the world. Labour costs have stabilised as the demand for skills and the scarcity of labour ease. Energy and fuel costs, both of which are not a material component of the cost base, have declined and have benefited the businesses. Product supply disruptions remain a normal day-to-day operational challenge. Replacement of capital equipment and new depot investment costs have soared, negatively impacting the cost base.

Our independent customer base remains resilient in tightening economic conditions and we remain vigilant in managing the credit risk in all jurisdictions. Our businesses exposed to a higher proportion of larger national-type customers continue to experience greater difficulty in timeously passing on price increases in this ongoing inflationary environment. It is also in the high-volume, low-margin customer sector that we are experiencing the greatest competitive activity as competitors try regain market share.

We believe that we continue to grow in our preferred sectors of the market, as our teams around the world remain flexible, nimble, and highly adaptive in maintaining high service levels and relevance to our target market.

Overall performance

Our group revenues continue to reach record levels to November 2023 against the backdrop of normalised activity in almost all jurisdictions.

Sales progression by division and for the group (in constant currency), from the start of July 2023 to beginning of November 2023, as shown in the table below, reflects the sales trajectory of our divisions compared to the prior year period.

TABLE: Constant currency sales by division and group per month from July 2023 to beginning of November 2023 compared to the prior year:

MONTH	AUSTRALASIA	EUROPE	EMERGING MARKETS	UNITED KINGDOM	GROUP
% OF PRIOR YEAR F2023					
JULY	108,5%	113,6%	110,2%	126,1%	**115,0%**
AUGUST	104,9%	109,8%	110,6%	125,3%	**112,4%**
SEPTEMBER	101,0%	114,1%	111,5%	126,2%	**113,5%**
OCTOBER	100,9%	112,7%	107,9%	121,9%	**111,4%**
NOVEMBER	106,2%	112,4%	101,4%	113,2%	**108,0%**
YEAR-TO-DATE	103,9%	108,5%	109,4%	124,1%	**112,8%**

* *Note that the month-on-month percentages should be viewed as a sales trend rather than absolute numbers, only the YTD numbers are cumulative.*

Divisional trading performance for the four months to October 2023

- **Australasia (AUS) -** Both Australia and New Zealand have traded well despite weaker economic conditions, particularly in New Zealand. Sales in home currencies in Australia are up 8% YTD and New Zealand are up 12% YTD, excluding the two significant QSR contracts that were exited in October 2022. Estimated annual food inflation for Australasia to the end of September 2023 is around 6%. Both gross and trading margins have improved against F2023.

- **Europe (EUR) -** Sales held up very well YTD and all businesses traded through the Northern Hemisphere summer in line or ahead of expectation. Estimated food inflation across the region has moderated to around 7% to the end of October compared to 13% in Q4 F2023. Gross margins and trading margins have improved compared to the prior period.

- **United Kingdom (UK) -** Sales are tracking well against F2023 impacted by food inflation (estimated at 12% to the end of October 2023), the bolt-on acquisitions concluded in F2023, and new contract activations all contributing. The UK's gross profit margins remain under pressure due to their exposure to larger customers, who have rigid pricing windows, where it is difficult to pass on regular price increases in the high inflation environment. In October, the UK implemented a scheduled price review, the benefits of which are evident. Trading margins are still tracking below their long-term trends, with an opportunity for improvement in the medium term.

- **Emerging Markets (EM) -** Our EM region has delivered an overall solid sales performance in the four months to October 2023. South Africa remains hampered by low economic growth exacerbated by ongoing electricity supply issues however has delivered strong real growth. In mainland China, consumer spending is under pressure and price hikes on our imported European dairy products continue to negatively impact the gross margin. Hong Kong was impacted by the outflow of consumers who left the city during the summer holidays and the anticipated influx of tourists that didn't materialise. In Brazil, sales were flat as the foodservice market did not grow as expected, impacted by the slow economy. The Middle East and Chile, who delivered weaker H2 F2023 trading performances, are much improved. Singapore and Malaysia continue to report progressively stronger growth. Türkiye, where we continue to build out our national footprint, performed in line with expectations.

Group trading performance for the four months to October 2023

Group gross profit percentage for the period to October 2023 has held up well, slightly below the F2023 comparative period, which is satisfactory considering the impact of the UK. Our businesses continually weigh up the need to balance volume growth and margins depending on prevailing consumer demand.

Our operating costs as a percentage of net revenue ("cost of doing business") through to October 2023 has declined to 18,4%, around 10 bps better than comparative F2023. The small decline in gross margins has been largely mitigated by our cost base efficiencies.

For the four months to October 2023 the group made a pleasing EBITDA (before IFRS 16) margin of 5,8% of net revenue, similar to the very strong comparative in F2023.

Traditionally Bidcorp absorbs working capital in its first half of the financial year and generates into the second half. Average working capital days for Q1 F2024 are in line with comparative F2023 at around 10 days. The current working capital investment is within management expectations of between 4% - 5% of annualised revenue.

Net capital investments to September 2023 amounted to R1,4 billion (comparative F2023: R1,0 billion), for the ongoing creation of future capacity (R0,4 billion) and replacement of capital equipment, most notably vehicles (R1,0 billion). One new bolt-on acquisition has been concluded to date in Australia.

Liquidity and debt covenants

No financing or refinancings have been concluded YTD. The group and its subsidiaries have, at the end of September 2023, total headroom available, including uncommitted facilities and cash and cash equivalents, of R19,5 billion (£846 million). The group remains well within its debt covenants.

Employees

With our teams continuing to perform exceptionally well, the health and well-being of our management and employees remains a top priority for the group. Management has initiated many programmes to alleviate stresses confronting our workforce and continue to maintain a safe and balanced work environment.

Strategic focus and opportunities

We are seeing signs of slowing market activity, and whilst there is heightened geopolitical turmoil and uncertainty, we remain positive and determined in the knowledge that we face relatively few significant endogenous obstacles, and our teams around the world continue to exude positivity and enthusiasm. There remains a promising pipeline of future opportunities, affirming the effectiveness of our long-held strategic approach, however some of these may take longer to bring to fruition.

We are actively addressing the shifting market dynamics yet fully recognise that market conditions are beyond our control. We remain committed to adapting as necessary to navigate these challenges with resilience and swiftness. Many of the actions taken over the past years have laid the foundations for sustainable growth. Our exceptional team is our key asset, and we remain dedicated to nurturing future talent.

We continually refine our customer portfolio, invest in future growth, and expand our reach to be within close proximity of our customers. Our businesses continue transitioning toward house brands, imports, and light value-add manufacturing to sustain and enhance margins. We maintain a portfolio of businesses at various stages of growth and size, presenting significant opportunities in the coming years. Whilst not every endeavour will yield immediate success, we recognise the importance of learning from both failures and successes. Simplicity, tight asset and cash management, and technological advancements that enhance our offerings remain core to our strategic focus.

We continue to pursue bolt-on acquisitions across geographies and remain vigilant for larger opportunities, even though they have been scarce in recent years. Our balance sheet provides significant financial firepower for opportunities; however, we will continue to be disciplined in capitalising on the most appropriate opportunities.

The group continues to invest to deliver on our target of a 25% reduction in carbon emissions by 2025, and we are ahead of plan. Our investments are focused firmly on the areas within our control i.e., in zero-emission, energy-efficient refrigeration, renewable energy generation, and lower impact distribution capability.

Our amazing teams around the world have once again delivered record results for the four months to October 2023 and are confident of continuing to deliver real growth.

Comment

Bernard Berson, CEO, commented as follows:

“The Bidcorp team have once again risen to the occasion and performed brilliantly in a tough environment. These all-time high results are the outcome of a fantastic, stable team executing very well on a clear and deliberate strategic framework.”

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

Date: November 14 2023
Johannesburg

Sponsor: The Standard Bank of South Africa Limited