

*A leading Foodservice group trading  
across five continents in over 30 countries*



## **Reviewed provisional results**

year ended June 30 2016



# Agenda

Brian Joffe, Executive Chairman • Perspectives Past & Future

Bernard Berson, CEO • Strategy and Trading

David Cleasby, CFO • Financial

Q&A

Appendices





Strategy  
Bernard Berson

## Bidcorp Strategy

Foodservice is our business across multiple customer segments

Internationally diverse across five continents in over 30 countries

An entrepreneurially decentralised business model proven over a quarter-century

Leveraging off positive industry growth dynamics driven by an accelerating trend to out-of-home dining globally

Low debt, cash generative with a modern, well-invested asset base

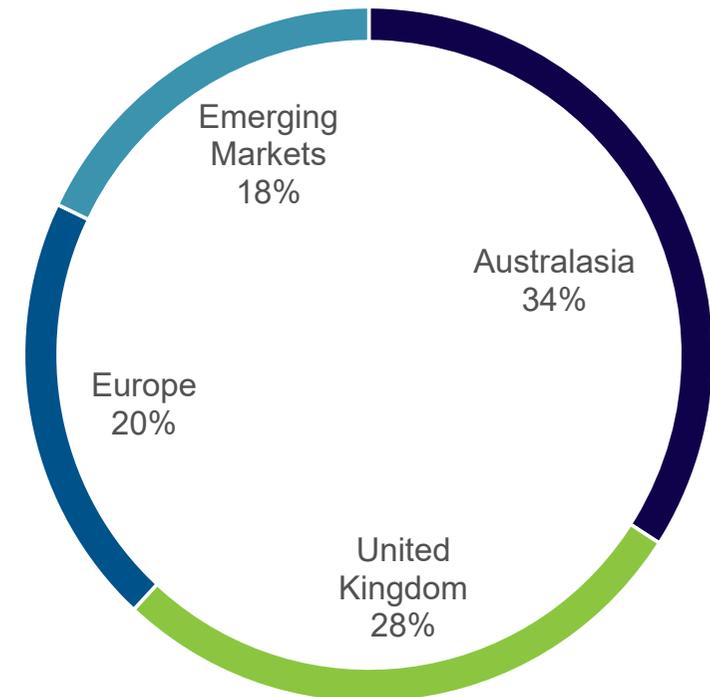
Growth is organic, acquisitive-organic through in-country bolt-ons and by acquiring in new geographies

## Bidcorp has scale

- UK, Europe, Australasia, Africa, China and South East Asia, Middle East, Latin America
- 24 500 employees
- 260 warehouses covering 1,3 million m<sup>2</sup>
- 500 000 distribution points
- 5 000 distribution vehicles
- >300 000 customers
- 60% Independent trade (ex UK Logistics)
- >320 000 stock keeping units
- >\$10 billion\* in sales
- Sales mix Ambient 37%, Frozen 36%, and Chilled 27%

\*Assuming ZAR/USD exchange rate of R13,50 as at August 23 2016

### Trading profit



## Delivering on Strategy

Stand-alone	<ul style="list-style-type: none"> <li>Listed on the Johannesburg Stock Exchange May 30 2016</li> <li>Realising a fair and objective valuation of the assets</li> <li>Clear focus</li> </ul>	Market value of R85 billion or \$6,3 billion*
Business model	<ul style="list-style-type: none"> <li>Refining the focus on the correct customer</li> <li>Exiting highly commoditised or price-taker markets</li> <li>Product and range extension to “centre of the plate”</li> <li>Procurement strategy expanding rapidly across the globe</li> <li>Ecommerce investment enhancing customer service experience</li> <li>Key executive dedicated to market development and best technology</li> <li>Spreading good ideas widely</li> <li>Rolling out the Bidcorp way of doing things to new territories</li> </ul>	Independence provides the catalyst to energise the team and harness own cash flows for Foodservice growth and value creation for all stakeholders
Financial performance	<ul style="list-style-type: none"> <li>Record trading result in real terms + a strong balance sheet</li> </ul>	HEPS up 33%, debt to equity 7%
24 500 people	<ul style="list-style-type: none"> <li>Our people thrive in an environment of autonomy with accountability</li> </ul>	Motivated to deliver

\*Market value at August 23 2016. US dollar value assumes ZAR/USD exchange rate of R13,50

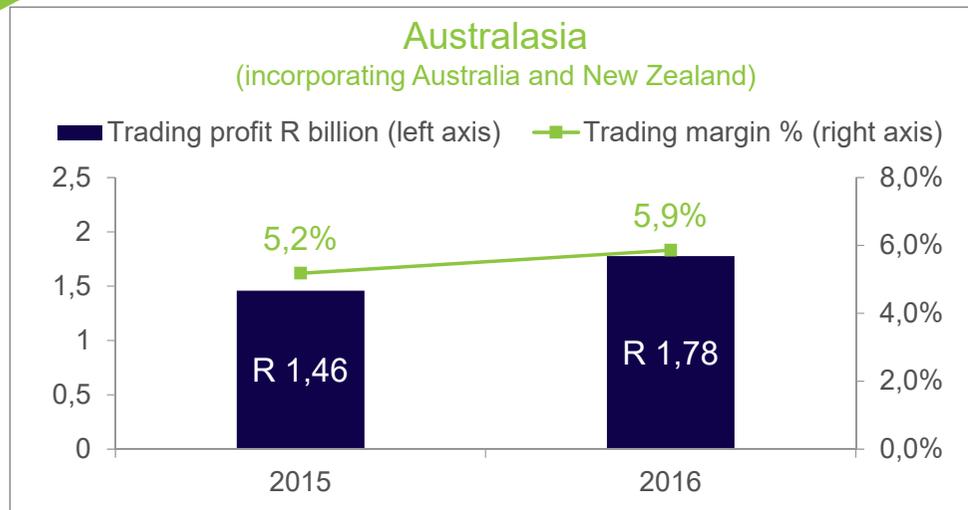
Reviewed provisional results for the year ended June 30 2016



Trading  
Bernard Berson



# Trading Performance



## Segment Overview

- Quality of earnings continues to improve
- Sales up 8% and trading profit up 20%
- Segment margin up to 5,9% from 5,2%
- Clear market leading position

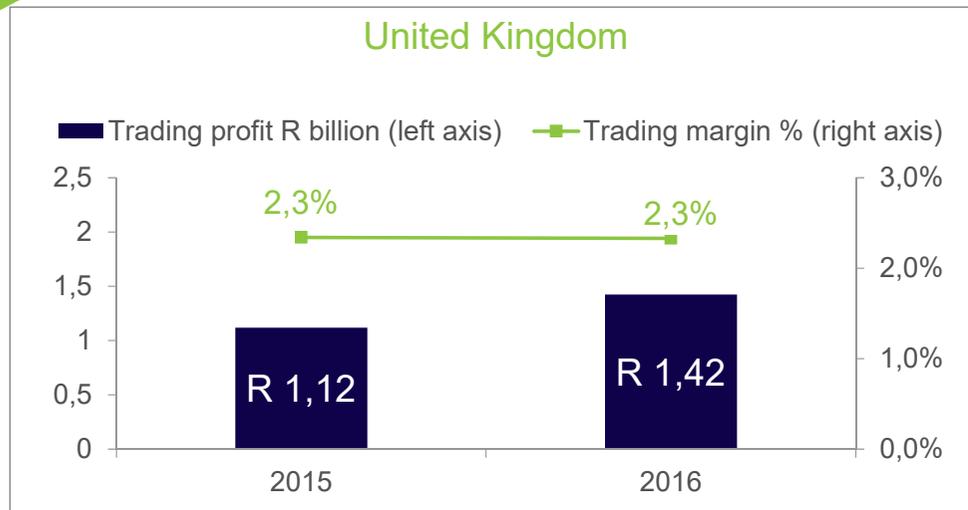
## Australia

- Sales down 7% with trading profit up 9% in AUD
- Reducing exposure to QSR and exiting logistics
- Proactive in exploiting free trade opportunities
- Fresh underperforming relative to potential

## New Zealand

- Sales up 13% with trading profit up 21% in NZD
- Strong performance from all four divisions
- Centre-of-plate strategy yielding accelerating returns
- Investing vigorously in property, facilities and systems
- New CEO promoted from within

# Trading Performance



## Segment Overview

- Foodservice sales and profits ahead of budget
- On track with “future proofing” 2020 goals
- Logistics dragged down overall segment result

## United Kingdom

### Foodservice

- Sales up 5% and trading profit up 28% in GBP, margin 4% vs. 3,3%
- Improved margin per item
- Significant capex on site infrastructure

### Fresh

- A mixed result with overall profit flat, gross margin impacted by a more than doubling in price of salmon
- Continuing to strategically acquire to supplement product offering

### Logistics

- Poor result but management irregularities dealt with
- Experienced new MD, clear strategic priorities

# Trading Performance

## United Kingdom – Brexit implications

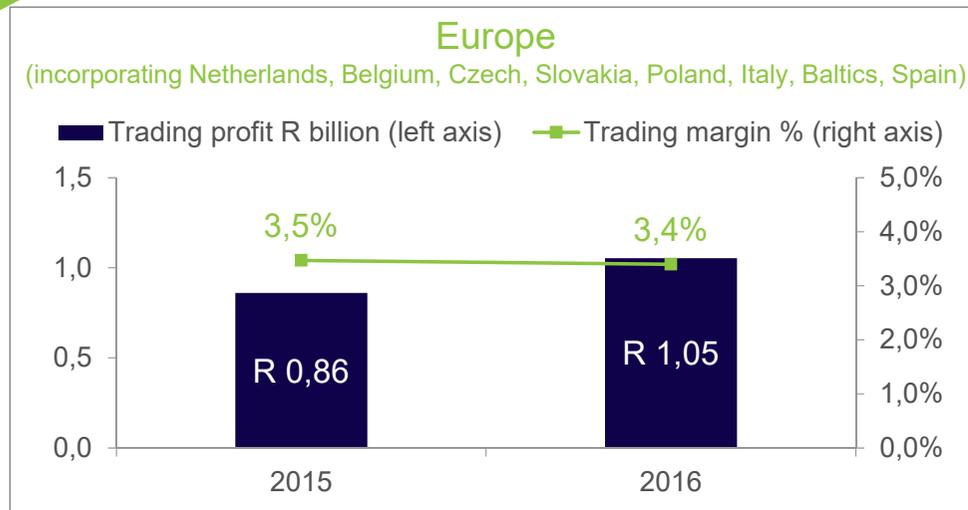
### Short term

- Management group assessing and planning:
  - impacts on customers, people, suppliers and processes
  - potential risks
  - potential opportunities
- Mixed messages on confidence and sentiment – risk dynamics have shifted
- Proactive handling by government and Bank of England
- Weaker GBP has implications for product pricing and thus inflation
- July trading in line with expectations and poor weather
- UK a more attractive destination for foreign visitors and there is an incentive for domestic staycations – both positive
- Teams are not distracted – ***keep calm and carry on with business***

### Medium term

- Differing foodservice impacts – we don't know but we'll adapt and be opportunistic
- Bidcorp has a relatively low market share overall so lots to play for

# Trading Performance



## Segment Overview

- Focus on Foodservice delivering results in Netherlands and Belgium
- Eastern Europe businesses trading strongly
- Sales up 25% and trading profit up 22%
- Segment margin broadly flat

## Netherlands

- Sales up 1% in EUR reflects the continuing focus on Foodservice - Hospitality up 15%, Institutional down 29%
- Underlying profitability improved
- Business reengineering benefits + senior appointments

## Belgium

- Foodservice and Logistics two distinct entities now
- Growth focus Foodservice – 4% margin
- Sales up 5% with trading profit up 27% in EUR
- Terror incidents negative for HORECA

# Trading Performance

## Eastern Europe

- Labour costs rising in real terms as economies develop
- This is having positive multiplier effects on demand as disposable income rises

## Czech and Slovakia

- Sales up 12,5% and trading profits up 20% in CZK
- Momentum maintained through the year, exports strong
- New depot in Pilsen operational
- Innovation driving added-value manufacturing

## Poland

- Sales up 21% and trading profits up 15% in PLN
- Street trade sales up 23%
- Controlled expenses growth as business expands
- Positive market dynamics in out-of-home eating

## Baltics

- Sales up 7% in EUR, driven by a 20% rise in Foodservice as retail proportion reduces
- Clear targets to build sustainable scale and profitability

## Italy

- Sales up 8% and trading profit ahead of budget
- Business evolving well within Bidcorp
- Contract catering customer exited end of March
- Bolt-on acquisitions being pursued

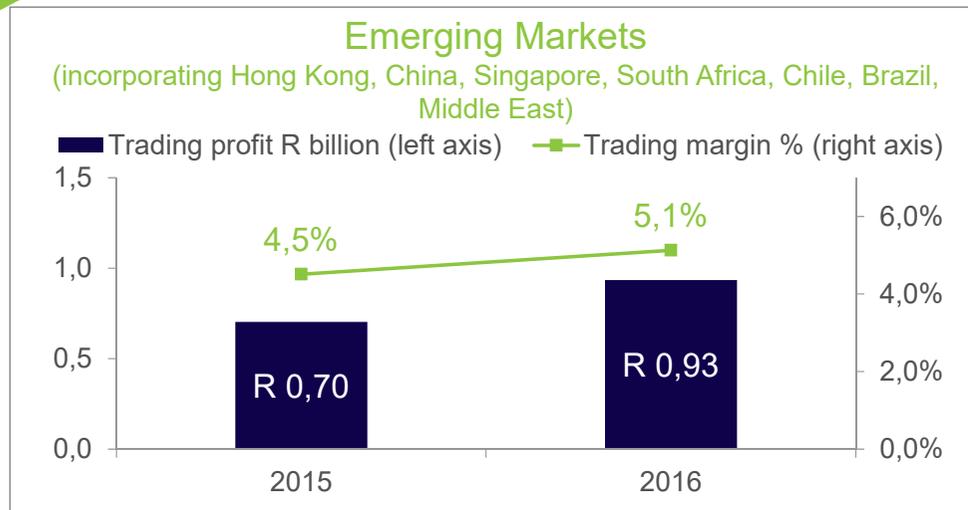
## Spain

- Small in group context but gaining traction
- Identifying acquisitions and growth opportunities

## Turkey

- An exceptionally difficult macro environment
- Sales up 4% in TRY, Foodservice up 22% with retail down 77%
- Established Monin brand will add significantly to topline

# Trading Performance



## Segment Overview

- A very satisfactory result despite a testing macro environment in all territories
- Sales up 17% and trading profit up 33%
- Segment margin exceeds 5%
- Additional territories identified for expansion

## Hong Kong

- A quality result in a challenging market, with tourism weak
- Sales down 6% in HKD, largely sluggish foodservice, but trading profits overall increased by 16% with margin at 4,2%

## Mainland China

- Sales up 18% in HKD, with growth in all major cities, and profits up by 26% with overall margin up to 4,4%
- China sales and trading profits surpassed Hong Kong in Q4
- 12 second tier cities now serviced
- Target market potential barely tapped

## Singapore

- High volume, low margin business scaled back dramatically
- Annual trading profits up 21% in SGD, Q4 profits doubled with margin up to 3,5%
- A more efficient business with a foodservice focus
- New brand agencies

# Trading Performance

## South Africa

- Outperforming across all three platforms of foodservice, food ingredients and bakery solutions
- Sales up 14% and trading profits up 16% in ZAR
- Aggressive foodservice competition

## Chile

- Excellent foodservice result with sales up 20% and trading profit up 27% in CLP, margin at 4,6%
- Bakery sold wef June 2016 – total foodservice focus
- Range and product extension

## Brazil

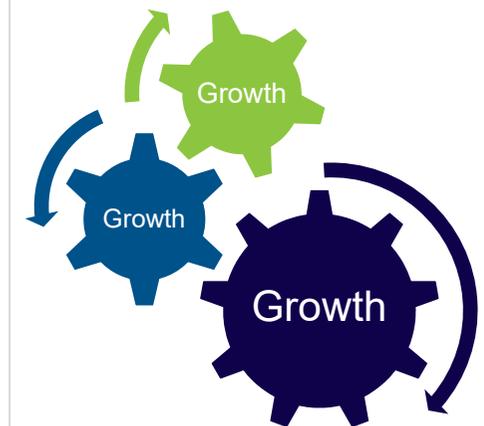
- Creditable result in the context of GDP depression
- Foodservice market has shrunk by up to 30%
- Sales up 1,5% in BRL, trading profit down, margin at 4,8%
- Scope to roll out strategy within Brazil and regionally

## Middle East

- A pleasing performance against the backdrop of regional instability, low energy prices and country-specific regulatory hurdles
- Sales up 20% in AED with trading profit up 56%, margin 3,7%
- Result driven by UAE and Saudi
- New UAE multi-temp facility to assist growth

## Operational Outlook

Australasia	<ul style="list-style-type: none"> <li>▪ Stable macro economic and political backdrop</li> <li>▪ Roll out of new CBD strategy in Australia</li> <li>▪ Vigorous business development pipeline in New Zealand</li> </ul>
United Kingdom	<ul style="list-style-type: none"> <li>▪ Economy has been strong and so far trading is as expected</li> <li>▪ Shift in focus and reinvestment is yielding benefits, Logistic stabilised</li> <li>▪ Post Brexit the approach is keep calm and carry on with business</li> </ul>
Europe	<ul style="list-style-type: none"> <li>▪ Macro economic weakness and political uncertainty in Western Europe</li> <li>▪ Security concerns elevated due to terrorism and refugee crisis</li> <li>▪ Eastern Europe in a positive development phase</li> <li>▪ Teams are adaptable and trading is as expected</li> </ul>
Emerging Markets	<ul style="list-style-type: none"> <li>▪ Diverse territories with differing macro and political characteristics</li> <li>▪ A strong growth market for Bidcorp, in particular China and Asia</li> <li>▪ A very positive 2016 and an equally positive start to 2017</li> </ul>
Bidcorp	<ul style="list-style-type: none"> <li>▪ Businesses are financially sound and generating good cash flows</li> <li>▪ 1,6% of revenue invested in capex in 2016, investment continues</li> </ul>



Real organic growth targeted in home currencies

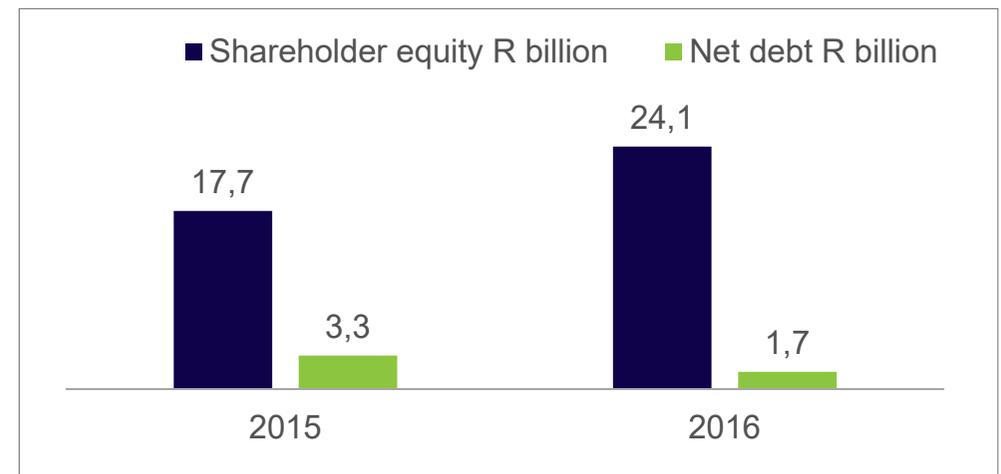
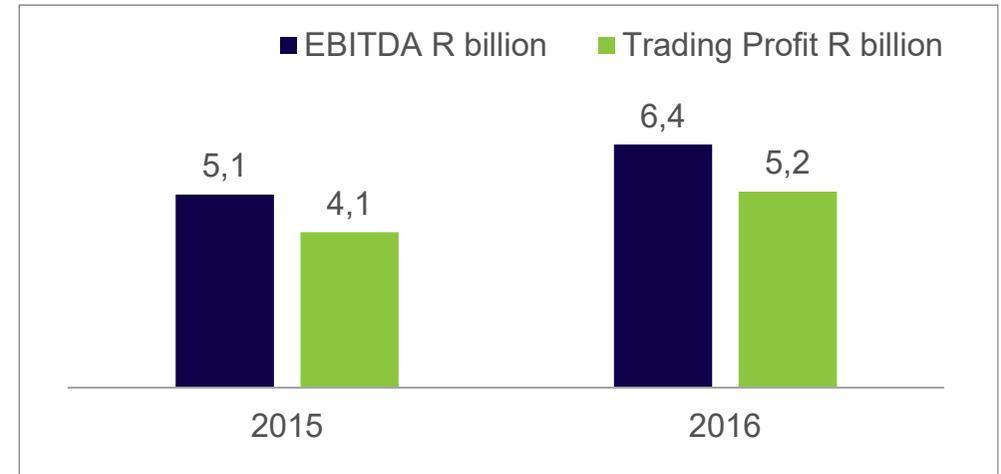


 Bidcorp

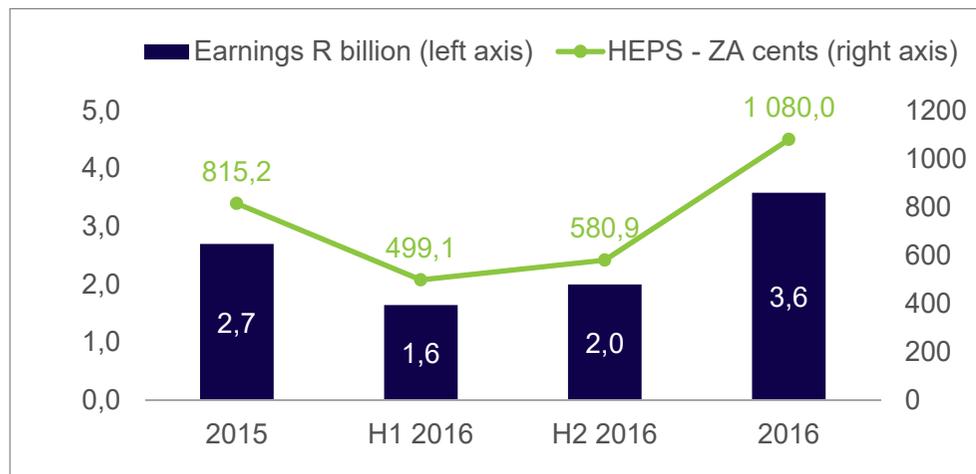
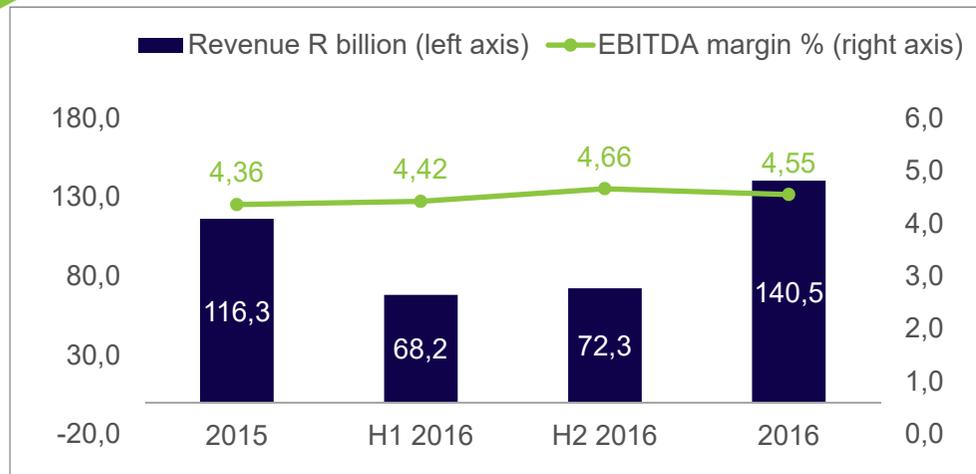
Financial  
David Cleasby

## Dynamic trading businesses with a healthy financial position

- Maiden annual result as a stand-alone listed company - a milestone event
- Substantial trading profit improvement across all four geographic segments
- Financial position exceedingly robust
- Capital investments delivering efficiencies and future growth capacity
- A healthy platform off which to deliver on the return objectives
- Unambiguous investment case – worldwide foodservice focus
- Affirming target of real growth in HEPS through a combination of organic and acquisitive expansion

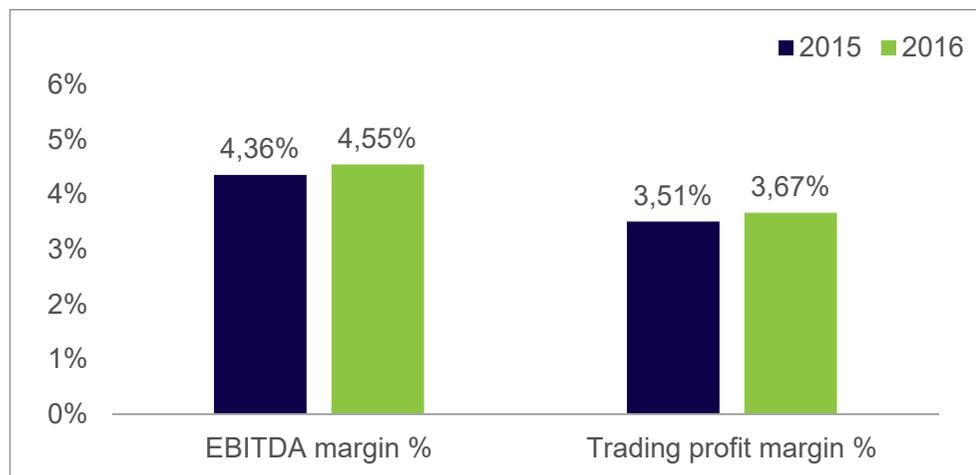
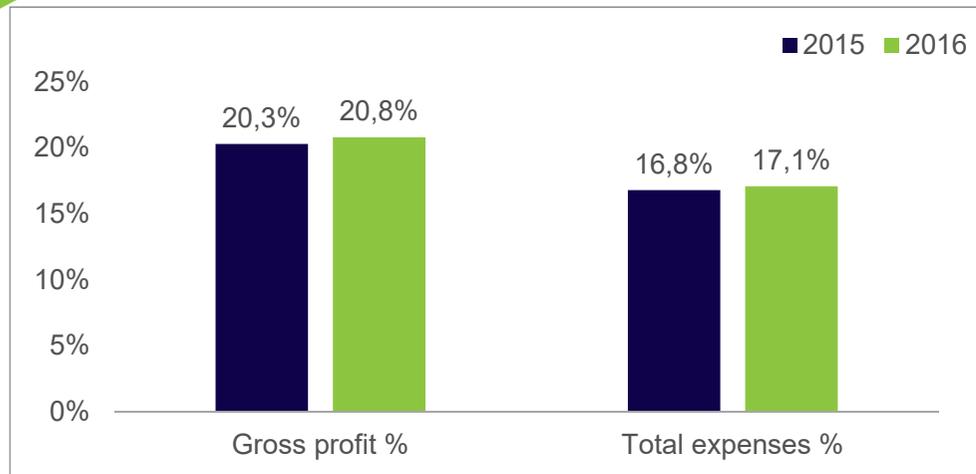


## Pro forma Income statement



- Healthy financial result driven organically
- Positive momentum maintained through the year
  - Revenue up 20,8% to R140,5 billion
  - Constant currency turnover grew by 4,3%
  - Trading EBITDA up 25,9% to R6,4 billion
  - Trading EBITDA margin up to 4,55% with 4,66% achieved in H2
- Underlying headline earnings up 32,7% to R3,6 billion
- Headline EPS up 32,5% to 1080 cents
- Constant currency HEPS grew by 14,2%
- A dividend of 241,0 cents declared – based off pro forma H2 HEPS and in line with dividend policy

## Pro forma Income statement

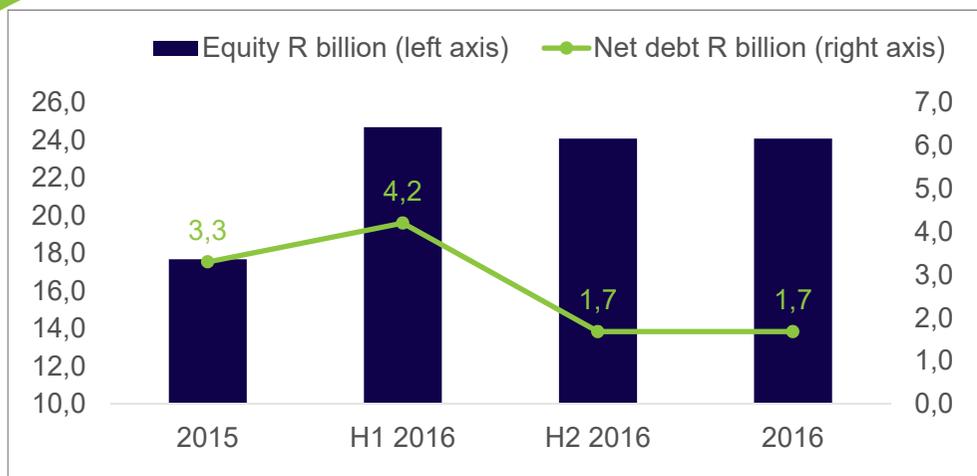


- Quality of earnings evident in the result, underpinned by disciplined trading
  - Cost of revenue increased by 20,1% versus 20,8% growth in revenue
  - Gross profit percentage of 20,8% versus 20,3%
  - Operating expenses
    - increased slightly as a percentage of sales due to higher sales & distribution costs (shift to independent business has a higher cost to serve) but admin and other expenses overall well controlled
    - Constant currency overall costs up 6,2%
    - Some wage pressure in growing economies offset benefit of lower fuel costs
- Trading profit grew by 26,1% to R5,2 billion with trading profit margin increasing to 3,67% from 3,51%
- Net interest paid declines 11,1% to R294,6 million
  - Robust cash generation over the year
  - Asset management can always improve

## Pro forma Income statement

- Taxation
  - Effective tax rate of 24,5 % versus 25,4% in 2015 (excluding capital items)
  - Mix of tax rates in differing jurisdictions
  - 2017 guidance approximately 25%
- Associates
  - Principally specialist business in the Netherlands
  - Share of profit of associates R24,0 million versus R15,6 million in 2015
  - Likely to remain an immaterial feature of the income statement
- Minorities
  - Small minority interests in certain subsidiaries, mainly mainland China
  - Bolt-on acquisitions often result in the owner-manager remaining invested and aligning with Bidcorp
  - Non-controlling interest share of earnings R39,5 million versus R11,5 million in 2015
  - Whilst anticipated to grow, this is likely to remain an immaterial feature of the income statement

## Balance Sheet



- Strong statement of financial position backed by historically reliable cash flows provides flexibility to pursue growth ambitions, both organic and acquisitive
  - Equity growth driven by earnings and FCTR
  - Net debt of R1,7 billion reduced by R1,6 billion on PF2015
  - Weighted average interest rate on borrowings 2,0%
    - Renegotiating to capture lower funding costs (Euro, Sterling and Australian \$)
- Debt matched to currencies where income derived
- Unutilised facilities of R4 billion (ex unbundling)
- Shareholder equity of R24,1 billion or R71,80 per share
- Returns
  - Return on opening shareholder equity 20,3% vs 17,6%
  - ROFE of 40,0% vs 37,2%
- Solvency and Liquidity
  - Net debt to equity ratio of 7%, net debt to trading EBITDA of 0,3x
  - Trading EBITDA interest cover 21,7x, Trading profit interest cover 17,5x

## Cash flow

- Robust and reliable cash flows
- Actual 2016 (not pro forma)
  - Cash generated from operations pre working capital R5,9 billion
  - Working capital generation of R763 million
  - Cash generated by operations R6,6 billion
  - Cash and cash equivalents of R5,5 billion as at June 30 2016 versus R3,6 billion
  - Capex of R2,0 billion versus a depreciation charge of R1,2 billion
  - Expansionary capex of R447 million, new infrastructure for capacity upgrades
- Working capital
  - Working capital tends to be absorbed in H1 and released in H2
  - Net working capital cycle flat (adjusted for VAT and GST)
    - Inventory - 29 days
    - Receivables - 37 days
    - Payables - 67 days

## Financial Guidance

- Bidcorp successfully listed on the Johannesburg Stock Exchange with effect from Monday May 30 2016 under the JSE code BID
- Value unlocked for shareholders in the process with the market value of R92,6 billion as at June 30 2016 almost equal to the R98,8 billion of the combined Bidvest group as at June 30 2015
- Original South African base now only 5% of sales and <9% of trading profit
- Low gearing with adequate unused facilities, review of funding to be undertaken into 2017 for efficacy and capacity creation
- Highly cash generative, relatively defensive
- Attractive return on shareholder equity and effective use of funds employed
- Currency volatility will continue to play a role but businesses managed in their local currencies
- The world is an uncertain place but Bidcorp anticipates delivering another year of progress in 2017



Bidcorp

Q&A  
All