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 12th 2024, Bidcorp management wishes to update the market on the trading environment across its global operations, for the period July 2024 to October 2024. This is in accordance with the group's obligation for continuous disclosure in terms of the JSE Listings Requirements.

Performance for four months to October 2024

Our F2025 constant currency results to the end of October 2024 reflect a continuing resilient performance with trading profit growth of around 10%, achieved in the context of a very low food inflationary environment. Constant currency Headline Earnings Per Share (cc HEPS) year-to-date (YTD) to October 2024 has shown growth of approximately 8% with our estimated weighted average food inflation of approximately 2%, well surpassing the record comparative trading period. Currency volatility has negatively impacted our rand-translated results, with YTD forex movements to the end of October 2024 having a 3% adverse impact on our rand numbers, with the potential for further impacts as the financial year progresses. With the group having more than 90% of its operations located outside of South Africa, management continue to evaluate the constant currency performance of the businesses as the correct measure of performance.

Overall market conditions

Consumer demand remains subdued as the cost-of-living crisis continues to impact spending in most countries. Although interest rates have slowly started coming down in many markets, we haven't really seen any improvement in consumer behaviour and sentiment yet. Observations from large retailers in many markets note that tough economic conditions are driving their customers to spend more in-home and not eating out as much.

Post-June 2024, the UK and Europe have continued to grow despite the impact of a cold and wet Northern Hemisphere summer in the peak holiday season. In addition, severe flooding in September in Eastern Europe had a short but significant sales impact on Czech Republic and Poland. Australian demand is stable however we are experiencing weaker hospitality conditions in New Zealand. In Emerging Markets, except for Greater China, hospitality demand has held up despite generally benign to unfavourable economic conditions. Sentiment in South Africa is more positive. Greater China activity remains weak despite government stimulus.

The operating environment has remained challenging, food inflation has all but disappeared, but core inflation remains sticky, tracking higher than food inflation in most parts of the world. Labour costs, which comprise a large component of our cost base, continue to escalate with wage increases higher than core inflation, and driver and warehouse operative positions difficult to fill. Shipping disruptions and supply chain difficulties remain. Replacement of capital equipment, land, and new depot investment costs continue to escalate, negatively impacting the cost base.

Our independent customer base remains resilient in tight economic conditions, and we are actively managing credit risk in all jurisdictions. Market competition is heightened, particularly where we are exposed to tenders for larger national type business, as competitors try regain market share. We, however, remain disciplined in evaluating the mutual benefits to be derived from these activities. Generally, our businesses weigh up the need to balance volume growth against margins depending on prevailing consumer demand.

We continue to grow in our preferred sectors of the market. Our teams 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 into the first week of November, increasing 7% in constant currency terms against the record performance in comparative F2024.

Divisional trading performance for the four months to October 2024

- **Australasia (AUS) –** Australia had a very reasonable first period in a generally negative market, with trading profits up satisfactorily on a 3% revenue increase. Despite the negative environment, the momentum in October seems to have shifted slightly to the upside. New Zealand's start to the financial year represents one of the most challenging environments that they have had to operate in. The wider hospitality market is under extreme pressure with sales and trading profits largely flat. Both the Australian and New Zealand businesses are really starting to see some strong benefits from their manufacturing and import activities.

- **Europe (EUR) -** Sales have held up well YTD increasing around 10% in constant currency despite the poor weather through the Northern Hemisphere summer and general economic pressures. Widespread flooding in Eastern Europe in September impacted operations in the Czech Republic and Poland, thankfully our management were able to enact their disaster recovery plans which limited the downside impact. All businesses traded in line with expectations except for Germany, who struggled in an economy that is recessionary. Belgium acquired VDS, a centre-of-the-plate cash and carry operator, with effect from September.

- **United Kingdom (UK) -** Sales grew at 8% in constant currency however trading conditions were challenging with both an unseasonally wet summer and economic uncertainty following the elections in July, both of which impacted footfall on the high streets, the number of consumers eating out, and spending on leisure and hotel stays. Notwithstanding the difficult environment, we have seen a meaningful improvement in gross margins and trading profits over the comparative F2024. Trading margins are still below their long-term trend however the opportunity remains to restore trading margins over the medium term. In July, we acquired Turner Price for £62 million, an independent broadline wholesaler, operating in and around northeast England.

- **Emerging Markets (EM) -** Our EM region has delivered an overall solid sales performance in the four months to October 2024, growing 5% in constant currencies. South Africa again delivered an excellent all time high performance. Inflation is reducing, but interest rates remain at elevated levels, increasing the pressure on consumers and patron's disposable income. The positive election outcome and uninterrupted electricity supply have lifted the mood in the country. In Greater China, consumer spending remains under pressure and an increase in tourism hasn't materialised. Although sales have declined, cost saving initiatives implemented by management have limited the downside impact on the business. In Brazil, sales and profits improved slightly however the foodservice market remains constrained by the slow economy. Chile has delivered an improved performance, and the Middle East is growing despite the impacts from the broader regional conflict. Singapore lost some ground in their market as we reposition this business. Malaysia continues to grow strongly. Türkiye performed in line with expectations as we continue to develop our national footprint.

Group trading performance for the four months to October 2024

Group gross profit percentage for the period to October 2024 has held up well, and is ahead of the comparative F2024, assisted by a slight improvement in the UK and despite many other businesses sacrificing some gross margin to grow sales. Low food inflation has reduced the availability of product buying opportunities.

Our operating costs as a percentage of net revenue ("cost-of-doing-business") through to October 2024 has increased to 18,8%, around 40 bps higher than the F2024 comparative. The primary driver of this increase is labour cost pressures where high levels of employment persist in many countries. The increase in gross margins has more than mitigated the increased cost-of-doing-business.

For the four months to October 2024, the group made a pleasing EBITDA margin (before IFRS16) of 6,0% of net revenue, slightly improved from a very strong F2024 comparative.

The tax rate (excluding capital items and associates) is in line with anticipated group tax rates for F2025 of between 26% and 27%, slightly up on previous year largely due to the increased tax rate in the UK (wef April 2024) and post-Brexit withholding tax on certain European dividends.

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 F2025 are in line with F2024 comparative 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 2024 amounted to R1,6 billion (F2024: R1,4 billion), allocated to the creation of future capacity (R1,1 billion) and the replacement of capital equipment, most notably delivery vehicles (R0,5 billion). While this investment comes at a cost and detracts from short-term performance (impacting results in the UK, Italy, Australia, and New Zealand), it remains the correct long-term decision to ensure the sustainability of our operations.

Three bolt-on acquisitions have been concluded to date, at a collective cost of R2,0 billion: Turner Price in the UK (R1,2 billion); and in Europe, VDS in Belgium (R580 million) and Ceasars in the Baltics (R105 million). The total anticipated annualised revenue contribution of these three businesses is in the region of R3,5 billion.

Liquidity and debt covenants

No financing or refinancings have been concluded YTD, however a few are under discussion. The group and its subsidiaries have, at November 2024, total headroom available, including uncommitted facilities and cash and cash equivalents, of R18,3 billion (£795 million). The group remains well within its debt covenants.

Focus and opportunities

Despite the challenging macro-economic environment experienced in the first four months of F2025, we are growing in line with our expectations in economically tough, stagnant, and zero-inflation markets. There remains a promising pipeline of future opportunities, both organic and acquisitive, affirming the effectiveness of our long-held strategic approach. Our outlook remains positive, and we look forward to even brighter days ahead as interest rate declines start to improve consumer sentiment. We are hopeful that the important Christmas trading period ahead will at least see a continuation of the trend of the past few months.

Our decentralised model and the extraordinary agility of our people enable our businesses to actively address the shifting market dynamics. We recognise that market conditions and macro political changes are beyond our control, such as the recent UK budget changes to National Insurance and minimum wages estimated to cost our UK business around an annualised £10 million from April 2025. We do not operate in a vacuum and our customers, suppliers, and competitors will all face the same challenges.

We continually refine our customer portfolio, we invest to create future capacity and growth, and we expand our reach to be within close proximity to our customers. Our businesses continue to develop their capabilities in Own Brand, imports, and light value-add manufacturing to sustain and enhance their margins.

We have a portfolio of businesses at various stages of growth and size along our maturity continuum, presenting significant opportunities in the coming years. 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.

Our pipeline of bolt-on acquisitions, both in achieving geographic reach as well as new product opportunities, across many geographies remains material, however not every opportunity investigated will complete. Our appetite for the correct larger opportunities remains, even though these have been scarce in recent years. Our balance sheet provides significant financial firepower for opportunities; however, we will continue to be disciplined in converting the right opportunities.

As previously outlined, the group has committed to a new target of a further 25% reduction in our scope 1 and 2 carbon emissions by 2034. We continue to invest in reducing our carbon footprint and have focused these investments firmly on the areas within our control such as energy-efficient refrigeration, generating and sourcing renewable energy, and lower carbon-impact distribution capabilities, and continue to look for technological advancements that will help us on this difficult journey.

Our remarkable teams around the world have once again delivered record results for the four months to October 2024 and we are confident of continuing to deliver real growth in the period ahead.

Comment

Bernard Berson, CEO, commented as follows:

"As we conclude the first part of the fiscal year, Bidcorp has recorded a resilient and robust performance, despite the ongoing global challenges we are contending with. Our teams have once again risen to the occasion and performed brilliantly in a tough environment, 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 12th 2024
Johannesburg

Sponsor: The Standard Bank of South Africa Limited