Barloworld Limited
(Incorporated in the Republic of South Africa)
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(Share code: BAWP)
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(Bond issuer code: BIBAW)
(Namibian Stock Exchange share code: BWL)
("Barloworld" or the "Group" or the "Company")

VOLUNTARY BUSINESS UPDATE

Shareholders are referred to the voluntary business updates released on 30 March and 23 April 2020. These releases provided the perspectives of the board and management of Barloworld on the unfolding COVID-19 pandemic, an update on the impact on the Group's businesses and the measures taken in response.

Shareholders are advised that the financial information contained in this announcement has not been audited, reviewed or reported upon by Barloworld's external auditors.

Our operating context

The COVID-19 pandemic is inflicting increasing human and business costs worldwide, and the protection measures implemented by governments in all countries are severely impacting economic activity. The reported high number of job losses and the enormous pressures on businesses will weigh heavily on post-crisis activity levels. GDP growth for many countries is generally not expected to return to pre-virus levels in the near term (at least 18 months) with consumer spending focused on essentials and, where possible, prioritising savings over discretionary spend. Following the recent dramatic decline in the oil price and other commodities, near-term prospects for commodity exporting countries have deteriorated even further. Sub-Saharan Africa is impacted severely and recovery is likely to take longer than global averages. Accordingly, trading in most of the countries in which the Group operates is expected to remain very challenging in the short to medium term.

Operational update

The Barloworld Crisis Committee is monitoring and assessing the COVID-19 situation closely and has implemented controls across all businesses to prevent and minimise potential infections and transmissions of the virus. Contingency plans are in place in the unfortunate event that senior leaders and/or executives are affected by the virus. Currently, only seven employees have tested positive for the virus, five are in the process of recovering while two have recovered.

In April, the Automotive and Logistics businesses were significantly impacted by the stringent lockdown regulations in South Africa which limited non-essential trading, affecting key areas of the value chain. Whilst all businesses within the division are still operational, volumes are being negatively impacted in all instances, however, cash flows remain in line with forecasts.

A significant percentage of the Avis Budget Rent-a-Car ("RAC") business is driven by the on-airport market segment, with the off-airport segment being mainly the replacement business. The closing of borders and subsequent lockdowns impacted operational activities, with fleet utilisation declining from over 75% before the pandemic to below 30%. However, activity is now improving on the back of easing lockdown restrictions. Rentals in local and replacement segments have also increased, and this trend is expected to continue improving with the continued easing of lockdown restrictions. Regulatory restrictions on used car sales impacted performance negatively.

In Motor Trading, operational activities were limited to Motor Retail that supported essential services through a select number of sites. Activity in aftersales was limited and the new vehicle market declined by over 90% compared to pre-lockdown levels due to regulations prohibiting the sale of new vehicles. SMD continued with online auction sales in April resulting in sales activity in excess of 40% of normal volumes. Vehicle volumes are expected to remain under significant pressure, with some improvements expected when the lockdown regulations are relaxed.

The Avis Fleet business continues to operate, however activity is being negatively impacted by some customers that are experiencing challenges resulting from the current environment.

In Logistics, approximately 55% of the transport fleet has been operational during the lockdown period supporting essential services; 60% of warehouse personnel were active supporting the food and health sectors and 50% of the business that supports the waste industry was operational. The freight forwarding operations were hardest hit with average volumes reduced to nearly 35%. However, on the back of the recent relaxation of lockdown restrictions, transport volumes increased to over 80%, active warehouse personnel went up to about 70%, with freight forwarding and waste increasing to over 60% activity levels.

Activity levels in Equipment southern Africa continued to recover with April ranging between 35% and 45% compared to pre-lockdown levels. Encouragingly, equipment sales were boosted by a steady demand of mining equipment in both South Africa and the rest of Africa. Aftermarket sales were stronger than expected driven mainly by coal mining activities in South Africa and Mozambique. Activity levels are expected to continue improving as countries ease lockdown restrictions, with sales to the construction sector continuing to be subdued.

In Russia, trading remains resilient and the impact of COVID-19 on this mining focused territory has been limited, supported by strong sales in the gold mining segment and resilient aftermarket performance. The coal segment has slowed down significantly driven by continued decline in the price of both thermal and coking coal. Pressures on the country's budget caused by COVID-19 restrictive measures and the oil price decline have adversely affected the construction segment. The macro situation in Russia remains fluid while quarantine measures differ regionally and thus far the impact on our operations has been minimal and business continues to operate at high activity levels.

The Group has a strong balance sheet and stable mature business platforms to weather the storm. The board and management are focused on cash preservation, lowering operating costs in line with reduced activity levels and ensuring the business is well positioned for the recovery.

Additional Cost-saving measures

The austerity measures and cost saving initiatives already implemented by the Group are expected to yield significant cost savings during this financial year and lower the overall cost base going forward. However, most of our businesses have been severely affected by restrictions on trade as well as various lockdowns and the prospects of a quick recovery are low, with some of the changes expected to be structural and trading activity expected to be lower for longer. In an effort to adjust to the requirements of trading in a significantly changed environment while positioning the business for a recovery, management and the board have decided to institute group-wide retrenchments, in addition to the 12 month remuneration sacrifice plan implemented on 1 May 2020. Retrenchment processes are expected to be completed by the end of the current financial year with significant staff complement reductions at Automotive and Logistics, Equipment southern Africa and the Corporate Centre.

As previously indicated, the board and management are committed to the implementation of prudent measures aimed at reducing and containing costs in an effort to preserve cash in the immediate period while ensuring the medium to long term strength of the organisation. The full extent of all the cost savings will be communicated in due course.

Caring for our employees

The health and wellness of our employees is of paramount importance to management and the board. Over and above ensuring that we adhere to all workplace regulations announced by the Governments of the countries we operate in, we have implemented additional measures to assist employees navigate this uncertain, changing and stressful period. These include, among others:

- First responder's training workshop for COVID-19;
- Workplace Wellness live (online) daily workout sessions;
- Workplace Wellness material related to lifestyle, finance, nutrition, anxiety and stress;
- Medical advice through the COVID-19 welfare support hotline that is active 24/7 and is manned by over 20 medical professionals who are able to provide advice, support and assistance on all COVID-19 related queries; and
- A wellness portal that has various COVID-19 related reading materials.

In terms of the retrenchments, support in addition to elements required by labour regulations, include:

- Individual psychological support;
- Managerial and executive support;
- Emotional impact pre-recorded content;
- Career change / transition support that includes strengths-based assessment and feedback sessions; and
- 3 months post-retrenchment support that includes:
    - Continued employee access to all wellness services, and
    - Face-to-face counselling limited to high risk cases.

Gearing and liquidity

The Group's gearing levels remain low and well within our covenants. At 30 April 2020, the Group maintained a robust cash balance in excess of R5 billion with the net debt position (excluding IFRS 16) increasing to over R4 billion in line with operational cycles. The headroom on committed facilities for both the local and off-shore operations remains substantial at over R7 billion. In addition, we have non-committed facilities of over R3 billion.

The Group is actively reviewing and monitoring all facilities on an ongoing basis and remain confident of our good liquidity position. In May we issued notes under our DMTN program to the value of R950 million used to refinance notes that matured in May 2020. We continue to engage with the investors in our DMTN program and our banking partners to refinance upcoming maturities and we remain confident that we will retain the existing facility levels.

Tongaat Hulett Starch (THS) acquisition

Shareholders are referred to the SENS announcement issued on 12 May 2020 that the Board is exercising its rights in terms of the Sale and Purchase Agreement (SPA) and believes that the impact of the COVID-19 pandemic and the resultant expectation of a significant downturn in the South African economy is reasonably likely to result in a deterioration of the forecast 12 month EBITDA (from 1 April 2020 to 31 March 2021) of Tongaat Hulett Starch to an extent that constitutes a Material Adverse Change (MAC) as per the SPA. An update will be provided once the independent assessment process of the MAC is concluded.

Next update

The Group expects to release its interim results for the six months ended 31 March 2020 on 30 June 2020.

Please refer all investor relations queries to:

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Sandton
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Sponsor
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About Barloworld

Barloworld is a distributor of leading global brands with corporate offices in Johannesburg (South Africa) and Maidenhead (United Kingdom), providing integrated rental, fleet management, product support and logistics solutions. Established in 1902 in South Africa, we are one of the country's oldest companies. Inspiring leadership, a reputation for ethical conduct, innovation and a commitment to giving back have ensured Barloworld's longevity over the past 117 years. The core divisions of the Group comprise Equipment (earthmoving equipment and power systems), Automotive (car rental, motor retail, fleet services, used vehicles and disposal solutions) and Logistics (logistics management and supply chain optimisation). The brands we represent on behalf of our principals include Avis, Audi, BMW, Budget, Caterpillar, Ford, Mazda, Mercedes-Benz, Toyota, Volkswagen and others.

Forward-looking statements

Certain statements in this document are not reported financial results or historical information, but forward-looking statements. These statements are predictions of or indicate future events, trends, future prospects, objectives, earnings, savings or plans. Examples of such forward-looking statements include, but are not limited to, statements regarding volume growth, increases in market share, exchange rate fluctuations, shareholder return and cost reductions. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "believe", "continue", "anticipate", "ongoing", "expect", "will", "could", "may", "intend", "plan", "could", "may", and "endeavour". By their nature, forward-looking statements are inherently predictive, speculative and involve inherent risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future.

If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: changes in economic or political conditions and changes to the associated legal, regulatory and tax environments; lower than expected performance of existing or new products and the impact thereof on the Group's future revenue, cost structure and capital expenditure; the Group's ability to expand its portfolio; skills shortage; changes in foreign exchange rates and a lack of market liquidity which holds up the repatriation of earnings; increased competition, slower than expected customer growth and reduced customer retention; acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities; the impact of legal or other proceedings against the Group; uncontrollable increases to legacy defined benefit liabilities and higher than expected costs or capital expenditures. When relying on forward-looking statements to make investment decisions, you should carefully consider these factors and other uncertainties and events. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.