Bidvest Records Headline Earnings per Share Growth of 20,6% for Year to June 2007

Monday, 27 August 2007

Bidvest posts 20,6% rise in headline earnings per share for year to June 2007

Compound growth in headline earnings per share tops 25% per annum for 16 years in succession.

HIGHLIGHTS

- Revenue growth of 23,8% to R95,7 billion
- Trading profit increases by 23,6%
- Headline earnings per share rose by 20,6%
- Trading margin largely stable at 4,7%
- Cash generation and balance sheet remain strong
- Major acquisitions concluded - Angliss in Asia, Viamax in SA.
- Final distribution of 248,4 cents declared
- 'Succession generation' of managers moving into place

OVERVIEW

Bidvest CE Brian Joffe today announced "satisfactory trading results" for the year to June 30 2007, posting an increase in headline earnings per share of 20,6% to 970,0 cents and maintaining the Group's record of uninterrupted growth. For 16 years, compound growth in headline earnings per share has topped 25% per annum.

Trading profit rose 23,6% to R4,5 billion off a largely stable trading margin of 4,7%. Revenue grew 23,8% to R95,7 billion. Performance was driven by organic growth and operational efficiencies.

Earnings reflect good contributions from international operations, notably Australia, backed by strong results from South African businesses.

Rand weakness had a positive effect on the translation of offshore earnings.

Joffe reports that basic earnings per share growth of 12,9% was impacted by the impairment of the Group's interest in Tiger Wheels Limited of R178,3 million. Tiger Wheels Limited was suspended on the JSE after announcing that its ATS subsidiary could not gather support from its funders for continued operations.

Dinatla, Bidvest's empowerment partner, refinanced its investment. Bidvest facilitated the process at a R350 million net cost. The benefit of transaction facilitation is reflected in a 23,2% increase in the diluted headline earnings per share. Joffe notes that cash generation and the balance sheet remain strong, though working capital absorption and significant capital expansion investment made calls on Group funds. Net debt rose to R3,7 billion, though interest cover at eight times reflects significant borrowing capacity.

In May 2007, the Group set up a R4,5 billion domestic medium-term note programme. An initial tranche of R1,5 billion was raised after year-end.

Two major acquisitions were concluded - Angliss and Viamax.

In May, Bidvest bought 100% of Angliss Singapore, Angliss Hong Kong and Angliss China in a $80 million deal funded by debt raised in Australia. Angliss is a leading Asian foodservice business with combined annual sales of more than R2,1 billion. The purchase of Transnet's Viamax fleet management and leasing business was concluded late in the period and implementation is not expected until September 2007. The R974 million deal will be funded from existing Group resources.

Changes have been made to the structures of Bidfood and Bidvest Australasia.

Within Bidfood, the Cateplus management structure has been unified while the ingredient supply businesses have been consolidated. Bidvest Australasia has a new identity (Bidvest Asia Pacific), reflecting its wider geographic scope. Joffe notes that the Group now employs 104 184 people worldwide, up from 93 325 a year ago. Financial numbers alone are not a true representation of the strength of an organization. Bidvest continues to invest in its employees in order to meet the qualitative growth of the human capital in the Group. Across Bidvest a 'succession generation' of managers is moving into senior positions, as transformation and development programmes take hold.

DISTRIBUTION

The final distribution to shareholders out of share premium, in lieu of a dividend, increased 20,0% to 248,4 cents a share (2006: 207,0 cents a share).

PROSPECTS

Joffe says the environment is generally favourable in Bidvest's markets and the 2005 objective of doubling the size of Bidvest in five years remains on track.

Opportunities for sustained growth exist locally though tightening credit conditions and rising inflation create challenges. In Europe, Joffe is confident growth objectives will be met while the Group is poised to pursue major opportunities in Asia. Joffe reports that Bidvest is consolidating its Namibian assets into Bidvest Namibia ahead of a Windhoek listing. Bidvest is committed to the delivery of superior results in 2008.

DIVISIONAL REVIEW

Bidfreight's trading profit rose 11,1% to R596,4 million on a 21,7% increase in revenue to R19,0 billion.

Safcor Panalpina's international clearing and forwarding operations put in a pleasing performance and airfreight operations achieved a succession of throughput records.

South African Bulk Terminals was impacted by lower agricultural export volumes in the first three quarters, though activity picked up substantially toward year-end.

Steel exports fell at Bidfreight Port Operations impacted by the high local demand in the construction sector. Island View Storage benefited from high demand for the storage and handling of bulk liquid products. Bulk Connections is handling more non-coal commodities and recorded strong growth.

SACD Freight continues to benefit from global growth in container traffic. Revenue and trading profit rose above budget. Marine Services performed well and Manica Africa recorded a pleasing improvement.

Slow expansion of ports infrastructure is leading to high utilisation levels.

Bidserv achieved a creditable performance despite strikes in the security and cleaning industries. Growth in tourism, property and petro-chemicals had knock-on benefits for numerous units. Trading profit rose 19,0% to R669,4 million on a 16,2% increase in revenue to R5,4 billion.

Bidserv increased its ownership of Master Currency to 100% in a transaction effective from July 2007 and Hotel Amenities Suppliers (ex-Bidfood) joined Bidserv. TMS bought a small industrial services company.

The cleaning services market remained buoyant while Laundry Services achieved pleasing profits. Investment in infrastructure and consolidation drove continued TMS growth. The Steiner Division also achieved good growth and has opened operations in Mozambique and Botswana.

Industrial Products has built strong momentum. National rollout of G. Fox products has helped this business grow 50% in two years. Malawi-based Giant Clothing put in another strong performance. Green Services had a record year.

Aviation Services enjoyed substantial growth and has become a significant player. The business was awarded a super licence, effective March 2008.

The guarding and electronics security businesses of Bidrisk Solutions were impacted by the aftermath of the strikes. Magnum's results were extremely disappointing.

Global Payment Technologies continues to secure acceptable growth. Pleasing progress at Business Solutions and Group Procurement is expected to continue. Office automation did well and won a major government tender.

Bidtravel had an outstanding year and pleasing performance was recorded at Bidvest Bank.

Bidvest Europe reported disappointing trading profits at its UK foodservice businesses, though operations in continental Europe continued to improve. Revenue was up 35,4% to R30,0 billion and trading profit improved 16,3% to R757,6 million.

Bad debt levels have risen sharply in the UK, a development that resulted in some losses at 3663 First for Foodservice. Energetic action by UK operations resulted in 6% sales growth despite last year's loss of the Ministry of Defence contract. 3663 First for Foodservice won contracts to supply the Compass Group, Hilton hotels and HM Prison Service.

Barton Meat Company is staging a recovery while the frozen, fresh and chilled division recorded another year of sales growth.

Deli XL Netherlands put in a strong performance with a 40% leap in trading profits following significant operational, buying, marketing and sales gains.

Deli XL Belgium has benefited from management changes. Acquisition of the Kruidenier foodservice operation has created an operational base in Flanders and positioned the business as industry leader.

Horeca Trade, the Dubai-based foodservice operation, has doubled the size of its business in 18 months.

Bidvest Asia Pacific traded extremely well, growing rand-converted revenue and trading profit by 36,2% and 58,0% respectively.

The Angliss transaction (effective in May 2007) creates exposure to some of Asia's fastest-growing markets, but resulted in a limited contribution in 2007.

Australian operations made a strong contribution with trading profit up 33,2% to A$44,6 million off revenue growth of 9,0%. Geographical expansion by the three divisions is ongoing, underpinned by strong organic growth. Bidvest Australia now holds an estimated 20% of the national foodservice market.

Bidvest New Zealand grew trading profit (in local currency) by 23,3%. Revenue rose 19,3%. Results reflect the full-year effect of a successful restructure. Crean, the core foodservice business, is now complemented by a fast-growing fresh produce division supported by a focused logistics operation.

At Angliss, local management is pursuing synergies across the Singapore and Hong Kong businesses.

Bidfood revenue rose 15,0% to R3,8 billion and trading profit increased 6,1% to R279,8 million. Bidfood now comprises three focused divisions: Caterplus, Speciality and Bidfood Ingredients.

Caterplus benefited from a buoyant hospitality sector and achieved pleasing results. Two distinct cultures were aligned, enabling Caterplus to aggressively compete for market share. The business increasingly complements the penetration of large national accounts with strong gains among smaller customers.

Bidfood Ingredients became operational in April 2007. It houses all food ingredient businesses in a single structure, creating cross-selling opportunities, potential for supply synergies and increased focus on product development. Corrective action and a back-to-basics approach are expected to drive improved results.

Another strong performance was registered at Speciality, with revenue growth of 29,1%. Trading profit rose 29,3%. Largely stable exchange rates were beneficial for Speciality Foods. Opportunities for expansion into Namibia and Mpumalanga will be explored.

Bid Industrial and Commercial Products achieved pleasing growth. Trading profit rose 48,9%. Revenue increased 24,2%. Demand for cable and electrical products remained strong, underpinned by infrastructure expansion.

Voltex's wholesale and specialist supply businesses performed strongly. A weakening rand was positive for the business while copper price fluctuations created trading opportunities. Demand-side management remains central to national energy strategy and Voltex is strongly positioned as a reliable partner of major institutions and businesses seeking energy savings. Chinese imports create a strategic challenge, but the situation is generally well managed.

Accelerating urbanisation, high business and consumer confidence were positive for businesses in the office furniture, stationery and computer consumables markets. Corporate office relocations and upgrades led to an active furniture project market. Sustained growth prompted renewed expansion of branch networks.

Walton's southern and northern Gauteng regions have been consolidated while high furniture category growth within Waltons led to the expansion of distribution facilities and greater emphasis on furniture showrooms.

The division's packaging businesses experienced strong demand for strapping and tape products. The business registered improved performance, lifted by last year's rationalisation and the rebalancing of local production and imported goods. Increased imports led to stronger penetration of key markets. Vulcan Catering Equipment (ex-Bidfood) has further strengthened the division.

Trading profit at Bidpaper Plus rose 5,7% to R226,9 million on flat revenue of R1,8 billion. Buoyant retail activity was positive for the business, particularly bill presentment and print-to-post and fulfilment services.

The Export Projects division won the contract to supply ballot papers to the Nigerian election while the Lithotech corporate sales team achieved significant national account success. Investment in new plant at Silveray Manufacturing paves the way for further expansion into the scholastic stationery market.

Bid Auto trading profit rose 16,6% to R724,3 million while revenue moved 15,4% higher to R18,7 billion. Total sales of new and used vehicles rose to 88 989, up 5,4%. A 39,5% return on funds employed was creditable in a more challenging market. The National Credit Act affected only one month's trading, but the retail market slowdown was significant. However, the construction boom supported stronger commercial vehicle sales.

Bid Auto's margin improved from 3,8% to 3,9% due to diversification and good insurance portfolio returns. Further diversification progress is anticipated with the pending integration of Viamax into Bid Auto.

Acquisition of Shell AutoServ, a national chain of 28 service centres, facilitated further growth in parts and service business. The chain has been incorporated into the McCarthy Value Centres (launched in March to sell affordable quality used cars and a growing range of affordable Chinese vehicles). Recent launch of a Chinese range of light commercial vehicles has strengthened Bid Auto's import and distribution business.

McCarthy Heavy Equipment was launched in February to distribute bulldozers, rollers and excavators from China. McCarthy PreOwned was rebranded McCarthy Call a Car Direct and the network expanded. Point-to-point Chauffeur Drive has extended the range of Budget Rent a Car's activities.

Corporate

Namsov, Namibia's leading horse mackerel fishing business, took its ownership of pilchard-focused Namsea to 100%. Lower catch rates were offset by higher selling prices enabling a 5,5% growth in trading profit.

UK-based Ontime Automotive was impacted by the loss of a technical services contract and further losses in the national car delivery business, but pleasing performances were recorded in the Specialist and Prestige distribution divisions.

At Bid Property Holdings the development of a high-quality portfolio has helped Bidvest retain control over strategic operational properties. Property management and maintenance has become a focus area.

Bidvest acquired 20% of JSE-listed Comair.

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Audited results for the year
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