Chief executive officer's report

At Bidcorp we have never pretended to know how COVID would impact our businesses and our results.

After all we endured in 2020, when many thought things could not possibly get any worse, this year they promptly did. And outbreaks, restrictions, and lockdowns became even more unpredictable, sudden, and sporadic.

In 2021 we had very limited ability to predict when, where, and to what extent the pandemic would hit our markets but we always knew that wherever we operate, we had the right men and women, with the right attitude and skills. We knew the people of Bidcorp had what it took to get the job done, to constantly adapt, and to keep delivering for their customers and to look after their teams.

Bidcorp's customers were among the worst affected businesses anywhere in the world. Hotels, restaurants, caterers, events airlines and the cruise industry all saw their activities either severely and repeatedly interrupted or brought to a complete standstill. And there were very few people gathering for leisure and sports events. But our people kept sourcing, kept delivering and, when things improved (often suddenly and dramatically), they were there to immediately help their customers take full advantage of every upturn.

The performance of all our people across 35 countries was nothing short of phenomenal. The stories of their achievements are so numerous and so varied that I simply couldn't do justice to even a minority of these in the divisional overviews I traditionally include in this message. So I leave just some of that detail to other parts of this report (see Divisional reviews pages 46 – 71).

More than in any other year, in 2021 when COVID was a daunting fact of life in every one of the 12 months, the strength of our local teams showed just how resilient our decentralised model of empowered, entrepreneurial local management structures really was. It might be a cliché given the nature of our business but it's true that they all, more than ever, really delivered the goods.

Make no mistake, soldiering on under these circumstances was not easy – especially as only a small minority of employees could work remotely. But, day after day, they all kept treading the same straightforward path we have always followed.

It was thanks to our global team that we ended the year in remarkably good shape with an exceptionally strong balance sheet, our powder dry and our systems, supply chains, our reputation and relationships all in great shape.

> The strength of our local teams showed just how resilient our decentralised model of empowered, entrepreneurial local management structures really was.

Whilst saluting everyone who works for Bidcorp, wherever they are, I must also acknowledge the consistent, inspirational leadership provided by our executives in-country and at head office. Most of these individuals have many years of service in our group and so, when they told their teams that we were slowly but surely moving towards the light at the end of the tunnel, their teams believed them.

It was vitally important to keep our people believing because it is literally the people element that sets us apart – as we saw so vividly this year. And it is our people who will take us to the next level. We don't want our staff being distracted by new buzzwords and paradigm shifts and having to adjust to more complex ways of doing what they've always done extremely well. So we are determined to keep simplifying our business. We know what works. We will keep embedding technology into our business's DNA – to make what our people do simpler and better. And to make our customers' experience simpler and better. Which means efficiencies and savings for us and for them. Despite all that we underwent in the recent past, we keep advancing and enriching our tech agenda.

Our chairman, Stephen Koseff, in his report, has mentioned how keeping our people safe from COVID was our top priority. As we deeply mourn the seven employees we lost this year to the virus, I'm satisfied that we did everything we possibly could to keep our workplaces and our people safe. It is one of my greatest hopes as CEO to be able to report zero COVID-related deaths among our workforce.

One measure of the value we put on our human capital is that we ended the 2021 financial year with a head count only 4% below that of 12 months earlier – while sales volumes fell by 5%. Once again, we trimmed the fat but not the muscle.

One illustration of our teams' resilience which I would like to mention concerns the disturbing July 2021 civil unrest in South Africa. During the turmoil, our Cornubia site outside Durban was looted and badly damaged while two Crown Food Group retail factory marts were also vandalised. However, thanks to the concerted action of our teams in KwaZulu-Natal and the heartening support received from local communities, all three affected operations were up and running after only a week.

Just part of our success this year was derived from our deliberate shift in focus to the correct customer segments and continued towards our "sweet spot" in the middle of the market. In doing so, we played the pandemic to our advantage by getting closer to both our customers and our suppliers. In time this will mean more sustainable, mutually beneficial business relationships for us all. We also managed to maintain gross margins at the same time that we effectively kept a lid on expenses – which declined by 13,4% – by no means out of kilter with our revenue decline. And we consistently generated strong cash flows.

Another area of good progress was the growth in our value-add light manufactured offering. This is an area which allows us to achieve more predictable revenues at acceptable margins and with fairly limited investment. On the subject of investments, in the year we did not execute any significant acquisitions but we remain alert to opportunities. Likewise, capital expenditure was below historical levels.

The single biggest disappointment of the year was the fraud we uncovered at the Miumi division of our Angliss Greater China business. We were doubly disappointed that trust had been betrayed in such a cynical and protracted fashion and that we had not uncovered this criminal activity sooner. We took decisive action though, and are confident that many valuable lessons have been learnt, controls tightened, and all the downside accounted for.

Appreciation

I need to express my heartfelt thanks and congratulations to each and every one of our nearly 23 000 employees for their exceptional sacrifices and hard work in the past year.

I am sure that their more than 320 000 customers appreciate their commitment as much as I do.

My thanks also go to our chairman, Stephen Koseff, and the board for their unwavering support in a very difficult year.

Outlook

I have no doubt that 2022 will be another abnormal year although I have no intention of attempting to forecast when, where, or how that will transpire.

From what we've repeatedly seen this past year, consumers' appetite for out-of-home dining, socialising, and leisure travel remains as strong as ever – quite possibly even stronger. Inevitably, our customers' fortunes will rebound (as I said, often sharply and rapidly) and so will ours. In September, constant currency group sales were 98% of September 2019 levels and 117% of September 2020 sales with the UK and Europe gathering momentum.

We hope that relaxed travel restrictions will make it possible for us to better investigate opportunities for meaningful acquisitions – of which there is likely to be a growing number, particularly in developing markets. Although we have almost zero debt and significant headroom, our investment practices will likely be limited to smaller, bolt-on acquisitions and investing in organic growth such as property, plant and equipment.

Somewhat clouding our outlook are emerging signs of food and cost inflation, growing labour scarcities in our developed markets, and continuing uncertainty about the strength of global supply chains. But whatever happens in the uncertain months ahead, our group will be well equipped to deal with the upside and any new or continuing headwinds.

Bernard Berson
Chief executive officer