

■ OPINION

DUMISANI NDLOVU: Bidcorp set to cash in on the return of eating out

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Benedicta Tamakloe, a coffee entrepreneur, interacts with a bartender at a restaurant in Accra, Ghana, on February 21 2023. Picture: FRANCIS KOKOROKO/REUTERS

As we begin to look at the Covid-19 pandemic in the rearview mirror, one thing that remains vivid in our memories is the effect of the lockdowns on our freedom of movement and ability to physically interact with others. And what better way is there to catch up with our friends and family than through a hearty meal?

We know eating out is not new. However, with Covid-19 behind us we now see a shift in human behaviour towards the consumption of experiences and fewer consumer goods. This brings us to Bidcorp's relevance to this particular theme and how the counter stands to benefit from the growth in the numbers of those eating out again.

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Once a part of the Bidvest group, Bidcorp was unbundled in 2016. However, by retaining the decentralised management style of the Bidvest group, Bidcorp has been able to operate successfully in multiple geographies across the world.

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In a report published by Business Fortune Insights in August 2022, the global food service industry was estimated to be about \$2.3-trillion (R42.7-trillion) in annual revenue and expected to grow by a compounded annual rate of 10.8% from 2022 to 2029. According to this report, the full-service restaurant segment is expected to lead this growth. Additionally, the return of events, from sporting games to concerts, have and will continue to provide further support.

We also note that management's focus on the right customer mix has begun to yield results, where higher margin independent customers now account for 57% of the group's revenue from 53% in 2018. We believe that Bidcorp's continued effort to optimise the customer portfolio along with its geographic diversity could accelerate its growth, as seen in the recent interim results for the 2023 financial year, where headline earnings per share grew 45.5% to 971.7c.

Broadening distribution infrastructure gives a competitive advantage in food service, providing proximity to the customer, and should further allow the group to improve the execution of its food service strategy across the fresh, frozen, chilled and ambient food categories. This distribution scale, and proximity, also bodes well for market share gains against smaller competitors as the group begins to benefit from economies of scale.

Additional value add through initiatives such as menu redesign and own brand penetration are levers for Bidcorp to further entrench itself into the customer base. We continue to monitor those levers that have the potential to expand profit margins.

While the strategy is clear and visible, risks are not absent. Cost inflation has persisted and remains pronounced in the labour cost line due to a significant displacement of labour, a result of the pandemic. A balanced approach to people retention and cost containment is going to be needed in order to win and retain key accounts. This is particularly more significant for a decentralised management style so as to ensure continued success.

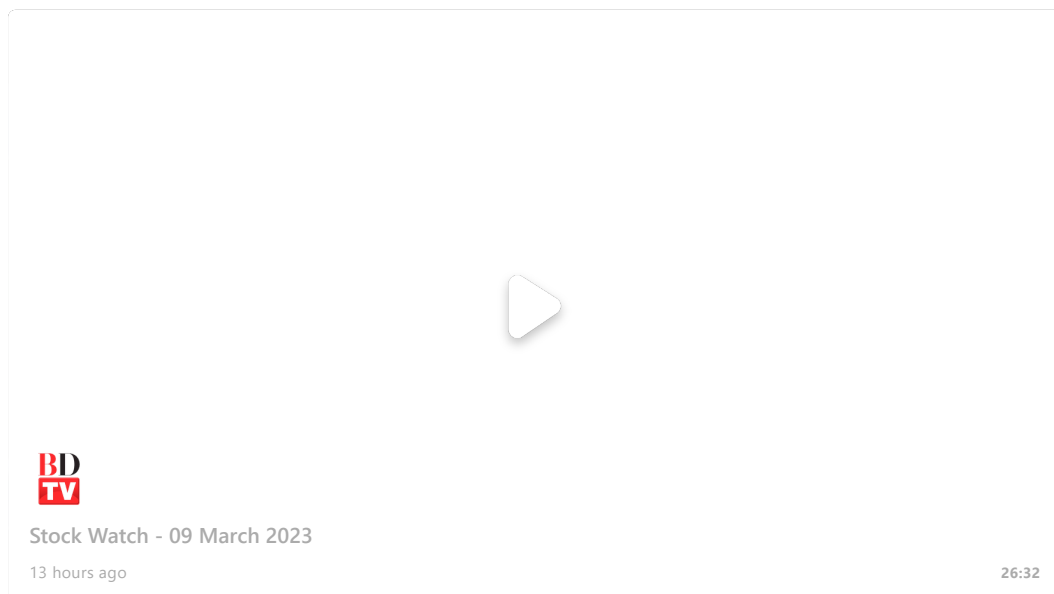
Geopolitical risks remain elevated in the present operating environment, and could have a negative effect on supply chains, which are important when it comes to the sourcing of products.

We believe that Bidcorp is on track to become a leading global food service player that is well placed to benefit from the growth of the global food service industry. The group has built a strong operating base in selective markets where there is still scope for market share gains. The decision to have no exposure to the US is one we think makes the counter more attractive given the intense competition in the US. This could warrant the 15%-18% premium rating we see in Bidcorp's price:earnings multiple relative to that of US peer Sysco.

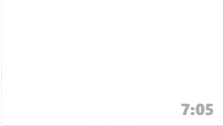


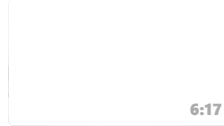






• *Ndlovu is an equity analyst at All Weather Capital.*

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