

## **Bid Corporation Limited**

(Incorporated in the Republic of South Africa)

Registration number: 1995/008615/06

Share code: BID

ISIN: ZAE000216537

('Bidcorp' or 'the Company' or 'Group')

### **COVID-19: IMPACT ON BIDCORP**

Shareholders are advised Bidcorp today, Tuesday, April 14 2020, wishes to update the market on the trading environment across its operations, with particular emphasis on the impacts of the COVID-19 crisis. This is in terms of the requirement of issuers to assess the impact, if any, that the outbreak may have on business operations and an issuers disclosure obligation in terms of the JSE Listings Requirements.

Bidcorp's UK logistics activities (Bestfood Contract Distribution and PCL), which were classified as Discontinued Operations, were exited fully at the beginning of March 2020 as expected and within the terms and conditions as previously outlined.

Management comments as follows on Bidcorp's operations around the world:

- The safety of our employees is top of mind, securing their health, well-being and where possible, maintaining their incomes in order that they can emerge from this crisis employed and motivated.
- Furthermore, maintaining our relationships with our customers and suppliers is a priority as all parties navigate the significant and rapidly changing fallout from this crisis.

### **Current trading performance and overall market conditions**

- Trading for the 9 months to March 31 2020 (on a like-for-like basis, excluding the impact of IFRS 16) has held up reasonably well and broadly in line with expectations (measured in home currencies), however the full effects of the COVID-19 crisis across many of our operations only appeared in the second half of March and the full impact will become evident from April onwards.
- Being part of the food distribution industry, all our businesses have been designated as essential services and have continued operating in all geographies. Demand for food products has substantially diminished in many discretionary spend sectors, particularly across hotels, restaurants, pubs, leisure and travel related segments. Our businesses are actively seeking solutions for each market and attempting to replace a small portion of this lost revenue in new channels, such as home delivery and supply to other retail related channels.
- Non-discretionary activities to institutional customers continues, including serving customers such as hospitals, aged care, prisons, the

military and government departments in many of our businesses. We are experiencing an uptick in demand generally from these segments but expect this to normalise once the consumer panic and stockpiling eases. We are sharing the experiences of operations in geographies that are ahead of others in the crisis, to pre-empt some of the sales opportunities and cost saving measures where possible.

- We are very proud to be part of governmental programs in several countries to provide food and care packages to the most vulnerable members of society via home delivery, during the very difficult and strict lockdown period. Our staff who are involved with this are to be commended and thanked for their valued and selfless contribution.
- It is very difficult to quantify the exact amount of decline we are experiencing as different countries are at different stages of the crisis and have implemented various strategies to fight the virus, which have a differing impact on our end-customer base, and vary from week to week. In China, we are seeing a very encouraging and quick bounce back in demand, and our volumes are quickly approaching the levels of a year ago. In our other major geographies, we are currently experiencing a short-term decline of volumes of between 45% to 70% relative to weekly volumes achieved during the comparative period in 2019.

### **Actions being undertaken by the businesses in the current environment**

#### **Workplaces:**

- Cleanliness and food safety have always been a top priority in our businesses, however we have increased compliance throughout our work environments, as well as additional hygiene standards and requirements such as masks and sanitizers, as each environment and jurisdiction recommend and legislates.
- Social distancing is implemented in operations with teams working separate shifts and between shifts sanitizing and clean down to prevent any potential risk of cross contamination.
- Working remotely has been encouraged wherever possible.
- Discretionary travel and commuting have been discontinued.

#### **Costs:**

- All our businesses are experiencing reduced levels of activity and we must be innovative on how we protect our staff yet manage the cost base. In some areas we have reduced working hours to 60% - 80% of the normal shift and have requested staff to take annual / unpaid leave where possible to assist in managing these costs down and to protect jobs wherever possible. We have also unfortunately had to temporarily stand down and furlough some employees. There is quite a bit of fluidity regarding various government wage assistance schemes in respect of eligibility, timing and coverage. We are doing our best to access these in

all countries where we qualify. The Group is cognisant of the need to retain as much human capital capacity as we are able to in order to scale-up as quickly as circumstances allow once normality returns in our various territories.

- The Board and executive management are taking a 30% reduction in fees / salary for the fourth quarter of F2020 (and beyond if need be) to help support the business. All businesses have also implemented salary reduction initiatives to align themselves with the impacts in the general workforces.
- Wherever possible other variable costs are being downscaled, and the lower level of activity assists in this, in areas such as fuel, electricity and waste. We own a substantial portion of our properties and fleet, and where we don't, we are actively negotiating property rental reductions as well as fleet de-hires.

#### **Liquidity:**

- Our priority is to make sure that in our decentralised environment, our operations have sufficient liquidity for their requirements. We believe the Group has sufficient liquidity for the foreseeable future in terms of headroom and we are working with our banking partners to further increase liquidity. The Group has available to it, as at March 31 2020, headroom and facilities of R9,6 billion (£425 million) which is in addition to our existing net debt. For reference, our total net debt at December 31 2019 was R4,9 billion.

#### **Debt covenants:**

- The Group's debt covenants sit at 2,5x net debt to EBITDA and interest cover ratio of EBITDA to net consolidated finance costs (excluding the effects of IFRS16) of not less than 5x. As at December 2019, the Group was well within its covenants with its net debt to EBITDA ratio at 0,6x and the interest cover ratio at 27x.

#### **Working capital:**

- To date the working capital cycle has been well-managed by our operations across the Group. However, we do expect there to be stress in our customer base and detailed work is being undertaken to understand the impact of this. In many businesses, we insure a proportion of the credit book. We do understand that there will be an element of our customer base that may struggle to pay us in agreed terms, and we are proactively managing this on a customer by customer basis. It must be emphasised that a number of our customers are still open and trading, although some at much-reduced rates than before.
- Furthermore, work is being undertaken to understand the impact of obsolescence on our inventory. Our businesses have already undertaken initiatives to reduce exposure to short dated stock. We generally carry a broad range of ambient and frozen products all of which

have longer shelf lives, but all stock is being carefully monitored. There is not a major financial loss anticipated at this stage, as inventory usage was very actively monitored and actioned on short life product.

- We do expect working capital pressures to become more evident once the market reopens in particular with regard to customers credit cycle.

## **Strategic initiatives**

- Bidcorp's current strategy is to ensure the sustainability of the businesses in the current environment. As jurisdictions around the world are being subject to quarantine and lockdown regulations from governments, new sales opportunities are being sought such as the supply of food into retail environments, direct to retail customer sales via ecommerce platforms, growth in restaurant and hotel kitchens where they are being used to prepare pre-cooked meals for collection, home delivery and many different government feeding initiatives (quarantine centers, temporary hospitals and frontline healthcare worker accommodation).
- Acquisition opportunities in the foodservice space will become evident but it is premature to be exploring these in the current environment. There is the possibility of market share gains should competitors, without the financial strength of Bidcorp, exit the industry.
- We have cut back on any discretionary spend in capex and other business expenses. We are also scaling back any large capex plans for future years until we have greater clarity on the outlook.
- Our ecommerce platform has been adapted to cater for retail customers, who can either collect or want home delivery. There has been good take-up of home deliveries in many countries, but this remains a fringe activity. Our ecommerce platform has seen good growth during this period, and our development team have implemented some great features and enhancements to our offering, which will greatly benefit our digital platforms in the future.

## **Prospects**

Management's expectations for F2020 remain unquantifiable under the current uncertain and unpredictable environment.

Commenting on today's announcement Bernard Berson, Chief Executive Officer of Bidcorp, said:

- "Bidcorp's strength lies in its strong and decentralised management teams who are best placed to navigate the crisis at the coalface in each of its operating jurisdictions. Bidcorp is financially strong and enters this period of uncertainty with relatively low levels of gearing and a robust business model. Our businesses are designated essential services

which means we are playing a critical role in servicing those most affected by the crisis.”

- "I am very proud of the dedication and courage of our people around the world during these challenging times as we contemplate the new normal future. Tough conditions don't last forever but tough teams do."
- "We strongly believe in our business model and that our customers and demand will bounce back over time. There will be opportunities for us to explore in our operating geographies and beyond in the months to come, and we have an amazing team of people around the world who are up to the challenge and will ensure our market leading position and great operational excellence continue as the world recovers from this dark chapter."

Shareholders will be kept informed on an ongoing basis as further information comes to light.

The information contained in this announcement has not been reviewed or reported on by the Group's external auditors.

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Date: April 14 2020  
Johannesburg

Sponsor: The Standard Bank of South Africa Limited