APERTURE
INSIGHTFUL AND RELEVANT RESEARCH UPDATES

Bidcorp H1 2026 Results

Share Price	R41.907
Date	27 February 2026

RESULTS SUMMARY

Bidcorp delivered solid 2026 interim results, albeit slightly below expectations. Revenue rose 7.1% vs an expected 8%, with constant currency growth of 5.9%. Trading profit increased 8.1%, and the trading margin improved to 5.4%, ahead of expectations of 5.3%. HEPS rose 8.5%, slightly below the 10% expected.

Performance varied across regions. Growth was led by the EU, while the UK delivered an improvement despite a tough operating environment. Emerging markets were mixed: Greater China remained subdued due to macroeconomic pressures, while Africa performed strongly with double-digit growth. Australia and New Zealand disappointed, with mid-single-digit constant currency revenue growth and a slight decline in trading profit.

The balance sheet remains strong, supported by improved cash flow generation. The board declared an interim dividend of R6.15 per share, up 9.8% and ahead of expectations of R5.77. Net acquisitions totalled R1bn, down from R2.1bn in the prior year. Four foodservice bolt-on acquisitions contributed 1.3% to revenue growth and 1.2% to trading profit growth.

OUR LONG-TERM INVESTMENT VIEW

- Bidcorp is the largest food services business outside the US and boasts the most diversified footprint. In its operating regions, the group has a leading (top three) market share, which we believe is a competitive advantage within food services. We believe that the continued benefit from scale and exposure to fast growing economies will support earnings growth going forward.
- The group's stated strategy of exiting low cost operations, achieving the correct customer mix and providing additional value added services support our expectation that margins will continue to improve in the coming years.
- Bidcorp is highly cash generative and has low gearing. We believe this leaves room for the continuation of the current strategy of acquiring independent operators as bolt-on acquisitions, or for management to make a larger transformative acquisition either in a new market or to bulk up existing operations.

UNPACKING THE H1 2026 RESULTS

High level numbers

- **Revenue grew** 7.1% , 5.9% in constant currency (CC), driven largely by organic growth with acquisitions contributing 1.3%. Geographically, growth was driven by Europe and the UK.
- **Gross margin** was stable at 24% as some pricing action to protect volumes was offset through cost efficiencies.
- **Operating expenses** as a percentage of revenue decreased by 20bps to 18.6% with operating leverage and cost efficiencies offsetting continued labour inflation.
- Group **trading profit** increased by 8.1% (6.9% in CC) to R6.8bn. Trading margins improved
- **Europe** (42.1% of group trading profit) continued to be the growth leader within the group. Eastern and Southern regions grew faster than their Western counterparts with Poland and Italy being the standout performers. Revenue increased 13.3% (7.6% in CC) with trading profit increasing 18.2%(11.7% in CC). Margins continued to improve, increasing 30bps to 5.9%.
- **Emerging Markets** (15.6% of group trading profit) saw mixed performances with Latin America and Africa excelling with the Middle East and the majority of Asia seeing a challenging operating environment. Revenue increased 3% (4.1% in CC)

slightly by 10bps to 5.4%.

- **HEPS** increased 8.5% to 1325.2cps with a dividend per share of 615cps, increasing 9.8%y-o-y.
- **Free cash flow** was neutral for H1, compared to negative R2.6bn the prior year due to lower absorption on working capital as well as reduced capital expenditure and lower acquisitions.
- The group's **balance sheet remains strong** and conservative, with net debt to EBITDA of 0.5x – well below the group threshold of 2.5x.

Regional performance

- **Australasia** (25.5% of group trading profit) continues to face challenging market conditions. The division saw revenue decrease 0.3% (increasing 4.5% in CC) with trading profit decreasing 4.6% (0,1% in CC). While trading profit margin remains the highest within the group, it decreased 30bps to 7.4%. Q2 saw a margin recovery after a tough Q1, management expect this trend to continue with trading conditions likely bottomed.
- The **UK** (18.6% of group trading profit) delivered a solid performance in a weak environment. Revenue increased 6.4% (5.8% in CC) with growth being led by Fresh, which was supported by an acquisition. Trading profit increased 9.8% (9.2% in CC), with margin improving 10bps to 3.5%. Margin expansion was achieved despite the tough operating environment where pricing strategies were implemented to protect volumes.

with trading profit increasing 5% (5.2% in CC) and margin improving 10bps to 5.8%. Africa saw double digit revenue growth with Latin America seeing solid margin gains despite political and macro volatility. Mainland China and Hong Kong continue to see weak consumer demand with margin pressure coming from competition and consumer downtrading.

Looking ahead

Management reported a solid start to the year. January trading was in line with expectations despite a colder-than-normal winter in the northern hemisphere, while February is tracking ahead of 2025 in constant currency.

Food inflation remains subdued but stable and manageable. Margins are being well controlled, although labour costs continue to be influenced by government policies.

Management noted that a meaningful increase in acquisition activity is unlikely in the near term, as valuations remain elevated and misaligned with current economic conditions.

Pricing actions over the past year have enabled Bidcorp to defend market share. With food inflation appearing to have bottomed and some regions beginning to see an uptick, the group is well positioned to sustain growth going forward.

While currency headwinds are likely to persist in the short term, at a forward P/E of 14.8 the company looks attractive.

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