BIDVEST'S FIRST-HALF HEADLINE EARNINGS PER SHARE RISE 13% DESPITE CHALLENGING CONDITIONS

In the half year to December 31, 2015, Bidvest achieved 13% growth in headline earnings per share (HEPS) to 1 001,5 cents despite challenging trading conditions, particularly in Southern Africa.

HIGHLIGHTS

- **HEPS up 13,0% to 1 001,5 cents (2014: 886,3 cents)**
- **most Foodservice businesses achieve real organic growth in local currency**
- **improved trading result by Bidvest South Africa**
- **turnover up 9,6% to R114,5 billion (2014: R104,4 billion)**
- **trading profit rises 11,6% to R5,2 billion (2014: R4,6 billion)**
- **strong contributions by Europe and UK**
- **gross profit percentage rises to 20,5% (2014: 20,1%)**
- **cash generated by operations up 6,5% to R6,4 billion (R6,0 billion)**
- **Bidvest's entrepreneurial and decentralised model proves its resilience**

OVERVIEW

In the half year to December 31, 2015, Bidvest delivered HEPS growth of 13,0% to 1001,5 cents (2014: 886,3 cents) while basic earnings per share (EPS) rose 7,8% to 930,9 cents (2014: 863,3 cents). Bidvest chief executive Brian Joffe said trading results were solid "against a backdrop of challenging market conditions, particularly in the southern African region".

He said Bidvest Foodservice had secured real organic growth in local currencies in most businesses in an environment of near zero food inflation.

Overall trading results in rands were buoyed by currency depreciation.

Bidvest South Africa delivered an improved trading result despite impacts from declining commodity volumes and prices at the Freight business and weak consumer demand at Bidvest Automotive.

Good performances were achieved in the Commercial, Electrical and Office and Print divisions.

However, trading profit fell at Bidvest Namibia as poor Fishing and Freight results outweighed the benefits of its newly acquired Automotive business.

Financial performance

Turnover rose 9,6% to R114,5 billion (2014: R104,4 billion), with major contributions from Bidvest Europe and Bidvest UK, reflecting organic growth and assistance from currency effects.

Gross profit percentage increased off higher turnover to 20,5% (2014: 20,1%). Operating expenses were well controlled, rising 5,5% on a like-for-like basis, excluding the effects of foreign currency translation.

Investment income dipped on reduced fair value and mark-to-market gains on portfolio investments.

Group trading rose 11,6% to R5,2 billion (2014: R4,6 billion). Trading profit margin improved marginally to 4,5%.

The average rand exchange rate weakened against sterling and the euro, resulting in a 3,7% benefit to trading profit.

Net finance charges were up 3,9% at R601,5 million (2014: R578,8 million) as a result of higher working capital utilisation, acquisitions and rising South African interest rates, impacted by increasing rates and credit spreads.

Bidvest remains well capitalised, with trading profit interest cover at 8,6 times (2014: 8,0 times).

Associate earnings fell 22,8%, impacted by a decline in the fortunes of Comair, offset to some extent by improved performance at Adcock Ingram Holdings Limited (Adcock).

Headline earnings rose 14,7% to R3,3 billion, with profit for the year up 9,5% to R3,0 billion. Headline earnings adjustments in the period totalled R229,6 million, mostly fair value impairments of the investment in associates.

In line with management's June 2015 valuation, Adcock was valued at R52 per share. Post December, there has been a further decline of the Adcock share price. This may result in non-cash and non-headline earnings impairment at year-end.

The Group's financial position remains strong. Total asset growth reflects ongoing infrastructure investments and trading activity in inventories and receivables.

Net debt reached R12,0 billion, compared to R7,8 billion at June 30 2015 (2014: R10,4 billion), driven by investment in property, plant and equipment and working capital utilisation.

Normalised trading profit interest cover (excluding the finance costs of the Adcock investment) is 10,7 times (2014: 10,3 times) – comfortably above the Group's conservative, self-imposed targets, retaining adequate headroom for expansion opportunities.

Cash generated by operations before working capital changes rose 6,5% to R6,4 billion (2014: R6,0 billion). The Group absorbed R3,5 billion of working capital in 2015 compared to R2,4 billion in 2014, reflecting growth, the effect of rand devaluation on replacement inventories, acquisitions, pockets of inefficient asset management and the impact of currency translation. Net working capital days rose to 17,6 days (2014: 14,1 days).

Ratings

In January 2015, Moody's Investor Service affirmed Bidvest's national long-term rating of A1.za with a stable outlook.

Acquisitions

The Group made several small acquisitions, including Plumblink SA Proprietary Limited (Plumblink) in South Africa and Novel Ford in Namibia.

Subsequent events

Bidvest announced on October 7 2015 that it was formalising the restructure of its business operations and management focus.

Joffe noted: "Further to this announcement, and in order to provide shareholders with the opportunity to participate directly in Bidvest's Foodservice operations, Bidvest intends to unbundle and separately list the Foodservice business on the main board of the JSE."

Successful completion of the proposed transaction will be subject to conditions precedent, including approval by shareholders and regulators.

Shareholders are advised to continue to exercise caution when trading in Bidvest securities until a further announcement is made.

PROSPECTS

Trading conditions in South Africa are likely to remain subdued in a low-growth environment.

Joffe added: "Certain divisions have been realigned to cater for succession, and to streamline our service offering to customers.

"Management will strive to deliver real organic growth and pursue local and international opportunities to complement our existing product and service offering."

Further acquisition opportunities in the industrial sector are being pursued.

At Adcock, "good progress continues to be made on their path to normalised profitability and Bidvest remains optimistic about medium-term prospects".

Bidvest Namibia faces ongoing uncertainty around horse mackerel quotas. "Initiatives are underway to find more permanent solutions to the issue," said Joffe.

In the Food businesses, he said the focus of the wholesale segments remains on balancing the exposure between national and independent foodservice customers.

He added: “Innovative technological foodservice solutions for customers as a value-add service continue to be rolled out. The fresh product offering presents significant potential in most regions. Across all our businesses, opportunities to add new product ranges and expand local footprints, via both organic and acquisitive growth, will continue.”

Asset management remained a key focus.

Joffe pointed out: “We retain adequate headroom to accommodate expansion opportunities, both acquisitive and organic. Management remains alert to opportunities and is confident of delivering further growth in the period ahead.

“Over many years, the Bidvest entrepreneurial and decentralised business model has proven its resilience. The strength of the culture breeds accountability and confidence, which allows the Group to deliver above-average returns. As the Group prepares for the next stage in its evolution, each management team is confident of being able to sustain ‘Proudly Tomorrow’.”

Directorate

At the annual general meeting, Mr AA da Costa retired from the board and was thanked for his contribution to the development of Bidvest.

DIVISIONAL REVIEW

BIDVEST INDUSTRIAL

Bidvest South Africa

In challenging economic conditions the business achieved 3,1% turnover growth to R45,3 billion (2014: R43,9 billion) and a 5,1% rise in trading profit to R2,7 billion (2014: R2,5 billion). Performance was pleasing as a new divisional structure was rolled out.
The new combined Services division brings together the original Services division as well as the Travel and Aviation and Rental and Products divisions. The Office and Paperplus divisions are consolidated into a new Office and Print division, while the Industrial and Consumer Products divisions are combined into a single Commercial Products division. The Automotive, Electrical, Financial Services and Freight divisions remain largely unchanged.

Automotive

Satisfactory results were delivered in the context of severe market contraction. Turnover dipped slightly to R12,2 billion (2014: R12,3 billion). Trading profit fell 7,0% to R357,8 million (2014: R384,7 million). Passenger vehicle sales and margins were under pressure. Expenses rose and credit extension tightened. The uptick in used vehicle trading was slower than expected. Two loss-making dealerships are being disposed of. The parts business continued to grow, as did service revenue. Rising interest rates and currency weakness are expected to create significant headwinds in the second half. Opportunities for selective expansion of McCarthy Pre-Owned will be pursued.

Commercial Products

The new, consolidated division recorded impressive results from both the Industrial and Consumer Products units. The combined entity drove turnover 36,0% higher to R2,9 billion (2014: R2,2 billion), with trading profit up 37,3% at R250,9 million (2014: R182,8 million). Trading profit in the reporting period benefited from Plumblink's first contribution (acquired July 2015).

Home of Living Brands experienced volume growth at almost all top retailers in the customer mix. Independents face particular challenges, but a new approach by management resulted in overall volume improvements. Online sales grew and exports met expectations. Academy Brushware, Bidvest Afcom, Berzacks, Bidvest Materials Handling, Bidvest Buffalo Tapes and Yamaha all delivered solid results. Vulcan Catering and G Fox faced challenges. Plumblink bedded down well and opened eight new stores. A restructure was undertaken at Sanlic.

Electrical

A positive half-year result was achieved. Turnover rose 3,2% to R2,7 billion (2014: R2,6 billion). At R139,0 million, trading profit was up 14,0% (2014: R121,9 million). Margins and expenses were well managed. Cable volumes rose while market prices fell. Infrastructure and construction segments faced intense pressure. Volume and margin pressure is being experienced among mining customers. Subcontractor debtor stress remains a challenge. Eastern and southern Cape operations are being consolidated. The Voltex Lighting business restructure is underway. Atlas, Solid State and Waco did well. The Voltex MV/LV Solutions business is positioned for ongoing growth. Versalec disappointed but remains profitable with a strong order book.

Financial Services

Trading profit rose 4,4% to R264,7 million (2014: R253,6 million), buoyed by a strong Bidvest Bank performance. However, poor investment portfolio performance within the Insurance business led to a negative mark-to-market adjustment of R41,3 million on the prior year.

Trading profit at Bidvest Bank rose 26,7% to R231,9 million (2014: R183,1 million). At R1,5 billion, new lending pay-outs were 451% up on the comparative period. Top-line income of R527,5 million was up 20% on strong contributions from foreign exchange, transactional banking and fleet and asset finance. Deposits were up 50,3% at R3,2 billion. Corporate advances, leased assets and trade finance showed pleasing growth. The bank is strongly cash generative, though cash surpluses fell from R2,0 billion to R1,4 billion as management maintained strong focus on higher returns.

Trading profit at Bidvest Insurance fell 53,6% to R32,7 million (2014: R70,5 million), though gross written premiums rose 7,2% to R148,0 million (2014: R138,1 million). Premiums were buoyed by the launch of the commercial channel and rising volumes from new product ranges, including theft buster and travel insurance.

Freight

Half-year results were disappointing. Turnover increased 1,7% to R14,7 billion (2014: R14,4 billion). Trading profit dropped 9,6% to R512,4 million (2014: R566,9 million). Big reductions in commodity volumes created substantial challenges. South African Bulk Terminals handled no maize volumes as drought crippled agricultural exports. However, Bidvest Tank Terminals achieved some growth and the Richards Bay fuel storage build made progress. Bidvest Panalpina Logistics also put in a good performance buoyed by automotive demand and warehousing growth. Port Operations experienced low activity levels in both its terminal and stevedoring operations. South African Container Depots was hit by lower import volumes as a consequence of rand weakness. Exports also fell. Low demand from mining customers severely impacted Bulk Connections. Naval volumes were well down.

Office and Print

The consolidated business, combining Office and Paperplus, achieved satisfactory results, with turnover 3,5% higher at R5,2 billion (2014: R5,0 billion) and trading profit up 24,7% at R415,3 million (2014: R333,1 million).

Lithotech was buoyed by export income and changes to its service mix. Bidvest Data created a competitive advantage from the shift to electronic communication. Bidvest Packaging maintained strong momentum after a period of consolidation. Rotolabel achieved a pleasing turnaround, as did Silveray. Kolok performed strongly, with rand weakness contributing to its results. Performance at Waltons continued to disappoint. A strong performance was put in by Konica Minolta. Zonke Monitoring Systems again did well. Among the furniture businesses, Cecil Nurse performed exceptionally well and the furniture contribution was well above budget.

Services

A new-look Services business, combining the previous operations at Services, Rental and Products, and Travel and Aviation recorded acceptable results. Turnover fell 5,7% to R6,2 billion (2014: R6,5 billion) mainly as a result of the Cash-in-Transit business sale in February 2015. Trading profit, however, was up 4,5% at R717,1 million (2014: R686,2 million). Fine individual business performances were interspersed with some sluggish results. Expenses were well managed. Several new management teams made a promising start and new business clusters settled down well.

Facilities Management Services, the largest cluster in the business, produced reasonable results. Prestige is centralising its operations into hubs with warehousing. Employment tax incentives underpinned good growth. Steiner was impacted by the weak rand, but achieved acceptable growth. Royal Mnandi disappointed. A restructure is underway.

Allied Services' growth was bolstered by pleasing results at Puréau and Execuflora. Puréau's bulk water and coffee sales were a highlight.

The security cluster achieved very positive results, and the Technical turnaround continued. BidTrack excelled. An enhanced sales team is in place.

Within Industrial Services, BidAir put in a stellar performance. Cargo volumes are well up. Results at TMS were flat and operating expenses moved higher. Vericon achieved profit growth and Laundries made some gains.

The travel cluster faced serious challenges, with the flagship Rennies brand under pressure.

Bidvest Namibia

Results again disappointed. Turnover was flat at R2,1 billion, but trading profit fell 30,1% to R120,7 million (2014: R172,5 million). Bidfish was impacted by poor performance at Trachurus, Comet (Angola) and Namsea. Freight and Logistics performed below expectation. Food and Distribution achieved some growth. Performance was flat at Industrial and Commercial. The recently acquired Automotive business became the second largest profit contributor after Bidfish. Another recent acquisition, Namibia Bureau de Change made a small contribution. The Glenryk brand was acquired.

BIDVEST FOODSERVICE

Food Group achieved strong results in challenging economic environments across all regions. Strategies put in place in recent years solidified. UK and Europe achieved strong growth. Australasia made a solid contribution, as did Emerging Markets.
Turnover rose 14,6% to R68,2 billion (2014: R59,5 billion), with trading profit 22,8% higher at R2,4 billion (2014: R1,9 billion).

Australasia

Turnover reported in Australasia fell 2,0% to R14,6 billion (2014: R14,9 billion), but the dip was more than offset by a pleasing 10,4% rise in trading profit to R751,9 million (2014: R680,9 million) as the mix changed.

Australia delivered a strong performance, growing the free-trade base while exiting some large logistics contracts. Expenses rose, but this was foreseen as the new Fresh Produce and Fresh Meat divisions operate off a higher expenses base. The new divisions were slow to build momentum, but look forward to second-half improvements.

New Zealand exceeded sales and profit expectations on the back of a strong second quarter. The core Foodservice, Fresh and Logistics divisions did well, while solid improvements were seen in Processing and Retail. A key focus was the use of specialist sales resources to support margins and drive growth in key categories.

UK

Foodservice performed very well, achieving good sales and profit growth. Margins were well managed. Turnover was up 27,3% at R30,4 billion (2014: R23,8 billion) and trading profit 37,6% higher at R717,7 million (2014: R521,5 million). Strategic focus remains on building an entrepreneurial culture while driving free-trade volumes. The south of England infrastructure programme is progressing well. Logistics had a difficult period, impacted by excess capacity, delayed new contract start-ups and high vehicle expenses, yet achieved sales growth. A major long-term contract was won. Bidvest Fresh faced a tough six months as Seafood experienced operational challenges, though Oliver Kay did well.

Europe

A positive half-year result was achieved. Turnover rose 13,4% to R14,4 billion (2014: R12,7 billion) and at R435,0 million trading profit was up 27,5% (2014: R341,1 million). Deli XL Netherlands grew profit and sales. Lower Institutional volumes were offset by improvements in the free-trade sector. Deli XL Belgium put in a solid performance. Catering and Institutional did well. Horeca sales faced pressure. DAC Italy put in a pleasing performance as the business footprint grows nationally. Cash generation was robust. Farutex Poland exceeded budget for sales and profit. Strong growth was seen in the individual market. Czech Republic and Slovakia achieved good results. Foodservice optimised changes to the sales team and Retail surprised on the upside. Ice cream sales hit a 10-year high. Bidvest Baltics were impacted by the Russian food embargo and the slowdown in the Russian economy. Aktaes Turkey improved significantly against the prior year.

Emerging Markets

Emerging Markets increased turnover 9,3% to R8,9 billion (2014: R8,1 billion). Trading profit rose 20,3% to R444,0 million (2014: R369,0 million).

Bidvest Food Africa achieved net sales growth above food inflation, with improved trading profit. Bidvest Food Ingredients saw strong growth across most channels while Bidvest Foodservice did well in the independent and national account channels. Bidvest Bakery Solutions recorded continued growth in the retail and franchise sectors. Industrial sector sales and export business faced challenges. The business acquired full ownership of its Zambian operations.

Angliss Greater China again performed well. Shenzhen and Beijing showed exceptional sales growth. However, Hong Kong failed to meet expectations as tourism inflows slowed. Sales in China’s second-tier cities grew steadily.

Angliss Singapore continued its rightsizing programme. Operational efficiencies and new synergies are evident.

At Bidvest Procurement Company, sales and customer support showed pleasing growth. Strong sales momentum is driven by new additions to the product mix and repeat orders.

In Brazil, sales and profit fell, though earnings were impacted by once-off distribution centre relocation costs. After adjustments for abnormal costs, profit eased higher in an extremely challenging economic environment.

Despite the economic slowdown in Chile, pleasing sales and trading profit growth were achieved. Margins and expenses were well managed, and the move to the new Santiago distribution centre was completed.

Across the Middle East, resilient businesses delivered healthy growth in a tough geopolitical environment, with margin management improvements evident in the UAE, Saudi Arabia and Bahrain. Sales growth was assisted by changes to the portfolio mix across all markets.

Bidvest Corporate

Ontime Automotive UK remained loss-making on the back of an extremely onerous contract. Activity levels at Technical Services were subdued. At Mansfield Rescue Recovery the mild winter resulted in lower job numbers and a trading loss was recorded. New efficiencies are being implemented as unprofitable contracts are renegotiated or exited. Bidvest Properties continued to develop its portfolio while assisting Bidvest operations to expand their infrastructure.

ISSUED ON BEHALF OF:	THE BIDVEST GROUP LIMITED
BY:	APRIO STRATEGIC COMMUNICATIONS
BIDVEST CONTACTS:	**Brian Joffe** (Chief Executive) Tel: (011) 911 4207 **David Cleasby** (Financial Director) Tel: (011) 911 4206 Mobile: 083 228 1810
CONSULTANCY CONTACT:	**Julian Gwillim** Mobile: 082 452 4389 Tel: (011) 880 0037