Bidvest Delivers 23% Growth in Headline Earnings per Share for Year to June

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Bidvest posts 22,6% increase in headline earnings per share for year to June 2006. Unbroken history of annual compound growth in headline earnings per share over 18 years in excess of 30,0%.

HIGHLIGHTS

- Revenue growth of 23,0% to R77,3 billion
- Headline earnings up 21,5% to R2,4 billion
- Headline earnings per share increases by 22,6%
- Trading results lifted by last year's share buy-back programme
- Cash generation from operations remains strong
- Final distribution of 207,0 cents declared

OVERVIEW

In what CE Brian Joffe describes as another set of "very satisfying results", Bidvest today announced a 22,6% growth in headline earnings per share to 804,6 cents for the year ended June 30 2006.

Headline earnings increased 21,5% to R2,4 billion. Revenue, which grew by a similar amount to R77,3 billion, was boosted by the inclusion of R5,6 billion from Deli XL, consolidated with effect from September 12 2005.

The trading results were lifted by the full benefits of the share buy-back concluded during the previous financial year. Further benefit will accrue from the the shares repurchased in the current year.

Joffe says the latest results mark 18 years of uninterrupted earnings growth for Bidvest, reflecting in excess of 30,0% annual compound growth in headline earnings per share.

"All divisions had a good trading period, and corrective action was taken in those parts of the business that under-performed, and that involved a number of disposals" says Joffe.

UK-based Dart Line Shipping and the loss-making Lithotech France were sold during the period. The most significant acquisition made during the year was Deli XL First for Foodservice, a Netherlands-based foodservice wholesaler. A controlling interest in Horeca Trade, a Dubai-based foodservice distributor, was also acquired.

The average rand exchange rate remained relatively stable during the period, and had only a slightly negative effect on the translation of the results of the foreign businesses. The recent weakening against sterling, if sustained, will benefit the translation of the offshore businesses in the next financial period.

The balance sheet remains strong with net gearing at 15,8% and interest cover of about 11 times. Cash was used to fund larger but deliberate working capital investments, further share buy-backs, increased capital expenditure and acquisitions. Several changes were made at board level, in keeping its philosophy of maintaining the Bidvest culture of decentralization and participative management styles, whilst ensuring succession planning. The changes further strengthen the board's non-executive component, and whilst maintaining its BEE representation.

PROSPECTS

Joffe says the trading environment across all the Groups trading geographies is expected to remain favourable despite changing interest rate conditions. "We have invested heavily in capacity expansion across the group to take advantage growth opportunities into the future," he says. "The focus on management in the year ahead is to improve asset management, contain costs and pursue both organic and acquisitive opportunities when they arise."

Joffe says the group expects to achieve above average returns in the year ahead, while maintaining its commendable growth record.

DIVISIONAL REVIEW

Bidfreight produced a good set of results, helped by ongoing investment in terminal capacity and a favourable trading environment. Joffe says Bidfreight benefited from growth in the South African economy and continues to expand its operational capacity to meet this demand. Capital expenditure during the year amounted to R227 million providing a solid base for continued growth and efficiency improvements.

Terminals had a strong trading period. Results at Island View Storage were lifted by effective cost control and high tank occupancy levels. SACD Freight benefited from increased volumes from its new warehouse facilities in Durban . Bulk Connections delivered an improved performance notwithstanding disruptions during the site upgrading. Export volumes at Bidfreight Port Operations, Rennies Distribution Services and South African Bulk Terminals were constrained by the strong rand and increased domestic demand.

Safcor Panalpina had a good year, though increased competition placed pressure on margins. The first phase of a new facility at Johannesburg International Airport is fully commissioned, with phase 2 presently under construction. Marine also posted good results, though the benefit of increased liner volumes were offset to some extent by tighter margins as a result of competitive pressures.

Bidserv's results were pleasing in light of the challenging trading conditions in which it operated. Good volume growth offset margin pressure in certain businesses, though most businesses are well positioned for the year ahead. The protracted nationwide strike by security guards had a negative impact on the result of BidRisk Solutions, comprising the guarding and electronics security businesses.

Cleaning's results were lifted by strong performances from Steiner Hygiene, which continued to grow market share. Laundries performed well achieving pleasing returns. BidRisk Solutions was negatively affected by the aforementioned labour strike, though IPS and Provicom delivered strong performances. Corrective measures have been taken to improve trading performance going forward, including new management appointments.

Industrial Products performed in line with expectations, though the Greens division had mixed results. Top Turf enters the new financial year with full order books. BidAir's results were flat but in line with expectation, and the company is actively exploring growth opportunities.

Bid Travel (formerly Rennies Travel businesses) and Rennies Bank have been relocated to Bidserv. Significant management changes were effected in both businesses during the latter part of the year. Bid Travel had a much improved trading period in an otherwise difficult market. The fee-based model that replaced commissions on air ticket sales has benefited the business, resulting in improved profitability and margins. Rennies Bank had a steady performance, though treasury suffered from competitive pressures.

Office Automation had an excellent year with trading profit up 24,3%, assisted by the ongoing digital transformation in corporate South Africa.

Bidvest Europe comprises 3663 First for Foodservice in the United Kingdom, Deli XL First for Foodservice in The Netherlands and Belgium and Horeca Trade in Dubai.

It is a credit to the management of 3663 that this business grew trading profit in sterling by 12,7% despite sluggish conditions and the effects of the terror bombings in London in the early part of the financial year. Multi Temperature showed improved profitability on steady sales due to excellent margin management and cost control. Barton Meat results were below expectations but an improvement on the previous year. Contract Distribution benefited from the full inclusion of new contracts. Capital expenditure included the commissioning of five new depots during the year. The (UK) Ministry of Defence contract performed within expectations, though this contract will terminate in September 2006 following an unsuccessful re-tender. Various measures are being pursued to the counter the impact including the development of a pan-European procurement platform. Plans are well advanced for the commencement of a major non food contract in January 2007.

Deli XL, acquired in September 2005, has been split into autonomous Netherlands and Belgium operations. Deli XL Netherlands performed to expectations under new management, and achieved growth in the hospitality market, though the institutional market is under pressure. A fresh focus on the product range and logistics should yield profitability gains in the coming year. Deli XL Belgium's trading results were as expected. New management has been appointed and the focus on operational efficiencies should yield better results going forward. Newly acquired Horeca Trade is a small operation with good growth potential in the Middle East.

Bidvest Australasia had an excellent trading period, showing revenue growth of 10,0% in local currency, of which 8,0% was organic. Trading profit increased 27,6% on an improvement in trading margin to 3,0% from 2,6% in 2005. The overall foodservice market was boosted by robust economic growth. There were marked improvements in the Sydney and Melbourne operations, though conditions are still challenging. The QSR division had an excellent year. There is ample scope to expand in the foodservice market through geographical expansion and service extension.

It was a challenging period for Crean First for Foodservice New Zealand, which grew trading profit by 13,7% on revenue growth of 25.8%. This was due largely to challenging economic conditions in New Zealand combined with cost increases.

Bidfood comprises Caterplus and Combined Foods, which have been grouped as one reporting unit. Despite revenue growth of 12,7%, trading profit declined 5,2% due to margin pressures and capacity and overhead cost increases, mainly in distribution.

Catering Supplies achieved good top line growth despite low food inflation and increasing competition. Frozen Foods performed well reflecting new business gained in the independent sector. Both of these businesses have now been merged into a focused foodservice business under a single management team.

Speciality delivered an excellent performance benefiting from branded products. Vulcan's Catering Equipment traded well although results were adversely impacted by high manufacturing costs. Structural changes in manufacturing and good market conditions will yield improvements.

Hotel Amenities and Lufil produced satisfactory trading results. Crown Foods' trading results were flat, impacted by cheap imports, the outbreak of poultry disease and the disruption caused by a move to new premises.

Bidbake was negatively impacted by local and international competition, though steps have been taken to aggressively regain lost market share.

BidFood's focus ahead is to seek aggressive sales growth to regain lost market share and extract synergies from its various operations so as to offer an expanded product range to existing customers. Overhead cost management is receiving attention across all business units.

Bid Industrial and Commercial Products comprises the Voltex Group, the Stationery and Furniture businesses of Bid Office, Afcom GE Hudson and Buffalo Executape. The transition to the new division has been bedded down smoothly. Revenue increased 19,1% while trading profit increased by 26,1%.

Electrical Wholesaling Division posted an outstanding 67,4% surge in trading profit, boosted by robust demand from the construction sector, further expansion into the project and tender markets and the pro-active purchasing of copper wire and other imported products. Results were further lifted by the acquisition of Versalec effective March 1 2006.

Stationery and Furniture grew revenue by 11,4% and trading profit by 19,1%, maintaining margins despite pricing pressure on consumables and paper. Waltons produced good trading results, though the southern Gauteng region remains problematic. Benefits from further rationalisation will assist Waltons in the year ahead. Kolok saw volume sales increase by 23,0% which helped offset severe pressure on margins due to excessive competition. Furniture businesses performed well.

Afcom GE Hudson continued to focus on balancing its cost of local manufacture and sourcing cheaper imports in order to maintain returns. Buffalo Executape delivered flat trading profit due to increased pressure on trading margins however revenue improved on the expansion of DIY tape product range.

Bidpaper Plus increased revenue by 31,0% and trading profit by 14,2%, with mixed results across the division. Lithotech performed ahead of expectations by focusing on state-of-the-art laser and mail printing to counter the ongoing decline in the traditional business forms market. Electronic Solutions continue to make good progress, while the integration of Silveray and Statmark had been successfully achieved which should improve results in the new financial year.

Bid Auto

McCarthy produced excellent results with revenue growing 18,8% and trading profit 30,9%, achieved through organic growth. New vehicle sales increased by 19,6% to a record of 49,679 units whilst used units grew a more modest 11,8% to 34,714. It is important to note, however, that industry margins in the dealer market remain low despite the best new vehicle market in the history of the South African motor industry. Six existing dealerships were expanded and upgraded during the year and considerable investment was made in facilities upgrades and stock to meet increased demand.

Budget Rent a Car grew its market share and achieved better fleet utilisation and volume growth, while Yamaha Distributors traded well despite the competitive environment and growth in parallel imports. Financial Services benefited from increased sales volumes as well as continued focus on innovative value added products which resulted in greater market penetration.

Conditions in the motor business are expected to remain favourable, though growth is likely to slow due rising interest rates and the impact of vehicle price increases. McCarthy will launch a comprehensive range of Chinese vehicles in early 2007, which will assist in achieving growth in the year ahead.

Corporate Services

Bidvest has an effective 31,0% interest in Namsov Fishing Enterprise, which had an excellent year. Trading profit was lifted by higher selling prices, despite poor catch rates. Bidvest acquired 65,0% of Namibian Sea Products ("Namsea") during the latter part of the financial year and has made an offer to minority shareholders. Further announcements on the rationale and strategy for Namsea will be made shortly.

Ontime Automotive achieved a much improved performance across most of the businesses, though trading results were impacted by the losses made in the Volume Distribution business in France , which was closed during January 2006.

Bidvest, together with a consortium comprising Airports Company of South Africa and GVK won the bid for the operation, management and upgrade of the Mumbai International Airport in India in February 2006. Operational control of the airport was handed to the consortium in May 2006. The investment represents a strategic foothold into one of the fastest growing economies in the world and provides a platform from which to assess further opportunities in the region.

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