



VERDURAS
GUZMÁN

 Bidcorp
Europe

Segment Overview

- The second largest contributor to Group profit for F2018, assisted by good organic growth and acquisitions
- Trading margin has improved for the 9 months to March 2018
- Strong like-for-like trading profit growth in constant FX, excluding positive effects of acquisitions
- Particularly strong performances from Netherlands, Belgium, Czech & Slovakia, Poland and Italy

Netherlands

- Economic backdrop buoyant with projected GDP growth of 3,2% in 2018 and 2,7% into 2019
- Strong employment growth is pushing up labour costs
- Process of cost reduction in respect of infrastructure reconfiguration and distribution started to benefit in Q3
- Further benefits in respect of range rationalisation and IT simplification anticipated
- Competition remains intense in horeca sector but gains in national accounts
- Small bolt on acquisition completed in Q3 to extend geographic footprint



Belgium

- Economic growth steady with projected rates of 1,8% in 2018 and 1,6% into 2019; inflation expected to cool to 1,7% in 2018
- Increasing volumes in Freetrade and Institutional sectors offsets small decline in Catering, overall strong performance in Q3 and YTD
- Freetrade opportunities in private label development being pursued
- Merger of Langens and Bestfood depots has commenced
- myBidfood ecommerce platform implementation underway

Czech and Slovakia

- Robust economic growth driving low unemployment and higher wage costs
- Excellent performance both in terms of revenue growth and trading profit, both for Q3 and YTD
- Customer split 70% horeca and 30% retail (mostly own products)
- Demand robust in all segments: Higher consumer spent boosting demand in Horeca and Retail; Production facilities operating at max capacity to cope with demand
- Ice cream sales seasonally low in Q3 but good summer sales anticipated
- 5th depot under construction with plans for 6th in 2019, expansion of new production factory in Opava



Poland

- Economy performing well; benefitting from EU growth, higher local consumption and low interest rates; GDP of 4,6% and inflation of 2,1%
- Good performance driven by freetrade growth, customer mix well balanced at 73% freetrade and 27% national (review of customer profitability underway)
- Overheads well controlled despite wage pressures
- Range extension into Asian cuisine and Liquor (wine) gaining traction
- Upgrade of IT systems commences to match modern branch network
- New depots on stream in Gdańsk, Lublin, Poznań

Germany and Austria

- Pier 7, a €60m revenue business in Germany / Austria, a new presence in a large market
- Economy growing at 2,3% in 2018, forecast to increase to 2,7% in 2019; food market is growing but trends are changing to organic and bespoke products
- Foundation of business being strengthened (sales structures, IT platforms, human capital and infrastructure)
- Completion of Munich warehouse scheduled for late 2018 / early 2019
- Outside of top 3 majors, German market fragmented being a medium term roll up opportunity



Italy

- High business and consumer confidence driving GDP growth; business performing well, scaling up resources to accommodate growth ambitions nationally
- Acquisition of horeca specialist D&D wef January 2018 takes annualised turnover to nearly €500 million in F2019, second largest in Italy
- 80% of business in street trade with a healthy mix of category, focus on integrations of bolt-ons (Quartiglia and D&D)
- Sales to other Bidcorp companies less than 2% of revenue but growing rapidly

Iberia (Spain and Portugal)

- Political disturbance in Catalonia continues to have dampening effect on consumer confidence, impacting Barcelona horeca sector (Barcelona makes up 50% of total business)
- Consolidation of warehousing in Barcelona into one new site for efficiency gains; IT systems upgrade underway
- Frustock (fruit & veg specialist in Portugal) and Cárnicas Sáez (a meat specialist in Basque country, Spain) both acquired wef August 2017 performing in line with expectation

Baltics – Lithuania, Latvia, Estonia (scaled back)

- Lithuania a focal point for growth; profitable; new depot under construction in Kaunas





Financial Update
David Cleasby

Financial – continuing operations

- Positive earnings momentum maintained year to date, both in rands and constant currency
- Quality of earnings remains sound; gross margins have held up overall; some wage pressure in operating costs in growing economies
- Net funding costs increase in line with % increase to 6 months to December 2017
- Working capital absorption following similar pattern to Q3 F2017 but will reverse into Q4
- No additional term funding raised in the current QTR
- Capex year to date ahead of depreciation and amortisation charge – reflecting ongoing capacity investment into PPE ahead of requirements – Returns on Fund Employed not being diluted despite investments
- Corporate activity:
 - To December 2017 – bolt-ons R588 million, Q3 spend R318 million
 - Q3 acquisition of D&D (Italy), Goldline (Aus), Famous Fresh (SA) and Jilin Foodservice (HK)

Strategic

- Bidcorp philosophy regarding gearing remains conservative – fundamental principle of debt matched to assets (natural hedge) remains
- Work continues on improving efficiency of Group capital structure but a medium term project
- Currency volatility will remain but businesses managed in their local currencies

