Bid Corporation Limited
(Incorporated in the Republic of South Africa)
Registration number: 1995/008615/06
Share code: BID ISIN ZAE 000216537
("Bidcorp" or "the Company" or "Group")

Capital Markets Trading Update – May 21st 2019

Shareholders are advised that the Bidcorp executive management are meeting with members of the financial community (including shareholders, financial analysts and the press) today, May 21st 2019, to update the market on the trading environment across its international operations.

Bidcorp's UK logistics activities remain classified as discontinued operations.

The following update deals with the continuing and discontinued operations separately.

Continuing operations:

Management comments as follows:

Current trading performance and overall market conditions

- Trading to the end of April F2019 continues to be positive (measured in home currencies). The Easter holidays fell in mid-April versus late March in F2018. Performance achieved by the Group remains on trend. Our large UK, European and Australasian businesses continue to perform well. Angliss China and South Africa remain challenging geographies however monthly performance is starting to improve against last year.
- Sales have continued to show real growth, with the gross margin percentage increasing. This has offset higher operating costs impacted by rising wage costs (due to full employment levels in numerous economies) and higher fuel and energy expenses. Overall trading margins are being maintained.
- Economic growth in the UK, Europe and Australasia remains supportive of the foodservice industry. Food inflation remains relatively benign across most markets.
- Currency volatility has positively impacted Bidcorp's rand translated results. The rand translated results are approximately 4,5% higher than the constant currency results to the end of April 2019.
- Acquisition opportunities are being limited by unrealistic vendor valuation expectations at this stage of the cycle, a consequence of which is that fewer bolt-on acquisitions have been concluded. Focus remains on extracting the benefits from some of the more recent acquisitions, most notably in Australia, Iberia and Germany.

- We continue to invest in organic growth through ongoing capex spend, with the focus on having more but smaller depots closer to the customer base.
- Further evolution (not revolution) of our ecommerce and CRM platforms continue to provide competitive advantage across all businesses in the Group. Our global procurement initiatives are expanding both in Asia and Europe, the benefits of which reflect in each individual business.
- Bidcorp's strategy remains focused on growth – organically in current markets through real sales growth focussed on the correct customer base; via in-territory bolt-on acquisitions to expand geographic reach and product ranges; and via strategic acquisitions as the group enters new markets.
- Management's expectations for F2019 remain unchanged.

Australasia

- **Australia's** trading performance remains at anticipated levels. Revenue growth has been dampened by the exiting of a residual low margin contract in the latter part of calendar 2018. The core foodservice businesses are doing well, and the meat business is slowly improving. Supply Solutions (Imports) continues to perform well off the back of further upstream integration, such as cheese processing. Our focus on liquor continues to prove challenging but will be a key driver of growth in years to come. Further capex is being spent on organic expansion in foodservice. Bolt-on acquisition opportunities remain; however, the current focus remains on performance improvement at Festival Liquor.

- **New Zealand** continues its solid performance. Revenue gains and margin improvements are being offset by higher costs, particularly labour (full employment and no migration) and the costs of recent increased capacity. All segments of the business continue to develop profitably with ongoing innovation and product development, particularly value add and processing. Further capacity expansion is being planned to accommodate organic growth.

United Kingdom ("UK")

- **Bidfood UK** continues to perform well. Consumer confidence is being dented due to 'Brexit' fatigue. Sales volumes continue to grow in the independent sector as our focus on service levels continues. National account volume growth is being carefully managed in favour of improved margins. Business improvement initiatives continue to deliver margin improvements. Ecommerce implementation continues to gather traction. Further investment into increased distribution capacity remains a key focus to cater for anticipated growth. Growth in 'own' brands continues and importing of an exclusive range of brands is gaining traction. The acquisition of Punjab Kitchen (niche ready-meals business) in February will add to Bidfood's manufacturing / value add products capability. An acquisition of an independent foodservice businesses is likely to conclude in Q1 F2020.

- Trading in **Bidfresh** improved in Q3 however market conditions remain challenging. Our customer base has experienced the decline in the 'casual dining' segment as well as several suppliers going bankrupt. Seafood has performed well, Produce is getting better but the Meat division is taking longer than anticipated to reach scale. Management's focus is on building the customer base in the Meat pillar.

Europe

- Overall results from our European businesses remains solid. Good like-for-like trading profit growth in constant FX has been achieved by the Netherlands, Belgium, Czech & Slovakia, Poland and Italy. Large cost increases, particularly labour and fuel, remain however do appear to be moderating. Our businesses are compensating for these by driving higher revenues and improved gross margins. Performance at Iberia and Germany remains below expectation although business improvement initiatives are starting to deliver improvements in both operations.

- **Netherlands** has maintained its good momentum despite a tightening labour market. Its business simplification journey with product range rationalisation and IT infrastructure reconfiguration is starting to benefit the overall cost base, improving net margins.

- **Belgium's** performance is positive, delivering higher profitability. Volume growth in its freetrade and institutional sectors is ongoing. Depot consolidation between Bestfoods and Langens to achieve operational efficiencies in its infrastructure continue. Private label development in the freetrade segment is being pursued. The roll out of the 'myBidfood' ecommerce platform is ongoing.

- **Czech & Slovakia** continues to deliver a strong performance across all segments of the business. Economic growth is slowing however sales and gross margins have continued to grow. These have mitigated higher labour costs. Timely depot investments in F2018 have positioned the business well in terms of market share gains. Further infrastructure investment in depots is planned. Production facilities are operating at high capacities ahead of anticipated summer demand.

- Solid organic growth in **Poland** has continued, driven by focus on the freetrade sector. Development of the product range into both Asian cuisine and liquor is driving sales growth. Increased investment into customer focused IT initiatives are expected to grow market share. Further net margin improvement continues to be achieved.

- **DAC Italy** continues to grow with good penetration of the independent sector. Business and consumer confidence is holding up. D&D's

integration into DAC is ongoing. Procurement benefits in Italian product (sourced/ co-sourced from/ with DAC) continues to grow.

- **Iberia** comprises our businesses in Spain and Portugal. Overall performance in Spain is well below expectations. Improvements to the business platform through efficiencies in the infrastructure, a new ERP system and skilled people, are starting to show improvements however financial performance remains poor. Our business in Portugal goes from strength to strength. The bolt-on acquisition Igartza (July 2018), a multi-category distributor in northern Spain, is performing in line with expectations. Management remain positive about the growth opportunity in the Iberian market.

- **Germany** has underperformed however trading losses are narrowing. Work continues in building its business foundation including sales structures, IT platforms, human capital and infrastructure. Additional management, deployed to assist the local operators, is starting to make a difference. Germany still represents a very large foodservice opportunity.

- The **Baltics**, with a focus on Lithuania, is profitable. The new depot in Kaunas became operational in Q3.

- Further expansion, both in terms of in-country bolt-on acquisitions and strategic entry into new geographies in Europe, remains possible, as we are not represented or underrepresented in many countries.

Emerging markets

- **South Africa** overall is showing improvement despite weak economic conditions. Bidfood and the Chipkins Puratos (CP) JV have achieved pleasing growth through good cost containment and improved margins. The aftermath of the listeriosis crisis in processed meats continues to impact the Crown Food Group (CFG) business however, from April, is largely in the comparative base. The food inflation trajectory is up which will start to assist Bidfood. The CP JV is investing in new product offerings with the benefit of the Puratos influence. The small ingredients distributor acquired by CFG in H1 F2019 is meeting expectations. Overall results in the month of April were much improved on the comparative month in F2018.

- **Greater China's** year to date financial performance remains significantly below F2018 however month on month is starting to recover as expected. In **mainland China**, our geographic distribution network is reasonably complete. Dairy remains an important category however diversification of the product range continues. Operations are expected to commence at the new meat (value add processing) factory in Q4. Mainland China has reacted well in recovering from the effects of dairy market supply dislocation, accordant margin pressures and rising operating and logistics costs. **Hong Kong's** cost inefficiencies remain due to duplicate warehousing, but these will rectify themselves from the beginning of Q4. Some further supplier dislocation in dairy is anticipated in Hong Kong in Q4 however management are well prepared to deal with the challenge. The working capital cycle remains under scrutiny. The focus on bolstering the overall management structures continues.

- **Singapore** continues to deliver steady growth as we develop our foodservice model. Good traction is being achieved in the core foodservice market with other areas such as exports, marine and commodities being scaled back significantly. Our investment into **Malaysia** is rolling out nationwide. Our small joint venture in **Vietnam** is progressing, albeit a little later than planned.

- Further expansion in Asia depends on finding the correct opportunities.

- In **South America**, our focus remains on building a strong platform in a region with significant growth potential. **Brazil** has delivered an improved organic performance. Recent political change has not yet manifested itself in higher economic growth, yet business confidence is up. Refinement of the business model continues to enable sales growth and expansion of their broadline product range. Further capex is being spent to cater for growth. Bolt-on opportunities are being pursued however vendor expectations remain unrealistic. **Chile** is performing well and has a true national presence off the back of the significant customer base and two additional depots which were acquired in October. Integration continues.

- In the **Middle East**, our businesses have rebounded strongly benefitting from improved geopolitical stability and the flow through effects of higher oil prices. The **UAE** is starting to show some improvement as tourism and hotel occupancies improve. A significant agency was won in Q3 which should assist going forward. Our **Saudi** operation has performed very well, buoyed by structural reforms which are translating in higher economic activity. All businesses are profitable other than the small Jordan operation.

- **Turkey** continues to improve as the local operations grow. Further bolt-on opportunities are being sought.

Acquisitive activity

- Bidcorp remains alert to all acquisition opportunities that present themselves both in current markets and in new territories.
- In the 3 months to March 2019, we made the following bolt-on acquisition costing (inclusive of acquisition costs) R291 million:
    - Bidfood UK acquired Punjab Kitchen, a niche ready meals business.

Discontinued operations – UK Logistics activities:

CD business

- We are in advanced negotiations for the disposal of the CD business (Bestfood Logistics), to a reputable international buyer. At this stage we cannot provide any further details and will update the market in due course. We are reasonably confident at this stage of the sale progressing, but it is still subject to clearing several hurdles which are considered normal and usual for a transaction of this nature. We anticipate closure in Q1 F2020.

- Trading performance in Bestfood Logistics continues to improve off the back of better service levels and a more sustainable revenue platform. The rest of the re-awarded KFC contract is being onboarded and will be complete by June.

PCL

- The exit of the highly unprofitable transport contracts were completed at the end of April. The residual fleet is in the process of being disposed of, which should be complete by June. The remaining warehousing activities are small and management are working on an exit plan for these. All costs of closure will be expensed by year-end.

The full presentation is being webcast and recorded and a playback recording is available on the group's website:
http://www.bidcorpgroup.com/presentations.php

The Capital Markets trading update has not been reviewed or reported on by the company's independent auditors.

Johannesburg
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