

***Bidvest***

**Reviewed Provisional  
Financial Results**  
Year ended June 2016

evolving



- |    |                                |                                    |
|----|--------------------------------|------------------------------------|
| 01 | Introduction                   | Lindsay Ralphs – <i>Bidvest CE</i> |
| 02 | Financial review               | Peter Meijer– <i>Bidvest CFO</i>   |
| 03 | Operational updates            | Lindsay Ralphs – <i>Bidvest CE</i> |
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***Bidvest***

**Lindsay Ralphs**

Bidvest CE

**Introduction**

**1988**

Established

**R91.8 bn**

Turnover

**R7.3 bn**

EBITDA

**R51 bn**

Market cap

**R7 bn**

Cash generated



**WE ARE BIDVEST**

*Proudly yesterday, proudly tomorrow*

**R25.1 bn**

Funds Employed

**112 000**

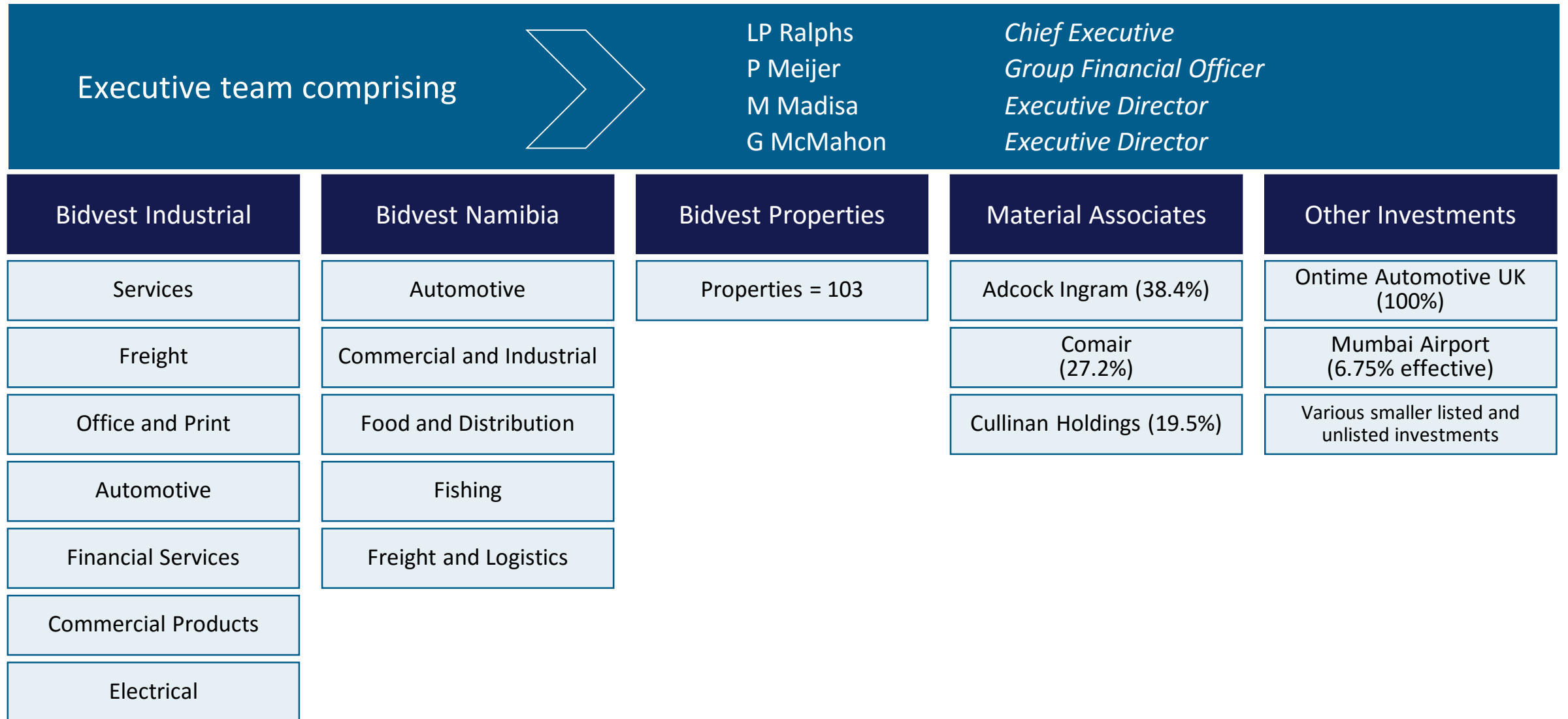
Employees

**A leading South African services, wholesale and distribution group operating in the areas of commercial and industrial products, electrical products, financial services, freight management, office and print solutions, outsourced hard and soft services and automotive retailing**

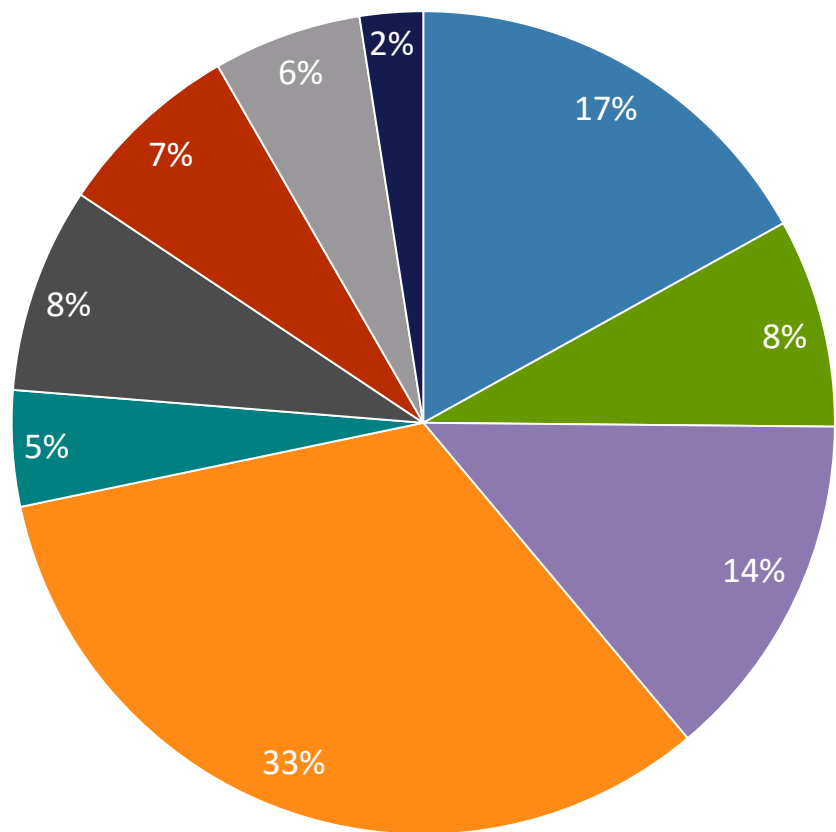
- ▶ A blend of defensive, cyclical and growth assets incorporating:
  - Services model – 56% of trading profit
  - Trading and distribution model – 44% of trading profit
- ▶ Cash generating assets that are relatively capital light
- ▶ Highly entrepreneurial and decentralised management teams and a small corporate office
- ▶ Strong culture
- ▶ Outperforming through the cycle
- ▶ Embracing change through innovation
- ▶ A track record of efficient capital allocation

*A strong track record of consistent delivery, returns and growth*



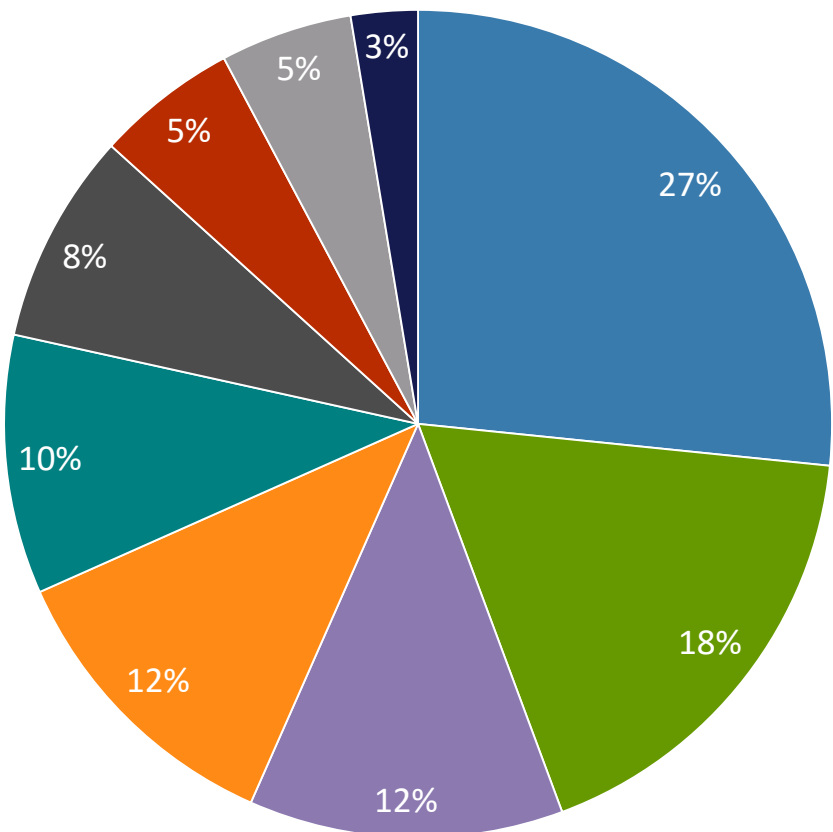


Contribution to revenue



- Services
- Freight
- Office and Print
- Automotive
- Financial Services
- Commercial Products
- Electrical
- Namibia
- Corporate

Contribution to trading profit



*No segment contributing more than 30% of profit*

# Highlights for the year

Successful unbundling on 30 May 2016

HEPS (continuing operations) increased by 2.5% to 1 054.1 cents, final DPS declared of 232 cents

Revenue grew by 3.6% to R68.2 billion

Trading profit up 3.0% to R5.8 billion

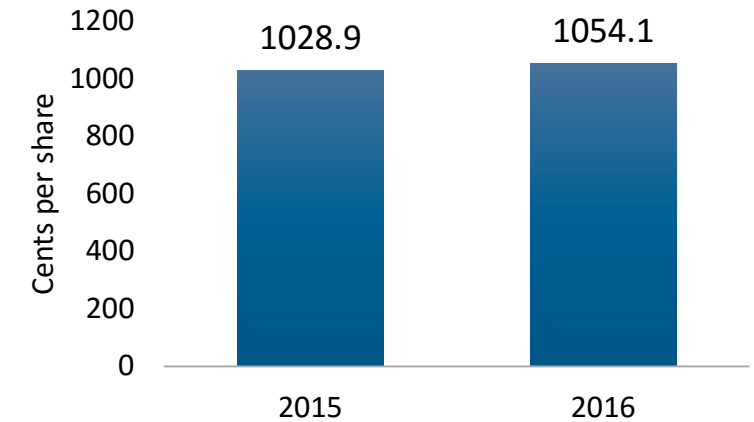
EBITDA 3.9% higher at R7.3 billion

Good results from Commercial Products, Financial Services, Electrical and the Services divisions

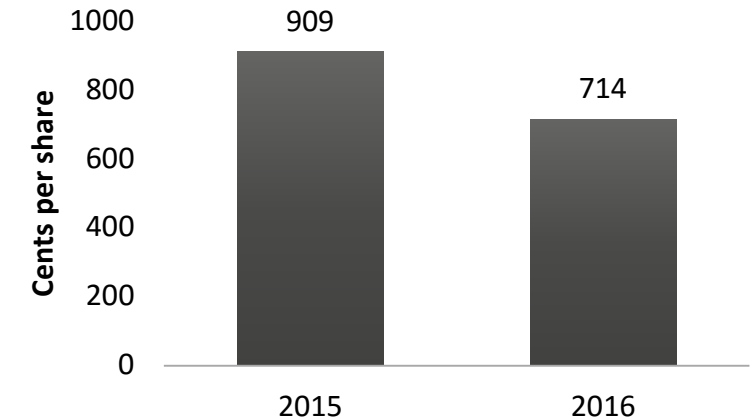
Reduced fishing quotas continues to impact Bidvest Namibia

Strong balance sheet

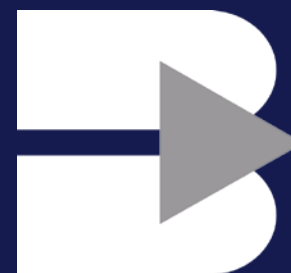
HEPS



DPS







***Bidvest***

**Peter Meijer**  
CFO

**Financial Review**

# Financial highlights



R billion	Year ended June 30 2016	Year ended June 30 2015	Change
Turnover	91.8	88.6	3.5%
Revenue	68.2	65.9	3.6%
Gross profit %*	29.2%	28.8%	↑
Expenses %*	21.4%	20.8%	↑
EBITDA	7.3	7.1	3.9%
Trading profit	5.8	5.6	3.0%
Trading margin %*	8.4%	8.4%	↔
Headline earnings	3.5	3.4	3.6%
HEPS cents	1 054.1	1 028.9	2.5%
DPS cents	714.0	909.0	(21.5%)
EBITDA interest cover	8.0x	8.7x	↓
Net debt / equity	27.5%	21.4%	↑
Weighted no of shares	330.0 m	326.4 m	1.1%

\* As % of Revenue

Revenue	<ul style="list-style-type: none"><li>• Revenue increased by 3.6% or R2.4 billion</li><li>• South African operations grew revenue by 3.1% and Bidvest Namibia by 4.7%</li><li>• Significant increase in Commercial Products and Financial Services revenue</li></ul>
Gross income	<ul style="list-style-type: none"><li>• Improvements in gross margin from changes in revenue mix – shedding low margin revenue through the disposal of the Cash-in-Transit business in the prior year and acquiring higher margin businesses</li><li>• Good contribution from Financial Services</li></ul>
Expenses	<ul style="list-style-type: none"><li>• Operating expenses were well contained at 6.3% growth (representing R870 million)</li><li>• The expense ratio increased slightly from 20.8% to 21.4%</li></ul>
Trading profit	<ul style="list-style-type: none"><li>• Strong contributions from Commercial Products boosted by Plumblink acquisition</li><li>• Good contributions from the Financial Services, Electrical and Services divisions</li><li>• Property division also put in a good result</li><li>• Bidvest Namibia's profits declined due to fishing quota shortfalls</li></ul>
Net capital items	<ul style="list-style-type: none"><li>• Mark-to-market impairment of investments in associates of R760.8 million, being Adcock Ingram, Cullinan and Comair; and</li><li>• Impairment of fixed assets of R189 million</li></ul>
Net finance charges	<ul style="list-style-type: none"><li>• Increased debt to finance the additional Adcock shares in 2015 (R880 million) and acquisitions (R580 million)</li><li>• Increases in Prime over the financial year, impacted on variable interest rate debt</li><li>• Conservative Interest cover of 8.0 times (2105 : 8.7 times) EBITDA</li></ul>

Associate income	<ul style="list-style-type: none"><li>• Decline of R52 million net of capital items</li><li>• Excluding capital items adjustments, would be up 5%</li></ul>
Non-controlling interest	<ul style="list-style-type: none"><li>• R92.8 million decline, mainly in line with our share of earnings of Bidvest Namibia</li></ul>
Discontinued operations	<ul style="list-style-type: none"><li>• The unbundling transaction resulted in an accounting profit of R76.3 billion</li><li>• This was distributed to shareholders by way of a dividend in specie on May 30th 2016</li><li>• 11-month Food trading profit was R3.0 billion</li></ul>
HEPS	<ul style="list-style-type: none"><li>• The net assets unbundled to Bidcorp shareholders included 50% Bidvest “treasury shares”</li><li>• Both years’ shares issued were consequently increased and re-presented</li></ul>
Dividend	<ul style="list-style-type: none"><li>• Interim dividend of 482 cents; final dividend of 232 cents</li><li>• Total dividend of 714 (2015: 909 cents)</li><li>• Cover ratio of 2.25 times consistent with policy</li></ul>

# Debt and funding – a conservative approach to gearing

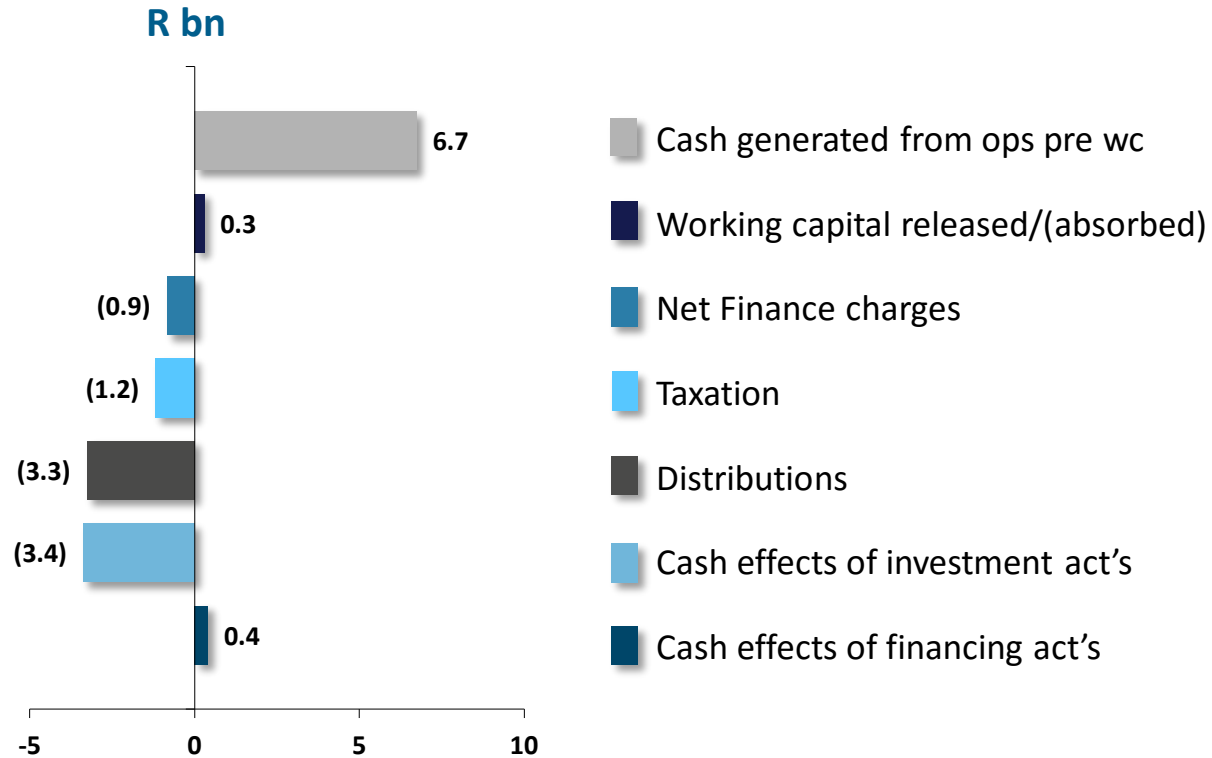
- ▶ Total debt of R8.1 billion
- ▶ EBITDA interest cover of 8.0 times vs. 8.7 times in 2015
- ▶ Percentage of fixed debt 36%
- ▶ Ample headroom to fund organic or acquisitive expansion

Moody's Investor Services credit rating*	Long term	Short term	Outlook
The Bidvest Group Limited	Aa1.za (up from A1.za)	P-1.za (unchanged)	Negative
Bidvest Bank Limited	A1.za (up from A3.za)	P-1.za (up from P-2.za)	Stable

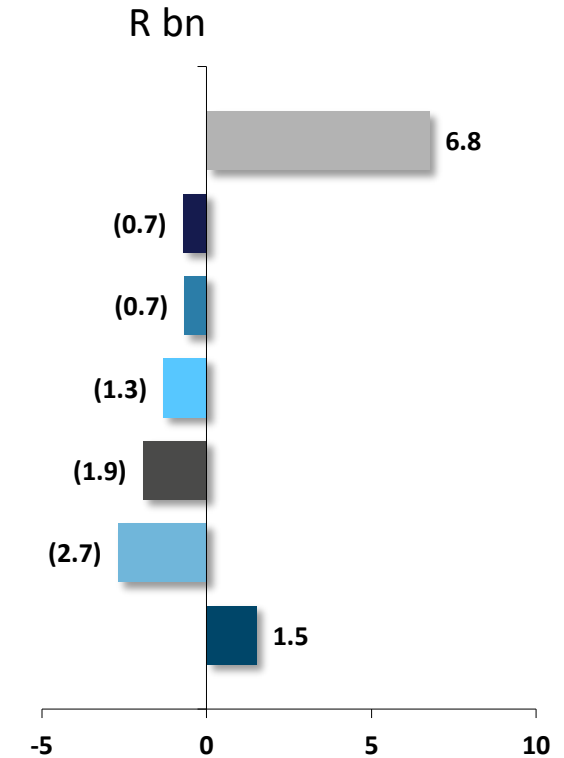
\* National Scale Ratings - issuer ratings

# Consolidated Cash Flow Statement

Year ended June 30 2016

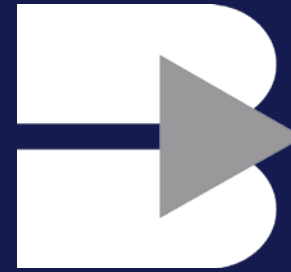


Year ended June 30 2015



- ▶ Strong cash conversion at 75%
- ▶ Working capital released of R296 million, relative to working capital absorbed of R725 million in 2015





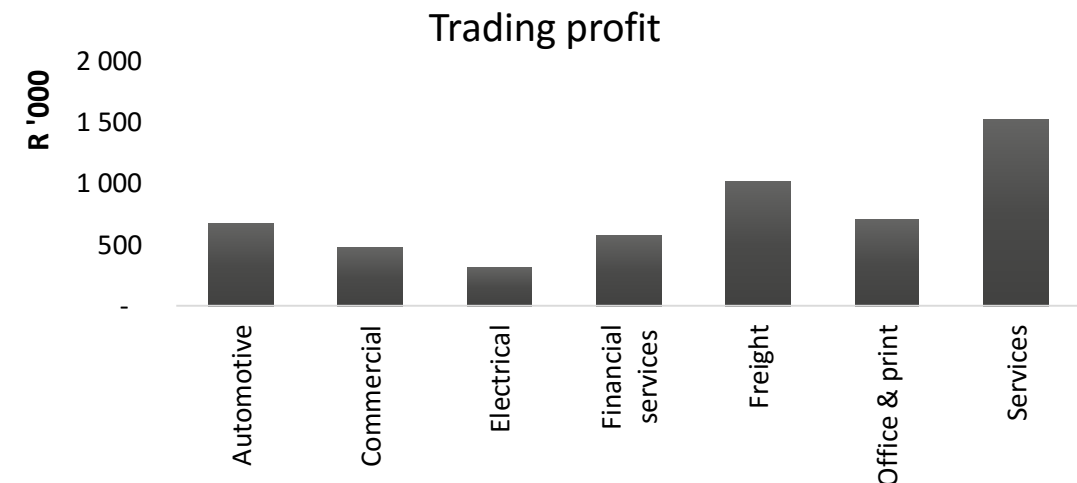
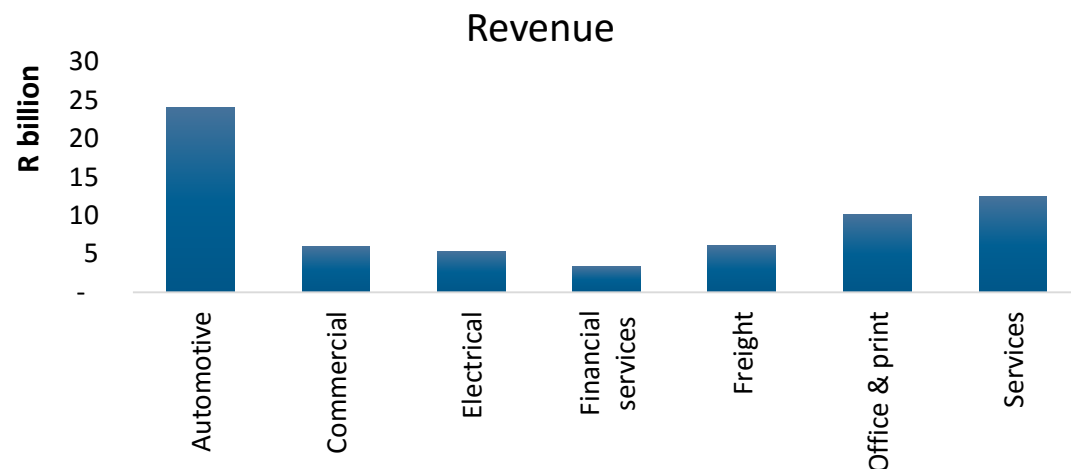
***Bidvest***

**Lindsay Ralphs**

Bidvest CE

**Operational updates**

R'000s	Year ended June 30 2016	Year ended June 30 2015	Change
Revenue	<b>67 205 517</b>	65 190 424	3.1%
Trading profit	<b>5 306 501</b>	5 146 464	3.1%
Trading margin	<b>7.9%</b>	7.9%	
EBITDA	<b>6 721 727</b>	6 461 746	4.0%
Average Funds Employed	<b>15 980 467</b>	15 243 093	4.8%
Average R.O.F.E.	<b>33.2%</b>	33.8%	



R'000s	Year ended June 30 2016	Year ended June 30 2015	Change
Revenue	<b>12 420 819</b>	12 613 704	(1.5%)
Trading profit	<b>1 531 273</b>	1 445 206	6.0%
Trading margin	<b>12.3%</b>	11.5%	
EBITDA	<b>1 933 011</b>	1 866 004	3.6%
Average Funds Employed	<b>1 894 497</b>	1 772 229	6.9%
Average R.O.F.E.	<b>80.8%</b>	81.5%	

- ▶ The largest Bidvest Division
- ▶ The business performed well
- ▶ A very large and diverse division operating in numerous areas of service
- ▶ The business is very well managed
- ▶ Services is the division which is the most resilient to economic cycles

R'000s	Year ended June 30 2016	Year ended June 30 2015	Change
Revenue	<b>6 013 814</b>	6 858 289	(12.3%)
Trading profit	<b>1 019 816</b>	1 059 728	(3.8%)
Trading margin	<b>17.0%</b>	15.5%	
EBITDA	<b>1 296 475</b>	1 310 473	(1.1%)
Average Funds Employed	<b>1 752 513</b>	1 723 762	1.7%
Average R.O.F.E.	<b>58.2%</b>	61.5%	

- ▶ The Freight Division's result is considered very satisfactory given the sharp decline in the movement of commodities – particularly minerals – out of the country
- ▶ Grain imports helped marginally in the last quarter
- ▶ The impact of the drought will be more felt in the new financial year

R'000s	Year ended June 30 2016	Year ended June 30 2015	Change
Revenue	<b>10 076 465</b>	10 575 028	(4.7%)
Trading profit	<b>706 295</b>	742 446	(4.9%)
Trading margin	<b>7.0%</b>	7.0%	
EBITDA	<b>856 007</b>	877 044	(2.4%)
Average Funds Employed	<b>2 526 979</b>	2 403 912	5.1%
Average R.O.F.E.	<b>28.0%</b>	30.9%	

- ▶ This division showed a 5% fall in trading profit for the year after showing healthy results for the first half
- ▶ The second half was specifically impacted by the 2015 comparison which included a one off R100 million profit on the Tanzanian deal, and OCE (R20 million) which was disposed of in the previous year
- ▶ This division does have some serious challenges which are being addressed by the new management team

R'000s	Year ended June 30 2016	Year ended June 30 2015	Change
Revenue	<b>24 062 557</b>	23 683 728	1.6%
Trading profit	<b>674 709</b>	731 723	(7.8%)
Trading margin	<b>2.8%</b>	3.1%	
EBITDA	<b>880 124</b>	975 148	(9.7%)
Average Funds Employed	<b>3 864 475</b>	3 621 766	6.7%
Average R.O.F.E.	<b>17.5%</b>	20.2%	

- ▶ Our Motor Retail and Car Rental division performed in line with a very suppressed Motor Retail Market
- ▶ A general decline in demand, particularly in the luxury vehicle sector, high vehicle inflation and severe margin pressure on new vehicles
- ▶ The 7.8% decline in trading profit is considered acceptable in the current environment



R'000s	Year ended June 30 2016	Year ended June 30 2015	Change
Revenue	<b>3 336 302</b>	2 035 048	63.9%
Trading profit	<b>582 204</b>	527 576	10.4%
Trading margin	<b>17.5%</b>	25.9%	
EBITDA	<b>875 918</b>	719 877	21.7%

- ▶ This division comprising Bidvest Bank and the Insurance division performed very well for this financial year
- ▶ The Bank – mainly Forex and Vehicle Leasing improved trading profit by 30%
- ▶ Moody's upgraded Bidvest Bank to A1.za/P-1.za with a stable outlook (up from A3.za/P-2.za)
- ▶ The Insurance company performed well - impacted by a significant decline in the marked-to-market profits of their equity portfolio
- ▶ The overall 10.4% increase is very commendable

R'000s	Year ended June 30 2016	Year ended June 30 2015	Change
Revenue	<b>5 920 546</b>	4 168 360	42.0%
Trading profit	<b>474 764</b>	334 705	41.8%
Trading margin	<b>8.0%</b>	8.0%	
EBITDA	<b>526 201</b>	374 803	40.4%
Average Funds Employed	<b>1 392 505</b>	1 169 031	19.1%
Average R.O.F.E.	<b>34.1%</b>	28.6%	

- ▶ Both Industrial Products and Consumer Products produced outstanding results across the board
- ▶ The Plumblink acquisition performed beyond our expectation
- ▶ The Brandcorp acquisition is very close to being finalised as the Competition Commission has recommended the transaction unconditionally

R'000s	Year ended June 30 2016	Year ended June 30 2015	Change
Revenue	<b>5 375 014</b>	5 256 267	2.3%
Trading profit	<b>317 440</b>	305 080	4.1%
Trading margin	<b>5.9%</b>	5.8%	
EBITDA	<b>353 990</b>	338 316	4.6%
Average Funds Employed	<b>1 572 217</b>	1 530 121	2.8%
Average R.O.F.E.	<b>20.2%</b>	19.9%	

- ▶ The Electrical division faced very difficult trading conditions in their core industries – construction, mining and Government infrastructure spend
- ▶ The increase in turnover of 2.3%, improved margin, and an increase in trading profit of 4.1% is very commendable

R'000s	Year ended June 30 2016	Year ended June 30 2015	Change
Revenue	<b>3 858 949</b>	3 534 770	9.2%
Trading profit	<b>296 662</b>	400 186	(25.9%)
Trading margin	<b>7.7%</b>	11.3%	
EBITDA	<b>377 544</b>	472 025	(20.0%)
Average Funds Employed	<b>1 736 956</b>	1 388 953	25.1%
Average R.O.F.E.	<b>17.1%</b>	28.8%	

- ▶ Has traditionally been very reliant on the fishing operations
- ▶ Had a very difficult year as fishing quotas were once again reduced
- ▶ The size of the vessel fleet is being reduced and cost reduction programmes are in place
- ▶ The Commercial, Freight and Distribution businesses continue to suffer from the weak economy
- ▶ We continue to endeavour to meet with the relevant Namibian authorities with reference to our continued presence in Namibia

R'000s	Year ended June 30 2016	Year ended June 30 2015	Change
Turnover	<b>1 818 947</b>	1 538 558	18.2%
Trading profit	<b>150 316</b>	41 896	258.8%
Trading margin	<b>8.3%</b>	2.7%	

- ▶ Corporate comprises Bidvest Properties, material associates and other investments
- ▶ The Bidvest Property Division performed well and continues to be of key strategic importance to the Group
- ▶ On Time and Mansfields performed poorly, and will be addressed in the new financial year
- ▶ A strategic review will be undertaken on all other investments



# Bidvest

# Lindsay Ralphs

## Bidvest CE

## Strategic overview



## Economic outlook

- Local elections positive for the economy
- Rand more stable
- Business confidence levels improving

## A strong diversified portfolio

- Seven core well managed businesses
- Cash generative
- Other investments – require close scrutiny

## Strong balance sheet

- Excellent asset management
- Low levels of debt – 0.7 of EBITDA

## Organic and acquisitive growth

- Local bolt-on acquisitions
- Select niche international acquisitions
- Broadening and innovating our product offering



# Bidvest

# Appendix 1

- ▶ First year of newly constituted Services division
- ▶ Real growth in four main clusters
- ▶ Security Services, post Cash in Transit exit, up 20%. Protea and BidTrack delivering pleasing earnings
- ▶ Double digit growth from Prestige, TMS and Pureau
- ▶ BidAir excelled with Cargo being the stand out performer
- ▶ Bidvest Facilities Management renewed Telkom. Positive growth outside of Telkom
- ▶ Steiner Pest control services continue to grow in excess of inflation
- ▶ Travel Cluster enjoyed organic growth despite margin and volume pressures

## Outlook for 2017

- ▶ Services will seek double-digit profit growth while widening the customer-base
- ▶ Tough trading conditions may persist, but enhanced total solutions proposition will benefit prospects
- ▶ Acquisition and possibility of international exposure will be considered

- ▶ Our larger businesses performed well despite world trade and commodity markets remaining depressed
- ▶ BTT had a pleasing year with chemical and edible oil volumes up. BTT invested over R300 million in new facilities including LPG and fuel capacity
- ▶ SA Bulk Terminals performed well, as maize and wheat imports rose in H2 to supplement the drought shortfall
- ▶ Good volumes for BPL in automotive and warehousing operations
- ▶ The slow-down in commodity exports negatively impacted Bulk Connections, BPO and Naval. This has been partly mitigated by bulk import volumes, with good fertilizer, soya meal and maize volumes
- ▶ Bulk Connections lost significant manganese volumes to Saldanha as manganese replaced unused iron ore rail capacity
- ▶ Naval's volumes were down with the termination of the iron ore and magnetite exports through Maputo
- ▶ A restructure program implemented to reduce overheads and streamline a number of the operations

## Outlook for 2017

- ▶ Low demand for minerals may persist, but expected large volumes of maize imports will improve results
- ▶ New tank capacity in Richards Bay will assist growing demand in the chemical, fuel and gases sector

- ▶ Combination of Office and Paperplus segments successfully completed
- ▶ Comparisons distorted by Tanzanian voter registration project and the sale of Oce in the prior year
- ▶ Walton's remains the clear market leader but operations require simplification to improve returns
- ▶ Kolok, Silveray and Cecil Nurse performed well
- ▶ Konica Minolta retained a major public sector contract and delivered a pleasing result
- ▶ Zonke Monitoring Systems achieved real growth in sales
- ▶ Lithotech saw volume growth via an increase in supply management contracts
- ▶ Bidvest Data continued to adapt well to market shifts
- ▶ Packaging leveraged up inflationary revenue growth by managing margins and expenses well

## Outlook for 2017

- ▶ Remedial work will be taken in parts of the portfolio including furniture manufacturing
- ▶ Efficiency efforts will continue
- ▶ Acquisitions in niche areas will be explored

- ▶ Total dealer market down 7.5% – Bidvest showing a marginal increase in market share
- ▶ A shift in the SA vehicle market from new to used vehicles
- ▶ Benefit from full-year effect of Car Rental's divisional re-integration, the launch of Bidvest Car Rental and a steady gain in market share
- ▶ Expense base being adjusted to the new activity levels
- ▶ The after sales market highly competitive but continuing growth as consumers increase spend on parts and servicing to extend the life of vehicles
- ▶ Burchmores had a good year, optimising marketing opportunities as repossessions rose
- ▶ Bidvest received four Dealer of the Year awards from manufacturers and two dealer group awards

## Outlook for 2017

- ▶ Improvement expected in the used vehicle market, but domestic sales to remain under pressure
- ▶ Continue to increase the retail footprint both domestically and outside the borders of S.A.
- ▶ Bidvest well placed to outperform its industry -a rationalised network, enhanced systems and continuing synergies between car rental and motor retailing

## Banking

- ▶ Moody's upgraded Bidvest Bank to A1.za/P-1.za with a stable outlook (up from A3.za/P-2.za)
- ▶ Expansion into acquiring (card processing) via partnership with First Data
- ▶ Trade finance growth continued. Solid gains from Old Mutual and other partnerships. Fleet business achieved major public-sector contract successes. Business banking growth continued - first corporate hub in Durban
- ▶ Total advances, including leasing, grew 2.0% to R3.2 billion, Corporate advances rose by 33.9% to R1.7 billion and deposits were up 36.5% to R3.9 billion
- ▶ Capital adequacy ratio 15.9%, liquidity coverage ratio 163.1%, net stable funding ratio 86.6%

## Insurance

- ▶ Though weak equity markets affected portfolio results, product expansion in Insurance accelerated
- ▶ Insurance now offers travel, commercial and life products as well as vehicle insurance and commercial underwriting
- ▶ First full-year contribution by Compendium Insurance Brokers
- ▶ Gross premiums rose to R437.3 million

## Outlook for 2017

- ▶ Business banking, trade finance and acquiring volumes expects continued growth. New Business Hubs planned
- ▶ Bidvest Insurance targets significant growth with a bigger travel insurance contribution and Glasscock's first full-year contribution  
Further gains expected from commercial underwriting and insurance

- ▶ Solid trading results from both the Industrial and Consumer Divisions with good margin management in a volatile exchange rate environment. Cash flows were good as was asset management
- ▶ Plumblink bedded down, performance well in excess of expectations and numerous opportunities identified. First store opened in Namibia
- ▶ Eight of the ten businesses within the division achieved strong double-digit increases in profit. The exceptions, G. Fox and Vulcan, were coming off a high base – clawed their way back in the second half
- ▶ Organic growth(excluding Plumblink) reached high double –digit profit growth
- ▶ Brandcorp Group - fits into both Industrial and Consumer Division. Finalisation of the transaction expected by 30 September 2016
- ▶ Investment in capacity made in various manufacturing entities and succession planning well managed in the Division

## Outlook for 2017

- ▶ Targeting double-digit profit growth, though trading conditions will remain difficult
- ▶ Acquisition of Brandcorp will contribute to strong growth. Will enhance the Brandcorp businesses with fresh ideas
- ▶ Further acquisition opportunities will be sought



- ▶ Cable industry under pressure in a deflationary environment and infrastructure development, mining and construction at a low ebb
- ▶ First full-year contribution from Lighting Structures, Phambili and Voltex Botswana
- ▶ Acquisitions - SEA, a maker of specialised electrical accessories, wall boxes, poly-saddles and injection mouldings, AC Cable Supports, a light and medium steel manufacturer. SEA adds specialist capacity while AC creates assured and sustainable quality supplies for Cabstrut
- ▶ Agreement to acquire Techni-Lamp - an entry into very specialized lighting sources including infra-red and ultra-violet products
- ▶ Launched online electricity sales into the Johannesburg market using in-house developed application
- ▶ Being awarded a contract to the value of R255 m for the supply and installation of 50 000 Smart Meters
- ▶ The first large geyser order was concluded before year-end in Solid State business

## Outlook for 2017

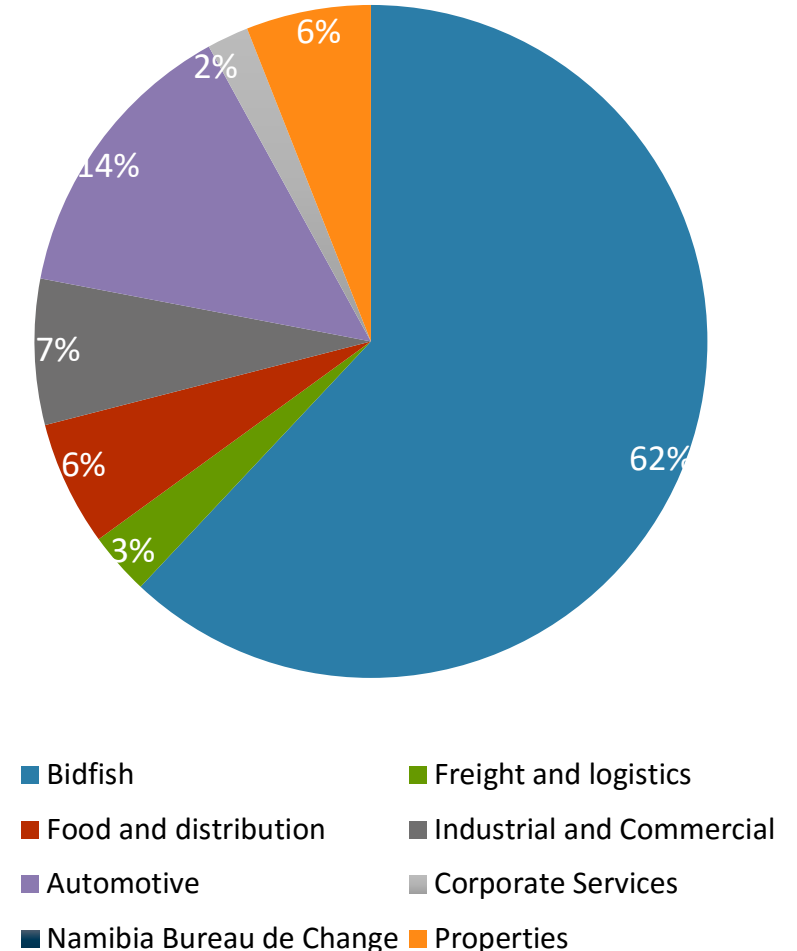
- ▶ Our all-encompassing offer to the industry will continue to enable and facilitate growth
- ▶ Well placed to participate in election promises of improved housing and facilities, as well as advances in pre-paid electricity and other efficiencies

- ▶ Problematic access to fishing quotas
- ▶ Declining market prices and low demand for Namibian horse mackerel
- ▶ Freight division unable to secure large projects
- ▶ Food and Distribution flat on 2015, improvement plan still gaining traction
- ▶ Positive settlement in legal dispute with Namib Poultry
- ▶ Commercial Industrial, Services & Products (CISP) performed well, apart from Voltex
- ▶ Newly acquired Bidvest Namibia Automotive (BNA) performed within expectations with smooth transition
- ▶ Steiner - continues to grow steadily
- ▶ Plumblink Namibia opened

## Outlook for 2017

- ▶ Aligning costs with declining revenue
- ▶ Acquisition of the Glenryck brand and 40% stake in Industria Alimentar Carnes de Mocambique Limitada
- ▶ Bidvest Namibia Call A Car launched, efforts to secure target vehicle sales

Contribution to profit





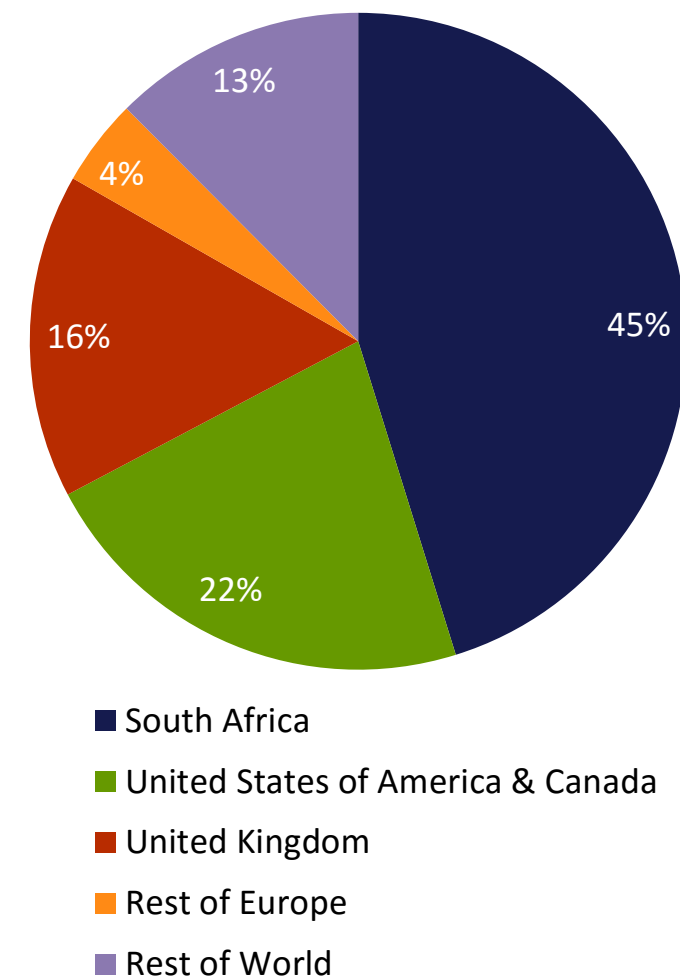
***Bidvest***

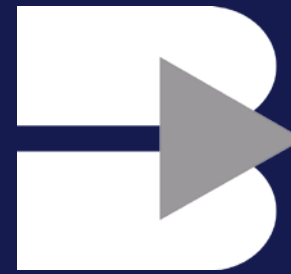
**Appendix 2**

## Investment management shareholdings

Investment manager	Total shareholding	%
PIC	45 178 223	13.47
J.P. Morgan Asset Management	22 470 287	6.70
Genesis Investment Management LLP	14 946 534	4.46
GIC Asset Management Pty Ltd	13 639 230	4.07
BlackRock Inc	12 189 227	3.63
Lazard Asset Management LLC Group	10 652 471	3.18
Sanlam Investment Management	10 538 659	3.14
The Vanguard Group Inc	10 415 964	3.11
Total	140 030 595	41.75

## Geographic split of investment managers





***Bidvest***

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evolving

