Bidvest Announces Revenue up 25 Percent to R48 billion

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HIGHLIGHTS

- Revenue up 25,2% to R47,9 billion
- Operating profit up 22,7%
- Headline earnings per share up 22,7%
- Diluted HEPS up 25,8%
- Distribution up 22,2% to 198,0 cents per share
- Strong operational performance across most Group businesses
- Strong cash flows, offset by conscious decision to invest in working capital

Bidvest has announced what chief executive Brian Joffe describes as "most pleasing results" with operating profit up by 22,7% on revenue growth of 25,2% for the six months ended 31 December 2006.

Joffe says the Group is yet to fully realise the benefits of roughly R3 billion capital expenditure already incurred, much of which was expended in the freight and McCarthy businesses.

"The South African economy remains on track for another year of robust growth, though there are some signs of fatigue setting in, such as the increase in motor vehicle repossessions by banks following the 200 basis points rise in interest rates since June 2006," says Joffe. "We expect economic growth in excess of 5% for 2007, but we need to take urgent action to upgrade the country's infrastructure, and accelerate our skills development, if we are to avoid bottlenecks ahead."

Headline earning per share (HEPS) increased by 22,7% and diluted HEPS by 25,8% respectively. Operating profit increased by 22,7% and revenue grew 25,2% to R47,9 billion, with strong operational performances recorded by most of the Group's businesses. Trading margin decreased slightly from 4,4% to 4,3% reflecting a change in the mix of the profit contribution from the divisions.

The star performer of the Group was Bid Industrial and Commercial Products, with a 75,7% increase in trading profit, helped by an exceptionally strong performance from the electrical wholesaling businesses of Voltex. Bidvest Australasia lifted trading profit by 43,9%, on the back of a strong trading performance, while also benefiting from the translation benefits of a weaker rand. McCarthy posted another strong performance with trading profit up 22,3%.

Cash generation was impacted by the drive for market share, a shift in the profile of some customers, normal seasonal factors, a strategic decision to invest in working capital, particularly vehicle stock and wholesale products. The amendment to certain credit terms of revenue collections negatively affected Bidfreight's cash flows. The refinancing of the Dinatla BEE transaction, and increased tax payments also affected cash flows. The utilisation of working capital is expected to remedy itself in the next period.

The Group's balance sheet remains strong with an interest cover of more than 9 times (2005:10 times).

Joffe says the refinancing of the Dinatla transaction represents "a major milestone for the Group, and we welcome the significant creation of wealth for our BEE partners. Ongoing operational transformation continues to make progress across the Group"

Distribution

The distribution to shareholders out of share premium, in lieu of a dividend, increased 22,2% to 198,0 cents a share (2005: 162,0 cents a share).

Prospects

Joffe says the expected slow-down in the South African consumer boom should be ameliorated by the ramp-up of investment in infrastructure projects leading up to the 2010 World Cup Soccer tournament and beyond.

"There is a substantial backlog of infrastructural development projects that need to take place throughout the South African economy which could provide a further boost to the economy." says Joffe.

The Group continues to evaluate all underperforming assets with a focus on maximising returns. The benefits of the significant capital expenditure are still to fully materialise. Acquisition opportunities, both in South Africa and in our core foodservice market internationally, continue to be aggressively pursued. Progress is being made in the consolidation of the Group's Namibian interests, with the view to introducing meaningful and sustainable resident ownership.

Joffe remains excited about the prospects in South Africa . "The Group is invested in higher growth markets and is optimistic of continuing to achieve above average returns and growth for the full year to June 2007.

DIVISIONAL REVIEW

Bidfreight

Bidfreight's trading profit grew by 11,6% to R279,0 million on a 24,4% increase in revenue to R9,6 billion. Trading profit was below expectations due to lower volumes, particularly in South African Bulk Terminals, Bidfreight Port Operations and Rennies Distribution Services. Despite the lower volumes, the businesses traded well in a challenging environment, and Bulk Connections was able to maintain its trading profit due to the improved facilities and the ability to handle a wider range of products.

Island View Storage and SADC Freight performed well, with both businesses handling increased volumes.

Safcor Panalpina, South Africa's largest freight forwarder, posted a record growth in revenue, but margin pressure resulted in slower growth in trading profit. Marine performed well, with the positive results largely attributable to increased volumes in containerised traffic and car carriers.

Bidserv

Bidserv had a good trading period, lifted by excellent results from TMS Group, TopTurf, Aviation Services and Rennies Bank. Bid Travel, Steiner and Bidserv Industrial Products performed well, with excellent performances from Giant Workwear and Clockwork Clothing. Revenue grew 14,3% to R2,6 billion, and trading profit was up 17,3% to R305,6 million.

Aviation Services had an excellent trading period, and continues to enjoy strong organic growth while bedding down a number of small acquisitions. It is also aggresively pursuing other airport-related services. The security and cleaning industry strikes impacted negatively on Magnum Shield and Prestige. The security business is in the process of being restructured which may result in an impairment to the carrying value. The other Bidserv businesses had mixed results.

Mymarket has achieved breakeven and continues to gain market share.

Group Procurement is playing an increasingly important role within the Group.

Bidvest Europe

Revenue was up 44,9% to R15,0 billion and trading profit improved 19,2% to R341,2 million, helped by the currency translation benefits of a weaker rand.

3663 First for Foodservice in the UK had a good trading period despite the loss of the UK Ministry of Defense contract, though this was partially offset by new business gains.

Multitemp is well positioned for growth, having expanded capacity to handle its non-food range. Margin management remains the key focus in Frozen, Fresh and Chilled and the opening of several new depots will improve efficiency.

Barton Meat has shown consistent margin improvement. Contract Distribution showed a particularly strong improvement in sales but cost pressures and operational issues limited the growth in trading profit.

Recently acquired Deli XL is bedding down well, and is successfully pursuing new business opportunities on the Continent, where the hospitality market is enjoying steady growth.

Horeca Trade, albeit small, achieved record sales and a significantly improved trading profit.

Bidvest Australasia

Bidvest Australasia had an exceptional trading period, with trading profit up 43,9% on a 22,0% growth in revenue. While the result is flattered by the weaker rand, Bidvest Australasia managed to grow trading profit by 25,2% in Australian dollars, and increased trading margin to an all-time high of 3,6%. Virtually all of this growth has been organic.

The Foodservice division grew trading profit 16,8%, and all branches are trading profitably.

Hospitality produced an excellent performance, and is well positioned for further growth following the conclusion of several small acquisitions resulting in a wider geographic footprint. The intention is to expand this business into a leading national player. It was also a good trading period for the Quick Service Restaurants division, which will increase capacity to cope with the increased volumes.

Bidvest First for Foodservice New Zealand grew trading profit by 29% in local currency and lifted its trading margin to a record 4,6%. New Zealand 's "full" employment means skilled staff are in short supply, placing pressure on costs. The business has been organised into three focused areas, wholesale, fresh and logistics, to better position it for further growth.

Bidfood

Revenue increased 18,0% to R2,1 billion, with trading profit up just 4,2%. All catering supply businesses produced good results. Caterplus grew market share after aggressive marketing and broadening its range of products to existing customers. Crown Foods and Specialty posted good trading results, and Vulcan improved its performance, with exports a continued area of focus. Bidbake suffered from intense competition, higher costs and lower margins, delivering a disappointing result. Corrective action is being taken.

Bid Industrial and Commercial Products

It was an exceptional period for this division, with trading profit up 75,7% to R322,2 million on a 30,6% increase in revenue. All divisions traded well and at higher levels of business activity.

Voltex Electrical Distribution delivered exceptional results, benefiting from good trading conditions across all areas of the business. The new acquisition Versalec continued its strong performance. The construction sector remains buoyant as many infrastructure developments commence. South Africa 's shortage in electrical generation capacity has positioned Voltex to assist in demand-side-management programmes. Stationery and Office Furniture contributed strongly to the division's good performance.

Waltons' Gauteng region delivered a much improved performance, with strong sales growth. Kolok, Afcom GE Hudson and Buffalo Executape all delivered strong trading results.

Bidpaper Plus

Revenue grew 12% to R1 billion and trading profit was up 10,9% to R114,8 million in a competitive market. Lithotech benefited from a substantial investment in new equipment and the completion of a major contract for election forms. Personalisation and Mail achieved strong growth despite prolonged industrial action. The Labels business was impacted by a competitive market, but e-Solutions continues to make good progress. Silveray Statmark made good headway by focusing on efficiencies, and Lufil reported strong sales growth, alongside its ongoing focus on efficiencies in its paper conversion operations.

Bid Auto

McCarthy's achieved a 15,9% growth in revenue to R9,6 billion and a 22,3% rise in trading profit to R355,0 million. Demand for new vehicles remained robust during the trading period, though margins are under pressure due to aggressive new vehicle pricing strategies and price competition from the used vehicle market. There are signs of a slow-down in demand following last year's increases in interest rates.

The acquisition of Shell Autoserv, subject to the approval of competition authorities, adds a nationwide network for the servicing of both out-of-warranty and our range of Chinese vehicles, which will be launched in May 2007. The intention is to rebrand the business as McCarthy Value Centres.

Burchmores delivered an improved performance due to the increase in repossessions from banks, and Budget Rent a Car performed well on the back of a marked increase in rental days, though rental rates were under pressure. Yamaha Distributors performed well despite an increasingly competitive market, aggravated by parallel importation of Yamaha branded products.

Financial Services delivered an exceptional performance, achieving record market penetration levels with their traditional insurance products. GAZ SA, the taxi distributorship, had a poor trading period due to lower sales and high recall costs.

Corporate Services

The booming property market lifted Bid Property's trading profit. The Namibian fishing businesses were hurt by lower catches, while Ontime Automotive in the United Kingdom made a small contribution to profit in a difficult market