Bidvest Posts Headline Earnings per Share Growth of 10,1% for Year to June 2008

Monday, 1 September 2008

Bidvest's headline earnings per share rise 10,1% for year to June 2008 For 19 consecutive years, 24% compound growth in headline earnings per share has been achieved.

HIGHLIGHTS

- Operating profit up 18,8% to R5,3 billion
- Trading profit up by 17,3%
- Revenue grows by 15,5% to R110,5 billion
- Headline earnings per share increases by 10,1% to 1068,0 cents
- Basic earnings per share up 19,3% to 1073,0 cents
- Distribution per share rises 10,9% to 495,0 cents
- Trading margin eases up to 4,8%
- Challenging trading conditions underline benefits of decentralised model
- Balance sheet remains strong with Bidvest still on a growth platform
- Good contributions from Bidserv, Bidfreight, Bidvest Asia Pacific and Bidfood

Trading Update

OVERVIEW

Bidvest CE Brian Joffe today announced "satisfactory trading results" for the year to June 30 2008, with a 10,1% increase in headline earnings per share to 1068,0 cents. Joffe noted that Bidvest's non-stop growth continues, with compound growth in headline earnings per share running at 24% per annum for 19 years.

Operating profit of R5,3 billion was 18,8% higher. Trading profit rose 17,3%, with the trading margin easing higher to 4,8% (4,7%). Revenue was up 15,5% to R110,5 billion (R95,7 billion). Performance was driven by market share growth and inflation. Rand weakness was particularly beneficial in the translation of the earnings of Bidvest Asia Pacific. The rand averaged R14,64 against sterling (2007: R13,95). Good contributions were also recorded by Bidserv, Bidfreight and Bidfood.

The South African and UK markets faced particular economic challenges, though higher interest rates, spiralling inflation and lower consumer confidence had limited impact on most operations until late in the year. Joffe said working capital management had been quickly identified as a critical issue. Retail market pressures led to underperformance at Bidpaper Plus and Bid Auto.

Joffe added: "A more challenging business environment showcased the advantages of Bidvest's decentralised business model as our divisions optimised opportunities across various geographies and industries."

Basic earnings per share growth of 19,3% to 1073,0 cents was achieved.

Bidvest continued to trade from a growth platform. Substantial returns on recent infrastructure investments had not been anticipated in 2008, but incremental returns are expected to grow.

Net debt rose to R5,5 billion, though interest rate cover at 5,7 times reflects ample borrowing capacity. Finance charges increased from R566,2 million to R931,0 million. Hardening rates and the global credit crisis highlighted the appropriateness of Bidvest's conservative attitude to debt, said Joffe.

In April, Fitch affirmed Bidvest's a national long-term rating of AA- and a short-term rating of F1. However, the outlook was changed from stable to negative.

Higher debt was driven by capital expansion, the acquisitions of Angliss Asia and increased working capital demands. The first full-year performance by Angliss was ahead of expectations while Viamax became a major contributor to Bid Auto. Staff numbers rose from 104 814 to 106 225 while training investment continued to increase. Joffe said Bidvest had stepped up its focus on sustainability and would strive "to turn 'green' into 'gold' in a manner that delivers profit, efficiency and quality". He said Bidvest's positive attitude to sustainability looked "beyond today's obligations to tomorrow's opportunities".

Bidvest remains acquisitive and a challenging trading environment will create opportunities. With effect from July 1 2007, Bidvest acquired 100% of the Viamax vehicle management and leasing business for R961,1 million. Viamax contributed R544,4 million to revenue and R203,8 million to the Group's trading profit pre funding costs. Subsequent to year-end, Bidvest agreed to sell its interest in Enviroserv Holdings Ltd subject to the successful implementation of a scheme of arrangement.

DISTRIBUTION

The final distribution to shareholders out of share premium, in lieu of a dividend, increased 10,7% to 275,0 cents a share (2007: 248,4 cents a share).

PROSPECTS

Joffe said economic conditions may worsen, but tougher times create opportunities for those that manage well. Bidvest had a record of growth in adverse conditions and will look to leverage its strong balance sheet to fund strategic acquisitions. Closer to 2010, South African businesses would benefit from the 'World Cup effect' while high infrastructure spending should sustain growth. A planned listing of Namibian assets provided "a model for the future development of our interests in various African regions".

Bidvest businesses in UK and Europe face macro-challenges, but were strongly placed while the Australian and New Zealand units would look to grow. Exciting prospects exist in Asia.

The internal focus would fall on incremental returns from recent investments and working capital management. The Group, said Joffe, was "well on track to achieve our 2005 goal of doubling the size of Bidvest by 2010".

DIVISIONAL REVIEW

Bidfreight's revenue of R22,0 billion (R18,8 billion) was up 17,2% while trading profit rose 18,0% to R690,8 million (R585,6 million). Results were driven by high utilisation levels on the back of large import volumes and buoyant commodity exports. High interest rates were positive for Marine Services and freight forwarding. Cyclical factors lifted agricultural volumes.

Island View Storage was buoyed by strong demand for bulk storage and Bulk Connections achieved a 40% increase in throughput. Bidfreight Port Operations grew thanks to higher ferrochrome exports and increased volumes of cement clinker and soya.

Results at Rennies Distribution Services were disappointing. Some warehousing was downscaled.

SACD Freight had a good year despite lower Asian imports and South African Bulk Terminals witnessed exceptional grain volumes. Naval's coal and bagged cereal cargo volumes fell while lower volumes from the DRC and Zimbabwe impacted Manica Africa. Safcor Panalpina achieved good results and Marine Services maintained last year's momentum.

Bidserv recorded pleasing results with a 22,5% increase in revenue - up from R5,2 billion to R6,4 billion. Trading profit of R838,7 million (R660,0 million) was up 27,1%.

National infrastructure expansion was positive and all areas of major operational focus performed well. Prestige consolidated its position as a cleaning industry leader and TMS Industrial Services grew on continued equipment and infrastructure investment. Laundry Services benefited from high hotel occupancy and bigger garment rental volumes. Steiner Group's flagship brand, Steiner Hygiene recorded an acceptable performance as the group expanded its footprint. Range extension underpinned growth at Bidserv Industrial Products. Giant Workwear and Clockwork Clothing performed well. Hotel Amenities and Accessories secured several new contracts.

Top Turf had a good year, completing golf courses in Mauritius and Limpopo. A specialised golf course unit has been set up.

BidAir achieved pleasing results as expanded operations bedded down following the award of a 'super licence' for ground handling services at ACSA airports. Two thousand jobs were created.

In the Security division, the Magnum Shield guarding operation completed a significant turnaround, Vericon performed well, but Provicom failed to meet expectations. Global Payment Technologies reached its targets.

Office Automation performed extremely well. Konica Minolta benefited from high demand for multi-functional devices. Strong demand was evident for Océ printing services.

Bidtravel optimised buoyant conditions and Bidvest Bank and Master Currency traded exceptionally well.

Bidvest Europe achieved 12,4% revenue growth, up from R30,0 billion to R33,7 billion. Trading profit rose 16,1% to R879,8 million (R757,6 million). Gains were achieved despite a rapidly slowing British economy. Economic headwinds took longer to reach Deli XL in the Netherlands and Belgium.

In the UK, 3663 First for Foodservice focused on cost control, synergies and range extension. The most significant new account gain was that of the Gondola Group which operates over 500 UK restaurants.

Consolidation of frozen, fresh, chilled and multi-temperature operations reduced headcount by 300 while facilitating service improvements. Food inflation rose and margin management became key. The Whites aspirational brand was extended and a successful entry into the wine market achieved.

Operations in the Netherlands expanded following two bolt-on acquisitions in the foodservice business and investment in two localised fresh produce suppliers. In Belgium, last year's acquisition of Flanders-based Kruidenier bedded in well. A wider offering across the fresh, ambient and frozen categories was well received. In Dubai, Horeca Trade doubled the size of its business.

Bidvest Asia Pacific recorded exceptional results, with a 63,2% revenue increase to R14,5 billion. Trading profit rose 59,1% to R551,4 million. Results reflect the first full-year contribution of Angliss Hong Kong and Singapore. Rand depreciation against Asia Pacific currencies was beneficial. All jurisdictions grew despite tougher economic conditions, particularly in New Zealand. Substantial food price inflation was well managed.

Revenue at Bidvest Australia rose 17,5% to A$1,4 billion while trading profit moved 24,6% higher to A$55,7 million (A$44,7 million). Growth was achieved by continued focus on range extension, development of the customer-base and geographic expansion.

Bidvest New Zealand's trading rose 17,0% to NZ$16,8 million on revenue of NZ$383,9 million. All businesses performed ahead of budget. The ability to back an extensive foodservice range with high quality fresh produce drove market gains in a market that appears to be in recession.

Angliss Hong Kong achieved trading profit of HK$45,5 million on revenue of HK$1,4 billion, more than doubling budgeted profit. Angliss Singapore achieved trading profit of S$10,7 million off revenue of S$315,6 million. Results benefited from foreign currency gains.

Bidfood's autonomous units, Caterplus, Bidfood Ingredients and Speciality achieved an 18,4% increase in revenue to R4,4 billion while trading profit rose 31,4% to R358,8 million.

Pressure on consumers was negative for out-of-home eating, impacting Caterplus and its restaurant customers. But more in-home eating and emphasis on affordable meal options were beneficial for Bidfood Ingredients and Speciality.

Despite a post-Christmas crisis in the over-traded restaurant sector, Caterplus increased trading profit by 19,4%. Management grew value per drop while broadening the basket of goods. Improved inventory management and timely stock buy-in protected margins.

A solid performance at Speciality saw revenue rise 22,1%. Trading profit rose 28,6%. Relocation to larger premises enabled Johannesburg operations to cope with rising demand and deliver efficiencies. Selected supermarket deployment of field marketers to complement sales representatives drove sales.

Bidfood Ingredients achieved a major turnaround and Crown Foods had an exceptional year. The business benefited from the full-year effect of the 2007 Bidbake restructure. All teams took a back-to-basics approach. Trading profit rose 46,6%.

Bid Industrial and Commercial Products cemented the gains of the previous period. Revenue grew 12,4% off a high base to R9,4 billion (R8,4 billion). Trading profit rose 8,5% to R790,1 million (R728,3 million).

Results reflect prompt response to a more challenging environment. Divisional diversification cushioned some effects of a slowing economy, though margins came under increasing pressure. Rising rates sharpened the asset management and cash utilisation challenge.

Infrastructure spending provided a strategic underpin for electrical supply, though activity fell in the residential sector. Lower copper and steel prices were initially negative, but rebounded.

Voltex teams registered good results in all centres. Voltex Lighting continues to benefit from demand for energy-efficient solutions.

Waltons' new-look stores maintained momentum to counteract the economic slowdown. Kolok was impacted by margin pressure though Dauphin was buoyed by high levels of corporate project activity. The rebranding of CN Business Furniture (formerly Cecil Nurse) delivered continued benefits.

Afcom GE Hudson and Seating responded to competitive pressures through higher imports. Buffalo Executape entrenched its leadership position. Vulcan had a disappointing year.

At Bidpaper Plus trading profit fell to R220,2 million (R226,9 million). Revenue grew 6,2% to R1,9 billion. Bidpaper Plus was impacted by an absence of major cross-border contracts while domestic consumer pressures reduced demand for print, labels and packaging.

The acquisition of Rotolabel supported a growing presence in the labels and packaging industry. The operations of Lithotech Labels and Lithotech Manufacturing were consolidated in Spartan. Growing acceptance of electronic document presentment drove continued growth at Email Connection.

The capital expenditure programme has peaked and operations focus increasingly on deriving advantage from industry-leading technology while imposing stringent controls.

Bid Auto felt the impact of declining business confidence, consumer distress and a year of NCA implementation. Trading profit was 2,6% up at R743,0 million (R724,5 million), though revenue of R18,5 billion (R18,7 billion) was below expectation. The Viamax acquisition enabled the scaling up of McCarthy Fleet Services, which emerged as the major profit contributor. New vehicle sales fell 12,2% to 44 434 units. Most small franchises incurred losses and the insurance division failed to match previous performance. Major franchises delivered good returns despite lower retail activity.

Used vehicle volumes of 42 182 units were at a record high. Burchmores wholesale-to-the-public proposition proved a major success. By year-end Burchmores was the country's largest seller of used vehicles. Auction business was brisk.

The vehicle import and distribution business and the Value Centre/Value Serv networks incurred substantial losses. Initial response to the light commercial vehicles sourced from China was disappointing. The Chery was successfully introduced in May. McCarthy Heavy Equipment increased market share and Yamaha Distributors delivered good returns at lower activity levels. Budget Car and Van Rental had a disappointing year.

Corporate stepped up World Cup commercialisation planning and a minority interest was acquired in MATCH Hospitality AG, a FIFA-appointed hospitality services company. The intrinsic value of the property portfolio continued to rise and new developments for Bid Auto were completed.

Bidvest Namibia, established to consolidate the Group's Namibian interests, is well positioned ahead of its anticipated listing. Namsov performed strongly, reversing first-half losses thanks to better catches and firmer prices. Solid contributions came from the previous assets of the Bid Industrial and Commercial Products and Bidserv divisions.

UK-based Ontime Automotive was impacted by fuel hikes and the exit of volume distribution loss-making contracts. Ontime Parking Solutions won a major tender. Prestige Vehicle Distribution exceeded target.

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