Chief executive officer's report

Bernard Berson

In a world of rapid technological change and intense competition, we know what it takes to survive and grow. We are confident of delivering sustained growth in future years

Our businesses once again delivered very reasonable growth in a challenging environment. Sales growth of 5%, in a very low food inflation environment, and negligible GDP growth in most markets we service, led to an 8% increase in underlying trading profits, an achievement our amazing global team of over 31 000 people can be justifiably proud of.

The constant-currency sales growth recorded this year was almost exclusively organic growth – deriving from the continuing efforts of our people to win market share and getting a greater proportion of customer spend in our basket. This year, acquisitions have accounted for only a small proportion of our revenue growth.

The world in which we operate has been in a very challenging state during the financial year, particularly from March onwards. Markets were volatile, economic growth was lacklustre, and consumer confidence has been patchy. Our people on the ground had to contend with stubborn non-food inflation that included significant fuel and energy cost price hikes following the outbreak of the Iran conflict, steadily rising labour costs, and continued Government imposts on business in many jurisdictions. Despite all this we continued to grow and retain our positive mindset.

Delivering on our promises

In this world of low growth, uncertainty, and change, we chose to focus on that which is within our control. We continue to deliver on what we said we were going to do. We retained our existing customers, and we won over new customers with our exceptional service, our award-winning products, and our strong support. Our teams effectively managed our complex cost base and delivered an all-round exceptional performance.

David, in his chief financial officer's report, makes clear that we continue to be very strongly cash generative. This will remain a Bidcorp hallmark as our capital investment programme moderates over the next few years, however, we remain committed to investing whatever is reasonably necessary to facilitate ongoing future growth.

As much as we stuck to our knitting, our people demonstrated, across the board, their ability to adapt to changing market dynamics and customer requirements.

Technology and sustainability

Technology is evolving at a rapid pace, and we are not just keeping abreast of developments but leading in harnessing the power of IT and, increasingly, AI. We are actively exploring these opportunities, particularly those that make our business more efficient. We are an extremely data rich organisation, and we constantly analyse that data and share the lessons it has to teach us internally.

We are confident that our new future-tech hub in Amsterdam will help us embrace and lead the changes that are – and will be – affecting our sector and the world in general. We have embarked on a significant upgrade to our ecommerce platform (best known in most markets as "*myBidfood*" which has served us well over the past many years) which will be implemented into the new financial year and establishes the leading-edge technological platform for the next few year's journey.

Our ability to adapt to meet new challenges and embrace exciting opportunities includes our journey towards investing in what I call "upward" vertical integration. We are actively growing our ability to extend our offering to our customer base with our Own Brand range and to grow our value-add capability. Our businesses and their leaders are focused on moving their businesses along our foodservice maturity continuum – continuing "the evolution of our revolution".

Another area in which we have matured considerably in recent years is sustainability. We are committed as a group and individual operations to create shared, integrated value for all stakeholders and the environment in which we operate. We have reduced our emissions substantially and have invested large amounts in new, cleaner technologies, including electric vehicles, as they become available and demonstrate their viability, and in energy efficient and environmentally friendlier refrigeration systems. Environmental stewardship and social investment are today part of our DNA and are embedded into how our management teams operate on a daily basis.

Chief executive officer's report continued

Regional highlights

Australasia grew modestly in the year. In Australia, weak consumer sentiment impacted sales growth while the market remained extremely price sensitive and competition intense, nevertheless the business did grow and deliver an all-time record result. New Zealand maintained its substantial recovery on the back of an improved cost base, good sales growth, and new warehouse capacity coming on stream.

United Kingdom returned a very solid performance improvement in an economy that was anything but conducive to growth. Trading profit grew and margins firmed on improved execution against all elements of the management team's strategy. Delivery on the business's structural ability to improve profitability over the medium term remains well on track.

Europe delivered another very strong performance. Our more mature Western European markets, the Netherlands and Belgium, maintained margins despite tougher economic conditions and intense competition. Italy's performance was excellent as prior growth initiatives are starting to deliver. The Eastern European operations all reported pleasing growth thanks to strong execution and market share gains. Spain and Portugal remain as important avenues for future growth.

Emerging Markets displayed exemplary resilience in the face of often volatile economic and socio-political conditions. South Africa, Malaysia, and South America all recorded very strong results. Greater China again battled with weak trading conditions. The Middle East was adversely affected by the outbreak of the Iran war but resumed more normal operations towards the yearend.

Acknowledgements

Our people – across the world – are the real heroes of the strong results that we report. They are committed, creative, entrepreneurial, and devoted to doing things better every day. I thank each and every one of them for their fantastic contribution to our continued success.

I also thank our chairman, Stephen Koseff, and the board for their support and astute strategic guidance.

I would like to acknowledge the outstanding contribution Dick Slootweg has made to the group as CEO of our Netherlands business over the past 21 years. Dick's transition to a new role within our tech innovation hub, and the smooth way he has handed over the reins to his capable successor, Bas Brink, testify to the strength of succession planning we have in place across the group.

Outlook

We are mindful of some shareholders' sentiment that we should be doing more to utilise the strength of our strong balance sheet to build out Bidcorp by investing at scale. As management, we remain alert to these opportunities but are more focused on growing our business responsibly and generally organically, the steady compounder. This year, a few opportunities presented themselves, but our due diligence simply did not convince us that buying into these entities would deliver value to our shareholders. We remain vigilant, constantly on the lookout, for the right opportunities.

In a world of rapid technological change and intense competition, we know what it takes to survive and grow – whatever our markets and constantly changing trends throw at us. We are confident of delivering sustained growth in future years. Our amazing people around the world are up for the challenge and we remain enthused about the future.

Bernard Berson
Chief executive officer