BIDVEST'S HALF-YEAR HEADLINE EARNINGS PER SHARE RISE 16,2% TO 842,3c.

BIDVEST'S half-year results to December 31, 2013 were buoyed by good organic growth resulting in a 16,2% rise in headline earnings per share (HEPS) to 842,3 cents.

HIGHLIGHTS

- **HEPS up 16,2% at 842,3 cents per share**
- **Revenue 18,9% higher at R89,6 billion (F2013: R75,4 billion)**
- **Acquisitions contribute R1,8 billion of the revenue growth**
- **Strong contributions from Asia Pacific and Europe**
- **Trading profit rises 19,2% to R4,2 billion (2012: R3,6 billion)**
- **Trading margin steady at 4,7%**
- **Cash generation before working capital up 17,0% at R5,2 billion (2012: R4,4 billion)**
- **Mvelaserve and Home of Living Brands make first contributions as subsidiaries**
- **Net investments total R1,9 billion**
- **Scrip distribution of 398,1 cents or cash dividend alternative of 378,0 cents**

OVERVIEW

Bidvest Chief Executive Brian Joffe today reported good trading results for the six months to December 31, 2013 in a period of significant investment activity, including the South African acquisitions of the Mvelaserve outsourced services business and the consumer products company, Home of Living Brands.

The HOLB transaction was effective from July 1, 2013, while the Mvelaserve acquisition took effect from November 1, 2013.

Joffe said Bidvest South Africa achieved good organic growth while Bidvest's Foodservice results reflected improved performances in all operations. Bidvest Namibia's trading profit declined as lower fishing results were not fully offset by improvements in the commercial businesses.

As an international business, Bidvest derives 35,5% of trading profit from outside South Africa, he noted. Rand exchange rate weakness had been positive for rand results.

Financial performance

Revenue grew 18,9% to R89,6 billion (F2013: R75,4 billion), with major increases in Bidvest Asia Pacific (R2,2 billion) and Bidvest Europe (R6,0 billion). Acquisitions accounted for R1,8 billion of the growth.

Operating expenses rose 16,6%, but on a constant currency basis were just 7,4% higher. Excluding the impact of material acquisitions, expenses rose by only 3,9%.

Trading profit was up 19,2% to R4,2 billion (2012: R3,6 billion) and trading margin was steady at 4,7%.

Net finance charges rose by R144,4 million to R497,3 million (2013: R352,9 million) on greater working capital utilisation, new investments and acquisitions and the conversion of higher foreign finance charges at higher average exchange rates.

Joffe added: “The Group’s financial position remains robust. Bidvest’s attitude to gearing remains prudent while retaining adequate headroom to accommodate acquisition opportunities.”

Net debt reached R8,2 billion (2012: R6,2 billion). Normalised interest cover declined to 8,5 times (2012: 10,0 times), but remains comfortably above the Group’s self-imposed targets, said Joffe.

Cash generated by operations before working capital changes rose 17,0% to R5,2 billion (2012: R4,4 billion) while the Group absorbed R2,2 billion (2012: R2,5 billion) of working capital, reflecting growth and some strategic stocking.

Average ROFE declined from 29,6% to 28,7%. Net working capital days increased to a net 16 days (2012: net 15 days).

Acquisitions

Bidvest acquired the 71,7% of HOLB it did not already own for R538,0 million. Bidvest also bought the Mvelaserve minority shareholding in an R846,6 million cash deal. At the time, Bidvest already owned just under 35%.

The Group made several smaller acquisitions. Integration is progressing well.

Net investments totalled R1,9 billion.

In January 2014, the Group acquired another 44,5 million shares in Adcock Ingram for R3,2 billion, bringing its total interest to 34,5%.

Ratings

Fitch Ratings affirmed Bidvest's national long-term rating at 'AA(zaf)' in December 2013 and continues to rate the Group at A1.za with a stable outlook.

PROSPECTS

"Economic conditions remain challenging and volatile," observed Joffe. "Trading conditions in South Africa are expected to remain tough, compounded by the impacts of rising inflation and declining demand. The weakening rand presents both a risk and a trading opportunity."

"Further opportunities will be sought in consumer products where the strategy is to expand our exposure to the distribution of FMCG products without direct retail exposure. Divisional teams continue to focus on organic growth while seeking acquisitive opportunities."

He acknowledged that progress has been slower than expected in developing the Africa strategy in products-related businesses due to the lack of infrastructure in the targeted countries.

In Europe, he said, renewed optimism of sustained recovery is evident.

Growth in Asia Pacific remained positive for the continued expansion of Bidvest Food's wholesale model. Food business management were focused on expanding exposure to independent foodservice customers while growing the fresh footprint.

"Technology-led innovation will add value for customers and drive continued growth," he said. "Good progress is being achieved in mainland China… "

Joffe added: "Opportunities to add new (food) product ranges and expand local footprints will be pursued."

Across the Group, "management are confident Bidvest people will produce another improved performance for the full year".

Scrip distribution with cash dividend alternative

In order to enable the Group to avail itself of the numerous opportunities currently under consideration, as well as enable shareholders to further participate in the growth of the company, shareholders are advised that the board has resolved to:

- issue a maximum of 5 420 000 fully paid ordinary shares with a par value of 5 cents per share in the company as a capitalisation award to ordinary shareholders determined on the basis of 1,65 shares for every 100 shares held. This is the equivalent of 398,1 cents per share based on the five-day VWAP share price to February 25 2014 of R241,25 per share or;

- offer a cash dividend alternative of 378,0 cents per share

Directorate

Stephen Koseff retired from the board and Matamela Cyril Ramaphosa resigned while Lebogang Joseph Mokoena resigned as an alternate director.

Nompumelelo Thembekile Madisa was appointed an executive director. Sibongile Masinga and Florah Nolwandle Mantashe became independent non-executive directors.

DIVISIONAL REVIEW

Bidvest South Africa

The division achieved pleasing revenue and trading profit growth in challenging conditions, buoyed by acquisitions, in particular HOLB and Mvelaserve. Revenue rose 16,0% to R39,5 billion (2012: R34,1 billion). Trading profits rose 18,0% to R2,4 billion with good growth from Bidvest Freight (19,5%), Bidvest Industrial (23,9%), Bidvest Office (23,9%) and Bidvest Services (62,9%).

Bidvest Automotive achieved pleasing gains, despite pressure on the car industry and a fall in national new unit sales. Revenue moved 4,8% higher to R11,0 billion (2012: R10,5 billion) while trading profit was up 8,3% at R332,7 million (2012: R307,31 million). McCarthy's digital marketing campaign bolstered sales in the face of the industry slowdown. New vehicle sales dipped and new vehicle margins stayed under pressure. Used vehicle trading volumes remained subdued. Parts margins faced pressure. Service margins benefited from rigorous expense management. Mercedes Benz and Land Rover dealerships did well. Performance at the multiple franchises is receiving focused management attention.

Bidvest Consumer Products (formed from Home of Living Brands) grew revenue in a difficult retail market to R687,3 million. Trading profit was R57,5 million. Retail sell-through moved higher and export sales into sub-Saharan Africa grew. Currency effects were negative, but costs were aggressively managed to minimise margin squeeze. The private label focus of major retailers created a continuing challenge.

Bidvest Electrical returned solid results, with revenue up 7,4% to R2,3 billion (2012: R2,2 billion). Trading profit rose 14,5% to R90,0 million (2012: R78,7 million). Electrical division performed ahead of expectations. Branding and branch upgrades are nearly complete. The new Soweto store made good progress. Atlas Cables performed strongly after remedial action and consolidation onto one site. Versalec's order book is looking promising. Lighting went through a difficult period. The integration of retail into Waco was completed. The Voltex app. – an industry first – was successfully launched. Cabstrut had an outstanding six months. Sanlic returned to profit.

Bidvest Financial Services

Financial services businesses put in a satisfactory performance, with trading profit flat at R332,7 million. Capital levels, ratios and liquidity were strong for both the banking and insurance businesses.

Bidvest Bank achieved pre-tax profit of R187,5 million (2012: R197,3 million), down 5%. The dip reflects pressure on non-interest revenue and lower leasing income. The bank remained strongly cash generative and secured exceptional retail growth on rand weakness and inbound tourism. South African-resident customers grew by 11 000 a month and corporate clients by 90 a month. The asset-base increased by 5% to R4,7 billion while deposits rose 13,7% to R2,158 billion. Transactional banking, card business and treasury made good contributions.
Bidvest Insurance recorded profit before tax of R98,6 million (2012: R76,7 million), with gross written premiums significantly up. The new Bodyguard and Tyreguard products exceeded expectations. Claims and operating expenses were well managed and the net underwriting result was ahead of budget. Investment income achieved pleasing growth.

Bidvest Freight performed well overall, though individual business performance was mixed. Revenue was up 17,1% at R13,9 billion (2012: R11,9 billion). Trading profit rose 19,5% to R540,1 million (2012: R452,0 million). Operating margins improved and ROFE rose to 77%. The IVS bulk liquids business suffered as chemical volumes dropped. SABT performed well despite fluctuating wheat and maize volumes. BPL results were bolstered by rand weakness. The warehousing division performed particularly well. BPO put in a stellar performance, especially stevedoring, while benefiting from cement and fertiliser imports. SACD Freight's container depot operations were impacted by a second quarter slowdown. Bulk Connections delivered strong results, with a 22% throughput increase to 2,3 million tons. Naval did exceptionally well. Manica's general freight business struggled, though systems investment is starting to bear fruit

Bidvest Industrial performed satisfactorily, benefiting from the contribution of newly acquired Academy Brushware. Revenue, up 30,3%, reached R1,0 billion (2012: R777,0 million). Trading profit rose 36,3% to R64,6 million (2012: R47,4 million). Cash generation improved and operating expenses were well controlled. Academy Brushware performed strongly and further growth opportunities will be explored. Afcom returned improved results as volumes improved from manufacturing capacity upgrades. Berzacks results were softer after contract losses. Materials Handling had a difficult six months, though good orders are evident. Buffalo Tapes grew sales, but rand effects were negative. Vulcan produced excellent results as the introduction of bakery equipment lines gained traction. Yamaha achieved improved results and market share gains.

Bidvest Office returned pleasing results in challenging conditions. At R2,4 billion (2012: R2,15 billion), revenue was up 9,7%. Trading profit of R162,0 million (2012: R130,7 million) was 23,9% higher. Sales mix changes cushioned margin pressures. Operating expenses were carefully managed. Waltons performed satisfactorily on a good 'back-to-school' period. The Technology group was impacted by rand weakness. Konica Minolta demonstrated its resilience through business cycles with a compelling offer and good results. Develop is starting to produce pleasing results. Medical is gaining traction. Its offering will soon be extended. The Furniture group benefited from improved manufacturing capability. Sales operations did well.

Bidvest Paperplus was much improved, assisted by strong contributions from Lithotech and Kolok. Revenue rose 18,6% to R2,4 billion (2012: R2,0 billion). Trading profit of R218,7 million (2012: R197,4 million) was 10,8% higher. Gains were achieved following operational decentralisation at key businesses. Lithotech benefited from higher volumes, buoyed by election project work. Bidvest Data completed the integration of conventional laser print and mail with electronic services. Bidvest Packaging performed to expectation. Lufil and Sprint contributed strongly. Silveray Stationery traded strongly. Kolok sales hit record levels. Careful management of exchange rate movements optimised margins. Its new Mozambique venture traded well.

Bidvest Rental and Products produced solid results. Revenue rose 5,7% to R1,1 billion. Trading profit moved 10,8% higher to R218,7 million (2012: R197,4 million). Operational performance was mixed. Steiner performed admirably and RoyalServe rental customers were well integrated into the business. Laundry Group produced good results, though operations are challenged to maintain high levels of contract renewal. Industrial Products faced pressure on volumes and margins. Its Africa expansion is making progress. Puréau was impacted by a poor December. Range additions are planned. Execuflora performed strongly on lower volumes, benefiting from rigorous expense management. Hotel Amenities had an encouraging six months, though volumes dropped. Steripic faced challenges. Masterguard had a difficult six months.

Bidvest Services achieved excellent growth. Results include the first contribution of the Mvelaserve businesses, Total Facilities Management Company (TFMC), RoyalMnandi, Royalserve Cleaning, SA Water and Velocity. Revenue rose 65,0% to R2,6 billion (2012: R1,6 billion). Trading profit was up 62,9% at R197,4 million (2012: R121,2 million). Bidvest Managed Solutions (including Prestige) performed in line with expectations, though Top Turf was impacted by the loss of a key contract. Magnum was impacted by delays in signing off project work within the technology cluster, though Bidtrack performed well. TMS maintained momentum, comfortably exceeding budget. Integration of the Mvelaserve business went well. TFMC put in a positive performance as did RoyalMnandi, the outsourced catering business. Royalserve Cleaning faced challenges. SA Water and Velocity, the road repair business, are focused on improved performance.

Bidvest Travel and Aviation delivered commendable results, with revenue up 9,5% at R1,1 billion. Trading profit rose 10,3% to R205,9 million (2012: R186,6 million). BidTravel achieved growth, though customers down-traded and sector volumes declined. Budget Rent a Car returned improved results, increasing rental days. The average holding cost per vehicle fell as did accident and insurance costs. E-tolling challenges were handled well. Bidair Services put in an excellent performance, growing revenue from increased passenger services and flight frequency. On-time and baggage performance statistics remained better than global norms. Bidvest Lounges returned outstanding results despite a dip in cumulative passenger numbers.

Bidvest Food Division

Overall performance was pleasing, both in translated rand terms and home currencies. Trading profit rose 24,9% to R1,5 billion (2012: R1,2 billion).

Asia Pacific

Bidvest Australia performed solidly, showing growth in a zero-inflation environment. Sales increased, though national accounts faced continued pressure. Exit from a major low-margin account created capacity and opportunity. Foodservice performed well, with good freetrade gains. Perth branch relocated to a state-of-the-art facility. Fresh produce and meat continue to grow as a national presence is established. A small Fresh acquisition was made in regional New South Wales. Profitability improved at Hospitality following a restructure of the business model. Logistics was challenged by rising costs, though sales improved.

Bidvest New Zealand's impressive growth continued, though the new niche retail operations face teething problems. Operational cash flow remains strong. Foodservice did well, buoyed by strong contributions from Christchurch, Auckland, Palmerston North, Queenstown and Invercargill. Fresh again performed well. Logistics benefited from rising sales and storage revenue. Processing continued to expand and now has four units in operation.

Angliss Greater China's wider geographical reach, new products and innovations drove pleasing contributions from all businesses, with rapid growth in mainland China. An influx of mainland visitors and Asian inbound tourism boosted Hong Kong operations, though rising labour costs and inadequate infrastructure tempered profit growth. Angliss Singapore's journey to a fully-fledged foodservice business is nearing completion. Non-profitable divisions were downsized or closed.

Europe

In the UK, 3663 Wholesale put in a creditable performance with sales above expectation. Margin pressure continued in the large contract arena. Infrastructure developments enabled distribution efficiencies and service improvements. Freetrade mix improvements and margin management remain priorities. At Bidvest Logistics, volumes remained strong, resulting in a pleasing performance. Bidvest Fresh performed well as customer spend and average drop value rose. Campbells, a Scottish meat business, was acquired.

Deli XL Netherlands faced continued pressure, but delivered an improved trading profit off intense management focus and rationalisation. Revenues at Deli XL Belgium were flat after the loss of a large logistics customer, but trading profits rose on greater foodservice focus. Bidvest Czech Republic & Slovakia did well to protect margins and reduce expenses, and benefited from a good summer season. Foodservice volumes increased, but were under pressure in the multinational retail segment. Farutex in Poland put in a strong performance. Margins were well managed. Bidvest Baltics achieved pleasing market share gains in Lithuania, Latvia and Estonia. Bidvest Middle East delivered a satisfactory performance overall, but was impacted by price volatility in some lines and political uncertainty.

Southern Africa

Bidvest Food Southern Africa secured pleasing sales and profit growth, though margin pressure intensified. Investment focused on new multi-temperature sites at Polokwane and Bloemfontein, factory upgrades at Crown and Bidvest Bakery Solutions and installation of new cream yeast facilities. Foodservice grew in the industrial catering and national account segments. Export growth was encouraging. Cash generation improved and Foodservice did well to manage expenses despite fuel and utility price hikes. Crown Foods Group grew sales on a strong performance in the independent butchery and independent group segments. Product diversification into dairy technology is yielding positive results. Bidvest Bakery Solutions grew strongly in the independent craft market segment and across the confectionary category. Exports into Africa continued to grow. Expansion into Zambia, Malawi and Mauritius is planned. Patleys achieved retail and wholesale growth while adding new domestic and international brand principals.

Chile

Deli Meals continued to achieve strong sales growth across both its bakery and wholesale operations. An acquisition opportunity is being explored. Brazil remains the next target market.

Bidvest Procurement Company

Strong growth was achieved. The range of products widened and quantities rose significantly.

Bidvest Namibia

The business achieved revenue growth of 9,6% to NAD1,8 billion (2012: NAD1,7 billion), though trading profit dipped to NAD218,2 million (2012: NAD249,3 million). Fishing volumes remained flat while expenses were driven higher by additional quota costs. Horse mackerel prices fell, though currency weakness was beneficial. Pelagic operations did well. Commercial businesses achieved strong revenue growth. Freight and logistics continued to perform well. Food and distribution performed strongly, though disruption in the poultry industry remains a challenge. Commercial & Industrial Services achieved pleasing growth, with strong performances by Minolco, Rennies Travel and Kolok. Waltons also did well.

Bidvest Corporate

Ontime Automotive rescue and recovery operations underperformed following the integration of the Mansfield Group, impacted by restructuring costs. The UK parking and vehicle services business showed improvement. Bidvest Properties continued its strategy of developing in-house properties for Group requirements.

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