PSG Wealth

Company Update Report

Bidvest Group Limited

Industrials

Ticker	BVT-ZA
Share price	R237.47
Intrinsic value	R316
Upside/(Downside)	33%
Recommendation	Buy

As at: 17 Apr 2026

Analyst thesis

Our recommendation is based on:

- A better earnings mix underpins Bidvest's (BVT) higher-quality valuation profile, which is increasingly weighted toward essential, service-led and cash-generative activities. Business services contribute the largest share of group trading profit, while the investment case is progressively anchored in cash generation, with improved conversion and FCF strengthening the balance sheet and re-rating.
- The hygiene industry remains its clearest structural growth platform. The company is building scale across multiple geographies, with a presence in 11 countries, while maintaining the number-one position in eight. The Citron acquisition adds North American exposure.
- BVT's decentralised model remains a real competitive advantage. Local management autonomy enables agile execution, while retaining control of returns and cash generation. That approach has been a consistent feature of BVT's operating philosophy and continues to bolster the investment case.
- Our valuation implies an upside, but the path to that value depends on execution. We believe the discount can narrow as BVT sustains stronger cash conversion, deleverages the balance sheet, improves returns, and demonstrates that recent acquisitions can be integrated into a higher-quality earnings base.

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Key highlights

In this report, we review BVT's latest 1H26 performance and the refreshed valuation case.

Financial results at a glance:

- Margins improved despite a challenging trading environment. Revenue increased by 3.7% from R64.4 billion to R66.7 billion, while gross profit rose 5.3% from R17.8 billion to R18.7 billion. Both gross margin and trading margin showed measured improvements, growing from 27.7% to 28.1% and 9.8% to 10.1%, respectively. This demonstrates effective management of pricing, mix and cost recovery, safeguarding profitability amid competitive conditions.
- Cost control remained tight, with expenses indicating a 3.4% increase and like-for-like operating expenses only marginally higher. This allowed modest revenue growth to drive stronger profit growth, reinforcing the margin-defence, self-help investment case.
- Cashflow was the standout feature of 1H26. Despite working capital rising 35.5% to R6.1 billion, cash conversion improved from 44.8% to 69.8%, lifting free cashflow to R3.8 billion, translating earnings into balance-sheet improvements that will ensure future capital flexibility.
- In 1H26, revenue increased by 3.7%, trading profit rose by 6.9% and trading margin improved to 10.1% – showing resilient performance amid a competitive and price-sensitive environment.
- The result was broad-based, with balance-sheet risk remaining manageable, supporting confidence in earnings quality. Trading profit increased across all divisions, reducing reliance on any single business or one-off recovery, while leverage remained contained at 2.2x net debt/EBITDA and interest cover improved from 6.1x to 6.4x. ROFE eased slightly from 37.9% to 37.6% and ROIC eased from 14.4% to 13.4%, reflecting higher capital investment ahead of a recovery in profit growth.

Management's guidance:

Management remains focused on organic growth, stronger cash generation, deleveraging, and improved returns. Hygiene, TIC, hospitality, inbound tourism, Adcock synergies, and automotive adjacencies are expected to support growth, with free cashflow primarily allocated to debt reduction. Material mergers and acquisitions (M&A) will remain limited.

Sector outlook

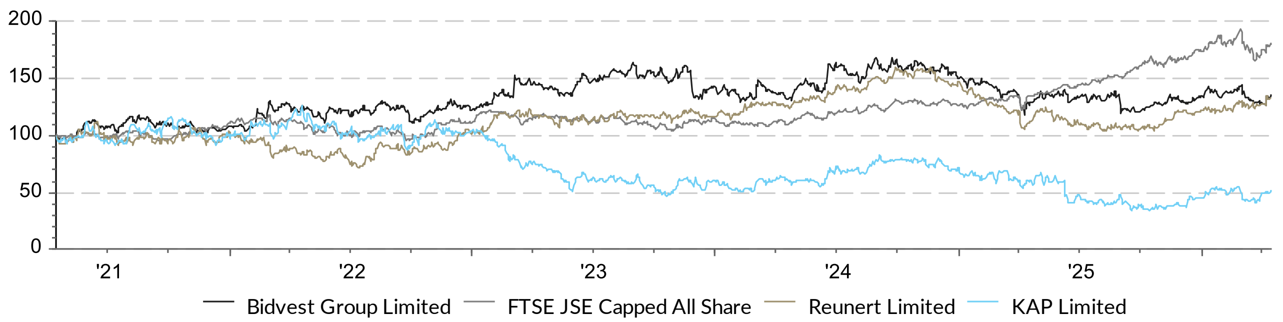
While the macro backdrop improves marginally, BVT's investment case remains predominantly company-specific and execution-driven. Structural growth in hygiene and testing, inspection and certification (TIC) provides underlying earnings resilience, with freight offering cyclical upside linked to port reform and trade volumes. Automotive remains a marginal headwind in a highly competitive, price-sensitive environment.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★☆☆	Expected three-year revenue CAGR is 5.2% and expected three-year EPS CAGR is 11% Medium-term growth is anchored by hygiene, TIC, hospitality/inbound tourism, automotive adjacencies, and selected freight assets rather than a single macro call. Recent acquisitions – especially Citron, WearCheck, DEKRA, and Aquatico – add to the growth runway, while disposals are better viewed as a way of improving focus and capital flexibility rather than as direct growth drivers.
Valuation	★★★★☆	The share price trades at a 33% discount to the IV. Current NTM P:E of 11.6x is trading at a 6% discount to the five-year average P:E of 12.3x.
Dividend	★★★☆☆	LTM dividend yield 4.0%. NTM dividend yield 4.1%.
Issuance	★★★☆☆	Shares issued have increased 0% over the past five years.
Catalyst		North American expansion through Citron acquisition: The acquisition gives Bidvest an entry into the North American hygiene industry, adds scale to its UK operations, and broadens the group's hygiene growth runway. Management describes Citron as Bidvest's first move into North America, with an organic growth opportunity, especially from the smaller US base. Improved South African backdrop: A more supportive SA policy and reform backdrop should help domestic demand across several Bidvest businesses, including travel, workplace services, hygiene, and selected industrial end-markets. Bidvest itself points to reform progress, better policy clarity, and private-sector participation opportunities as supportive of growth. Ports and terminal opportunity: Bidvest Freight's Richards Bay bulk liquid terminal concession and ongoing private-sector participation in ports are relevant as they support long-dated asset growth, higher capacity utilisation and medium-term earnings upside in a core freight business.
Quality of earnings	★★☆☆☆	Five-year average ROE of 17.6%. Five-year average net profit margin of 4.9%. Four of the past 10 years had both positive earnings and growth. Margin gains, cost control, stronger cash conversion, and the growing contribution from business services are improving to pre-COVID levels.
Moat	★★★★☆	Economies of scale: Bidvest benefits from large-scale procurement, distribution and service delivery platforms across more than 250 businesses. This allows it to spread fixed costs, improve purchasing power, and serve customers more efficiently than its smaller competitors. Switching costs: Bidvest's hygiene, facilities management, freight, travel, security, and other business services are often embedded in customers' day-to-day operations, making a change in provider disruptive and supporting customer retention. Local market leadership and brand strength: Bidvest holds leading positions in several fragmented markets, including being the number-one hygiene provider in eight of the 11 countries in which it operates. It is also sub-Saharan Africa's premier private-sector freight operator and one of South Africa's larger motor retailers.
Management and governance	★★★☆☆	Bidvest is led by an experienced executive team. CEO Mpumi Madisa has served on the board since December 2013 and previously held several senior operating and business development roles within the group. Group CFO Mark Steyn joined Bidvest in 1997 and served as CFO of Bidvest Freight and has held his current role since March 2018.
Balance sheet	★★★☆☆	Debt-to-equity ratio of 49.8%. Total debt levels have remained fairly high over the past five years compared to pre-COVID levels. Debt-to-asset ratio of 33.2%.
Risks		Automotive disruption: Chinese brand mix shifts, margin pressure and weaker affordability due to high rates and fuel costs could weigh on vehicle sales and dealer profitability. Infrastructure/logistics: SA rail, port, water, and municipal constraints can disrupt operations and raise costs. Regulation/compliance: Product, environmental and customer-protection regulations can increase compliance costs and operational complexity. Integration risk: Recent acquisitions, especially Citron, need to deliver expected synergies, cash conversion and returns. Funding and currency risk: A meaningful share of net debt is held offshore, meaning reported debt and finance costs are exposed to rand weakness.

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



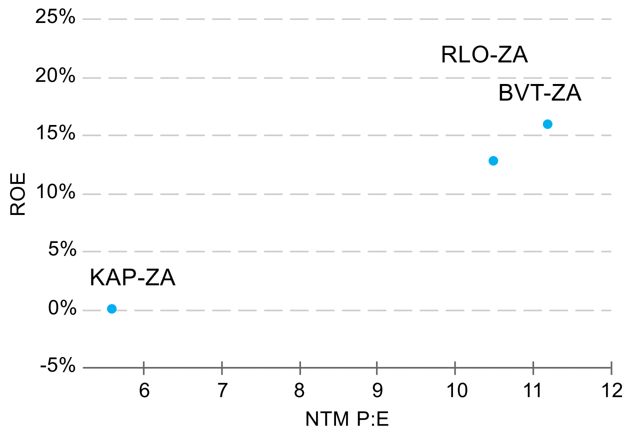
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
BVT-ZA	0.8%	5.2%	-3.0%	8.3%	5.2%	1.0%	-5.6%	36.3%	144.2%
KAP-ZA	16.1%	9.3%	-4.3%	51.7%	-13.9%	-18.3%	-30.1%	-48.0%	-64.8%
RLO-ZA	9.5%	4.8%	10.1%	24.3%	20.3%	5.5%	14.3%	33.7%	-2.1%
JSE All Share	3.2%	4.6%	-1.1%	7.6%	33.6%	60.4%	51.9%	79.8%	120.6%

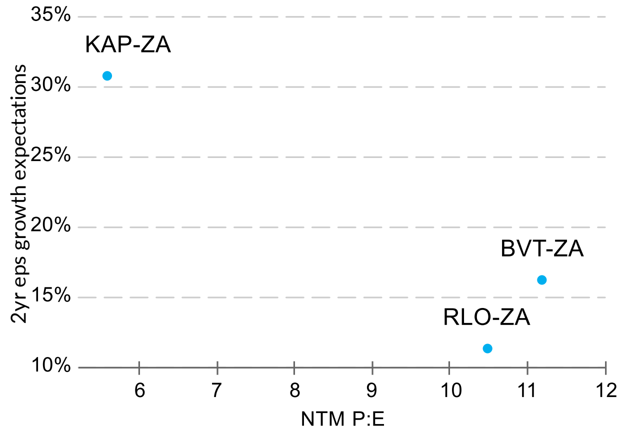
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y CAGR forecast



Source: FactSet

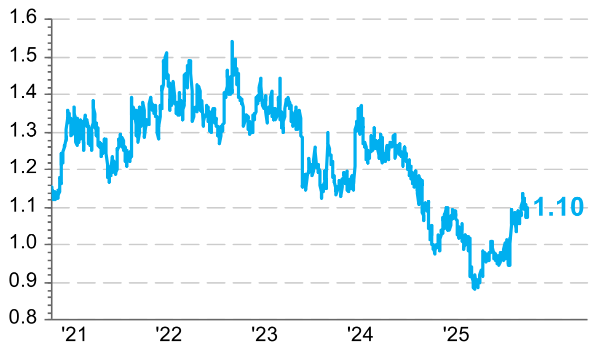
Valuation

BVT valuation is derived from a DCF framework, with a terminal value based on an EV/EBITDA exit multiple. The model incorporates assumptions on profitability, working capital investment, capex, and cash conversion, with projected cash flows discounted at group WACC. Bear, base and bull scenarios with probability weightings yield the intrinsic value.

Table 3: Valuation summary

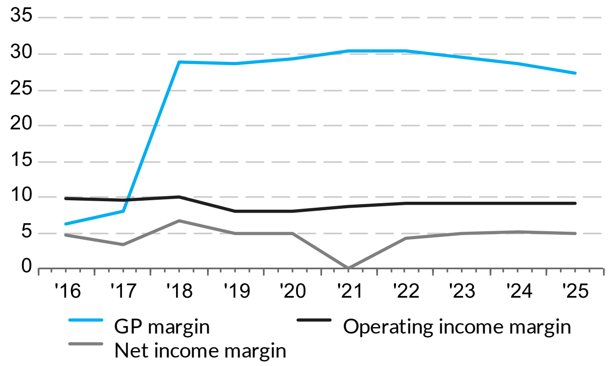
Valuation Probabilities			
	Bear	Base	Bull
EV/EBITDA Multiple	6.5x	8.0x	9.5x
Probability	15%	70%	15%
Share price	R255	R316	R377
Weighted intrinsic value			**R316**
Upside/(Downside)			**33%**

Graph 4: NTM P:E relative to benchmark



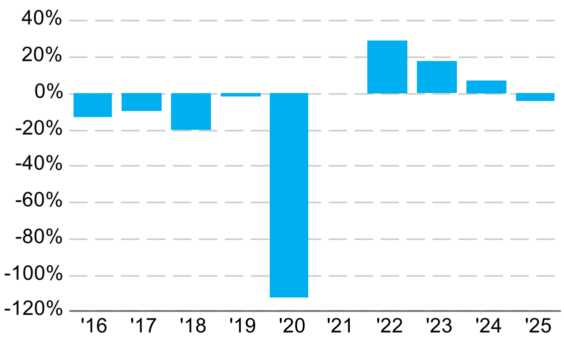
Source: FactSet

Graph 5: Profit margins (%)



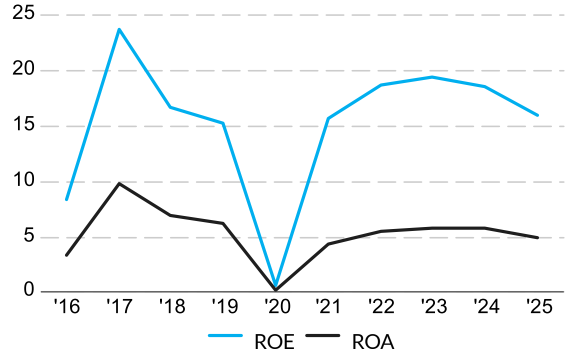
Source: FactSet

Graph 6: 10Y EPS year-on-year change



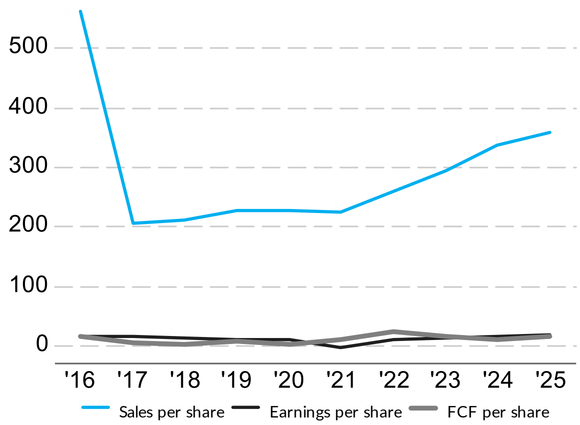
Source: FactSet

Graph 7: ROE and ROA (%)



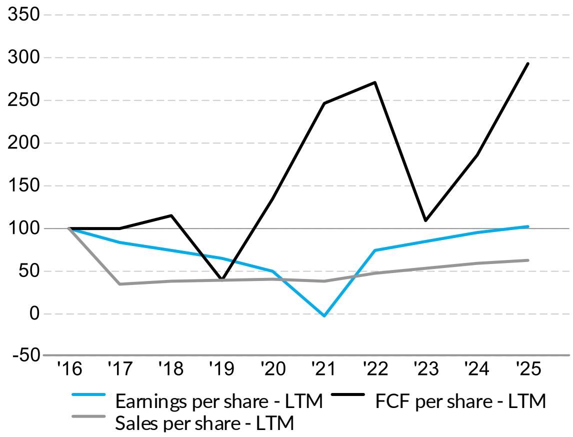
Source: FactSet

Graph 8: Sales, earnings, and FCF per share (ZAR)



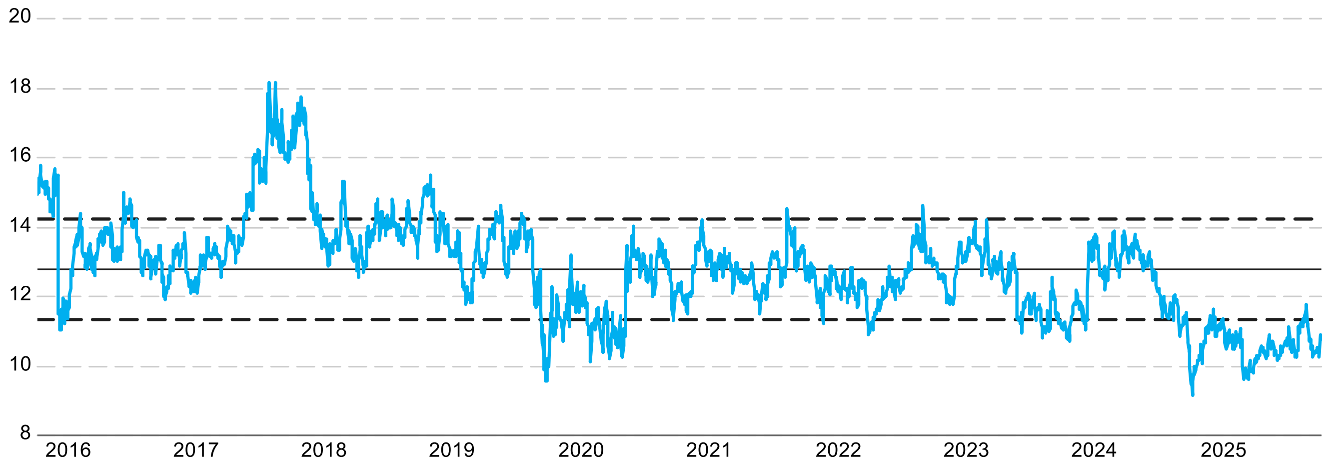
Source: FactSet

Graph 9: Sales, earnings, and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E



Source: FactSet

Table 4: Financials and ratios

Income Statement (Rmn)	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	88 315	99 929	114 912	120 708	126 605	5%	8%	11%
Cost of Sales	61 140	69 966	81 570	87 590	91 540	5%	9%	12%
Gross Income	27 175	29 963	33 341	33 118	35 065	6%	5%	8%
EBIT	7 160	9 271	10 576	11 091	10 731	-4%	5%	31%
EBITDA	9 591	11 369	13 212	15 148	13 901	-8%	7%	15%
Net Income	4 119	5 447	6 366	6 550	6 259	-4%	5%	70%
EPS (ZAR)	11.3	14.9	17.6	18.7	17.9	-5%	6%	169%
Balance sheet (Rmn)	**Jun 21**	**Jun 22**	**Jun 23**	**Jun 24**	**Jun 25**	**1Y Growth**	**3Y CAGR**	**5Y CAGR**
Total Assets	86 400	96 016	107 509	112 582	124 590	11%	9%	6%
Total Liabilities	28 791	31 875	36 332	38 532	41 415	7%	9%	9%
Total Equity	57 609	64 141	71 177	74 049	83 176	12%	9%	5%
Ratios	**Jun 21**	**Jun 22**	**Jun 23**	**Jun 24**	**Jun 25**	**5Y Avg**		
Net debt/EBITDA	2.21	2.02	2.21	2.35	2.47	2.25		
Interest coverage	4.6	4.7	4.2	4.2	3.8	4.3		
Debt/assets	38.8	39.0	38.1	39.7	35.7	38%		

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
BVT-ZA	Bidvest Group Limited
CAGR	Compounded annual growth rate
CMH-ZA	Combined Motor Holdings Limited
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FCF	Free cash flow
FCFF	Free Cash Flow to the Firm
FY	Financial year
LTM	Last twelve months (also known as trailing)
M	Month
MTD	Month-to-date
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
ROA	Return on assets
ROE	Return on equity
SPG-ZA	Super Group Limited
TIC	Testing, Inspection and Certification
WACC	Weighted Average Cost of Capital
YoY	Year-on-year
YTD	Year-to-date
ZAR/R	South African Rand

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House view guidance: House view guidance is indicative only. Each client's circumstances are different, and it remains critical that indicative guidance is discussed with your portfolio manager or financial adviser.

Date and share price: The date the report was reviewed and approved by the portfolio committee is likely to precede the release date and price on the report.

*Share price as at closing.

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