MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Baa2 global scale rating to Bidvest and recalibrates NSR to Aa1.za; negative outlook due to proposed unbundling

Global Credit Research - 11 May 2016

Johannesburg, May 11, 2016 -- Moody's Investors Service today assigned Baa2 local currency global scale long-term and Prime-2 (P-2) short-term issuer ratings to The Bidvest Group Limited (Bidvest) and recalibrated the national scale long-term issuer ratings to Aa1.za from A1.za and affirmed the P-1.za short term national scale rating. The outlook on the ratings is negative due to the proposed unbundling.

Today's action follows the publication of Moody's updated methodology "Mapping National Scale Ratings from Global Scale Ratings"

https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_189032 .

Moody's repositioned Bidvest's national scale ratings (NSRs) in conjunction with the recalibration of the South African national rating scale mapping table. In addition, Moody's has for the first time published Bidvest's global scale ratings (GSRs).

RATINGS RATIONALE

Today's assignment of Baa2/P-2 local currency global scale issuer ratings to Bidvest reflects the group's (1) strong operational and financial profile; (2) diversified sources of revenue across a range of businesses; (3) solid international footprint with a focus on Southern Africa, the UK and Europe, with an expanding presence in Asia, Australia, New Zealand, Middle East and Latin America; (4) history of low financial debt leverage, with healthy interest cover and good cash flow generation in the context of the high volume, low margin nature of many of its activities; and (5) experienced management team with a successful track record of organic growth and growth through acquisitions, which have been effectively integrated into the Bidvest network where appropriate while being managed on a decentralized basis.

The rating is mainly constrained by (1) weak business and consumer sentiment in South Africa (Baa2 negative); (2) the group's vulnerability to weaker trade flows arising from global recessionary pressures that can erode margins and Bidvest's ability to generate cash flow; and (3) event risk from debt-financed acquisitions that may overstretch current leverage levels. The ratings also consider the group's exposure to South Africa and the rating linkage to the South African government bond rating of Baa2 (negative).

RATIONALE FOR NEGATIVE OUTLOOK

The negative outlook reflects the potential credit implications from the proposed unbundling of Bidvest's Foodservices businesses, which if approved by shareholders on the 16 May 2016 (over 75% required) would become effective on 30 May 2016 and could impact Bidvest's rating position.

A full analysis will be conducted once more finalised information is made available. Our assessment will focus on Bidvest's (1) business profile; (2) geographic and product diversification; (3) credit metrics and financial policies; and (4) overall capital structure and liquidity profile.

NSR METHODOLOGY

NSRs are assigned by applying the published correspondence from GSRs. Where a single GSR maps to multiple NSRs, rating committees assigned higher or lower NSRs to individual issuers and debts depending on their relative credit position within the same GSR category, using the same methodologies as were used to determine the GSRs themselves.

NSRs, which provide a measure of relative creditworthiness within a single country, are derived from GSRs using country-specific maps. The adoption of a revised correspondence between Moody's GSRs and the South African national scale, and the publication of previously unpublished GSRs, follows the publication of Moody's updated methodology "Mapping National Scale Ratings from Global Scale Ratings" https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_189032 .

To enhance transparency of the meaning of NSRs and to minimize the chances they will be misinterpreted, the updated methodology calls for the publication of an issuer's corresponding GSR whenever Moody's publishes an issuer's NSR. This has long been Moody's common practice. However, Moody's is now publishing for the first time the GSRs of several issuers that previously only had public NSRs. For more information, please see "Moody's publishes updated methodology for national scale ratings"

https://www.moodys.com/research/--PR_348579

As the number of fundamental issuers in South Africa rated by Moody's is below 60, the new map has been designed using the standard approach, whereby the map design is selected from a set of standard maps based upon the anchor point, or the lowest GSR that can map to a Aaa.za. Structured finance ratings are not taken into consideration in the determination of the map design. Per the standard approach, South Africa's anchor point is being lowered to Baa2, which is equal to the sovereign bond rating, from the previous level of A1. In addition, in order to clarify the meaning of NSRs, overlap -- where two GSRs can correspond to the same NSR -- has been eliminated from the South African national scale map, so every NSR now maps back to just one GSR. However, all GSRs from Baa2 to B3 will map to two ratings on the national scale, ensuring adequate opportunities for credit differentiation even where at the GSRs of Baa2 and Baa3, where ratings concentrations are highest. As a result of these changes, GSRs of Ba2 and above will correspond to higher NSRs on the South African scale than they did previously, in some cases considerably so, while GSRs of B2 to Caa1 will correspond to lower NSRs.

Consequently, approximately 90% of South African fundamental (Corporates, Banking, Insurance and Sub-Sovereign) issuer's primary long-term NSRs are being repositioned an average of 2.7 notches higher. However, some ratings will rise by as much as 5 notches. Certain short-term and other NSRs may be affected for these and other issuers as well. A very small number of fundamental and structured NSRs are being repositioned one to three notches lower. The repositioned NSRs of individual issuers do not signify a change in credit risk, since the GSRs for these issuers remain unchanged.

As a result of the recalibration, the level of risk associated with a particular South African NSR level (e.g. Aa2.za) has changed in many cases. NSRs have no inherent absolute meaning in terms of default risk or expected loss; they are ordinal rankings of creditworthiness relative to other domestic issuers within a given country. A historical probability of default and/or expected loss consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. However, both the probability of default and the expected loss of an NSR may change if and when a country's national scale is remapped.

The NSRs would face upward or downward pressure if their corresponding GSRs are upgraded or downgraded, unless this is in conjunction with a sovereign rating action that results in another recalibration of the South African national scale with an offsetting impact on NSRs. In addition, the NSRs may be repositioned upwards (downwards) if South Africa's sovereign is downgraded (upgraded) and the map is revised accordingly, but the corresponding GSRs have not changed as a result of the sovereign action. Because of the higher granularity of national scales, NSRs may also face pressure due to changes in creditworthiness that are not sufficient to cause a change in the corresponding GSR, measured using the same methodologies used to determine the GSR.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Business and Consumer Service Industry published in December 2014. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in May 2016 entitled "Mapping National Scale Ratings from Global Scale Ratings". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see

https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_189530

Founded in 1988 and based in Johannesburg, South Africa, Bidvest is a service, trading and distribution company with operations in Southern Africa, Europe, Asia Pacific, Latin America and the Middle East. Its businesses operate within four divisions: Bidvest Foodservice, Bidvest South Africa, Bidvest Namibia (fishing, freight, food and industrial/ commercial services) and Bidvest Corporate (properties and corporate services). Furthermore, the Bidvest South Africa division is split into 7 segments with activities covering: outsourced and freight services; automotive retailing; financial services; commercial and industrial products; and travel. For the 12 month period through 31 December 2015, the group reported revenue of ZAR192.9 billion ($15.2 billion) and adjusted EBITDA of ZAR14.7 billion ($1.1 billion) with adjusted total assets of ZAR111.6billion ($8.8 billion).

REGULATORY DISCLOSURES

The rating for MDY: 821785765, NSR LT Issuer Rating, ISSUER RATING, ZAR of Bidvest Group Limited, The was initially assigned on 02 Dec 2009 and the last Credit Rating Action was taken on 07 Nov 2014.

The rating for MDY: 821785765, NSR ST Issuer Rating, ISSUER RATING, ZAR of Bidvest Group Limited, The was initially assigned on 24 Mar 2010 and the last Credit Rating Action was taken on 07 Nov 2014.

Only credit rating actions issued by Moody's Investors Service South Africa (Pty) Ltd are considered for the purpose of this disclosure.

Please see the ratings tab on the issuer page on www.moodys.com for additional rating history details. The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Moody's considers a rated entity or its agent(s) to be participating when it maintains an overall relationship with Moody's. On this basis, these rated entities or their agent(s) are considered to be participating entities. The rated entities or their agent(s) generally provide Moody's with information for the purposes of their ratings process.

Affirmation: An Affirmation is a public statement that the current Credit Rating assigned to an issuer or debt obligation, which is not currently under review, continues to be appropriately positioned.

Baseline Credit Assessment (BCA): Baseline credit assessments (BCAs) are opinions of issuers' standalone intrinsic strength, absent any extraordinary support from an affiliate or a government. Baseline Credit Assessments are not Credit Ratings.

Capital Expenditures, or Capex: This includes gross expenditures for property, plant and equipment and intangible assets.

Confirmation: A Confirmation is a public statement that a previously announced review of a rating has been completed without a change to the rating.

Corporate Family Rating: Moody's Corporate Family Ratings (CFRs) are long-term ratings that reflect the likelihood of a default on a corporate family's contractually promised payments and the expected financial loss suffered in the event of default. A CFR is assigned to a corporate family as if it had a single class of debt and a single consolidated legal entity structure.

Credit Rating: A Credit Rating is an opinion from Moody's Investors Service (MIS) regarding the creditworthiness of an entity, a debt or financial obligation, debt security, preferred share or other financial instrument, or of an issuer of such a debt or financial obligation, debt security, preferred share or other financial instrument, issued using an established and defined ranking system of rating categories.

Debt: Long term debt (including liability for capital leases) plus short term debt plus current portion of long term debt. May also be adjusted to include other long term obligations, such as leases and pensions.

Default Dependence: Default dependence reflects the joint susceptibility of a Government-Related Issuer and its supporting government to adverse circumstances that simultaneously move them closer to default. Default dependence is reflected as one of four levels: low (30%), moderate (50%), high (70%) and very high (90%).

EBIT: Pre-tax income plus interest

EBITA: EBIT plus amortisation of intangible assets. EBITA and EBITDA may be used as an indication of earnings available to service debt and capital expenses.

EBITDA: EBIT plus depreciation plus amortisation of intangible assets. EBITA and EBITDA may be used as an indication of earnings available to service debt and capital expenses.

Extraordinary Support: Extraordinary support is defined as action taken by a supporting government to prevent a default by a regional or local government (RLG) or a Government-Related Issuer (GRI) and can take different forms, ranging from a formal guarantee to direct cash infusions to facilitating negotiations with lenders to enhance access to needed financing. Support is categorized into five ranges: low (0% - 30%), moderate (31% - 50%), strong (51% - 70%), high (71% - 90%) and very high (91% - 100%).

Free Cash Flow (FCF): Cash flow from operations, less capital expenditures and dividends.

Funds from Operations (FFO): Cash flow from operations before changes in working capital and changes in other short term and long term operating assets and liabilities.

Global Scale Long Term Credit Rating: Long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default.

Global Scale Ratings: Ratings assigned on Moody's global long-term and short-term rating scales are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles, and public sector entities.

Global Scale Short Term Credit Rating: Short-term ratings are assigned to obligations with an original maturity of thirteen months or less and reflect the likelihood of a default on contractually promised payments.

GRI (Government-Related Issuer): GRI is an entity with full or partial government ownership or control, a special charter, or a public policy mandate from the national, regional or local government. Moody's generally uses 20% as the minimum government ownership level before considering an issuer to be a GRI.

Interest Burden: The ratio of interest payments to operating revenue.

Issuer: The term Issuer means any entity by which a Security has been issued, guaranteed, or by which the credit underlying a Security has been otherwise supported. The term Issuer also includes the corporate parent or majority-owned subsidiary of an Issuer.

Issuer Rating: Issuer Ratings are opinions of the ability of entities to honor senior unsecured financial counterparty obligations and contracts.

Moody's Financial Adjustments, or "Adjustments" or "as-Adjusted" statistics: Moody's adjusts financial statements to better reflect the underlying economics of transactions and events and to improve the comparability of financial statements. Moody's computes credit-relevant ratios using adjusted data and base our debt ratings, in part, on those ratios.

National Scale Long Term Rating: Moody's long-term National Scale Ratings (NSRs) are opinions of the relative creditworthiness of issuers and financial obligations within a particular country. NSRs are not designed to be compared among countries; rather, they address relative credit risk within a given country.

National Scale Short Term Rating: Moody's short-term NSRs are opinions of the ability of issuers in a given country, relative to other domestic issuers, to repay debt obligations that have an original maturity not exceeding one year. Shortterm NSRs in one country should not be compared with short-term NSRs in another country, or with Moody's global ratings.

Net Debt: Debt, less cash and cash-like current assets on the balance sheet.

Net Direct or Indirect Debt: Net Direct and Indirect Debt is a broad measure of the stock of debt, capturing debt instruments issued by a sub-sovereign government and other debt for which the government may become responsible. Net direct and indirect debt is calculated by subtracting, from total direct and indirect debt, financial assets dedicated to debt retirement, such as sinking fund assets, and any debt related to guarantees and government-majority-owned enterprises deemed to be financially self-supporting.

Operating Expenditures: Recurrent spending needed to support core operations. For regional and local governments, this would include wages, supplies or costs of public services. For corporations, this would include the costs of goods sold and general and administrative expenses.

Operating Margin: The ratio of operating revenue less operating expenditures over operating revenue, which measures the issuer's ability to contain operating expenditures below operating revenues.

Operating Revenue: For regional and local governments, this represents recurrent income such as taxes and central government transfers, used for government's core operations. For corporations, this represents income received from the sale of goods and services.

Outlook: An Outlook is an opinion regarding the likely direction of an issuer's rating over the medium term.

Rating Outlook: A Moody's rating outlook is an opinion regarding the likely rating direction over the medium term. Rating outlooks fall into four categories: Positive (POS), Negative (NEG), Stable (STA), and Developing (DEV). Outlooks may be assigned at the issuer level or at the rating level.

Rating Review: A rating review indicates that a rating is under consideration for a change in the near term. A rating can be placed on review for upgrade (UPG), downgrade (DNG), or more rarely with direction uncertain (UNC). A review may end with a rating being upgraded, downgraded, or confirmed without a change to he rating. Ratings on review are said to be on Moody's "Watchlist" or "On Watch".

Retained Cash Flow (RCF): Funds from operations less common dividends, preferred dividends and minority dividends

Short-term Debt: The short-term debt includes debt instruments with a maturity of less than one year and the current portion of long-term borrowings.

Withdrawn: When Moody's no longer rates an obligation on which it previously maintained a rating, the symbol WR is employed.

For further information on these definitions or on Moody's ratings symbols, please consult the Rating Symbols and Definitions document on www.moodys.com

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Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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