Barloworld Limited
(Incorporated in the Republic of South Africa)
(Registration number 1918/000095/06)
(Income Tax Registration number 9000/051/71/5)
(JSE Share code: BAW)
(JSE ISIN: ZAE000026639)
(Share code: BAWP)
(JSE ISIN: ZAE000026647)
(Namibian Stock Exchange share code: BWL)
(Bond issuer code: BIBAW)
("Barloworld" or "the Company" or "the Group")

Preliminary results for the six months ended 31 March 2020

SALIENT FEATURES

- Challenging trading conditions prior to COVID-19
- Revenue R25.2bn down 12.2%
- Operating margin 4.4% down from 5.5%
- Austerity measures implemented to manage COVID-19 impact, expected 2020 overhead cost containment between R700 and R720 million before implementation costs
- Balance sheet a key strength for the Group in these times, with available committed funding capacity of R8.1bn as at 31 March 2020
- The Group net debt-to-EBITDA* ratio 0.9 times (FY19: 0.2 times)
- Group EBITDA to gross interest cover* ratio of 5.5 times (1H'19: 5.7 times)
- Group return on invested capital* 9.2% (1H'19: 11.3%)
- Basic loss per share of 729.7 cents (1H'19: earnings per share of 438.1 cents)
- Headline earnings per share of 268.4 cents (1H'19: 476.0 cents)
- Group normalised headline earnings per share** of 354.0 cents (1H'19: 521.4 cents)
- Well positioned to withstand expected intensification of challenging trading conditions in the second half

* Excluding IFRS 16 impact.
** Excluding B-BBEE charges and IFRS 16 impact.

" The first half of the financial year was characterised by a combination of a tough trading cycle and the initial impact of the COVID-19 pandemic. While we have seen lower performance compared to the prior period, we have acted quickly to identify areas of exposure and implement austerity measures to minimise the impact on our business. We believe these actions together with our resilient balance sheet will serve us well in ensuring the longevity of the business. Our Fix, Optimise, Grow strategy and managing for value approach is firmly in place across the Group and we will continue to adapt and transform to align with the expected volatile and uncertain macroeconomic environment."

DOMINIC SEWELA
GROUP CHIEF EXECUTIVE

GROUP OVERVIEW
The low business confidence and constrained consumer demand that was experienced in 2019 continued during the first six months of trading. The onset of the COVID-19 global pandemic in our geographies started impacting trading in March 2020 triggered by trade restrictions, subsequent lockdowns and travel restrictions that resulted in negative knock-on effects in tourism, supply chains and pressure on commodity prices. During this period, the Group produced a result that reflected the difficult trading environment and the challenges faced by our businesses.

Revenue for the Group to 31 March 2020 was down 12.2% to R25.2 billion (1H'19: R28.7 billion) due to reduced activity from the majority of the divisions, excluding Equipment Russia which delivered revenue of USD253 million, up 10.5% on the back of strong machine and resilient aftermarket sales in the region. Equipment southern Africa had a robust 2019, however revenue for this period of R8.9 billion was down 11.1% due to lower machine sales, parts and service revenue. The Automotive revenue of R10.4 billion was impacted by reduced trading in all business units. Adjusting the prior period for the impact of the deconsolidation of NMI-DSM (R2.0 billion of revenue 1H'19), Automotive's revenue was down 1.4% driven by a marginal decline in the Motor Trading business and a 4.1% decline in Car Rental. Logistics generated revenue of R2.1 billion which was 27.8% down largely due to previously included KLL and Middle East, the non-renewal of low margin contracts, reduced volumes and the early impact of the COVID-19 pandemic on global freight movements.

During the period the Group adopted IFRS 16: Leases (IFRS 16) for the first time and applied the modified retrospective approach, therefore comparatives were not restated. The impact of IFRS 16 on the Group's operating profit was an uplift of R93 million.

Group operating profit was R1.1 billion (1H'19: R1.5 billion), 28.0% down on the prior period with the operating margin declining from 5.5% to 4.4%. Equipment Russia's operating profit was up 9.2% to USD24 million, while Equipment southern Africa's operating profit was 10.5% down to R722 million, largely in line with the decline in revenue. Automotive's operating profit of R279 million was significantly down due to market pressures on performance and strategic investment costs. Logistics generated a loss of R30 million impacted by the factors driving the revenue decline and fleet management costs.

Group normalised headline earnings per share (HEPS*) of 354.0 cents (1H'19: 521.4 cents), excluding the impact of B-BBEE charges and IFRS 16, was lower than the prior period. Including these charges, HEPS was down to 268.4 cents (1H'19: 476.0 cents).

A return on invested capital (ROIC) of 9.2% was generated compared to the 11.3% achieved in the first half of 2019 due to a reduction in operating profit in 2020 whilst Invested capital remained at similar levels to 2019.

OPERATING SEGMENTS RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2020 FOR CONTINUING OPERATIONS

	REVENUE		OPERATING PROFIT/(LOSS)		INVESTED CAPITAL	
Rm	31 MAR 2020	31 MAR 2019	31 MAR 2020	31 MAR 2019	31 MAR 2020	31 MAR 2019
Equipment and Handling	12 745	13 292	1 092	1 120	16 541	15 529
Automotive and Logistics	12 472	15 434	249	624	13 186	13 034
Corporate		1	(240)	(197)	(373)	(739)
Khula Sizwe			12		(519)	
Total Group	25 217	28 727	1 113	1 546	28 835	27 824

CASH PRESERVATION, COST CONTAINMENT AND COST-SAVING MEASURES

The cost saving and containment initiatives implemented during the period are aimed at preserving cash in the immediate period while ensuring the medium to long term strength sustainability of the organisation. The measures include amongst others a Group-wide 12-month remuneration sacrifice plan and retirement fund payment holiday which was implemented on 1 May 2020, retrenchments, the deferment of non-essential capex, a moratorium on external appointments, a reduction in operating costs as well as additional counter-measures to contain invested capital. Once implemented these measures are expected to contain 2020 overhead costs by approximately R400 million. The retrenchment process, which includes early retirement, is expected to cost between R300 and R320 million when it is concluded at the end of the current financial year, resulting in approximately 20% - 25% Group headcount reduction with Automotive and Logistics, in particular Car Rental mostly affected. Consultations are ongoing and are progressing as expected. The board and management remain committed to the implementation of prudent measures aimed at reducing and containing costs to preserve cash in the immediate period while ensuring the medium to long term strength of the organisation.

FINANCIAL POSITION, GEARING AND LIQUIDITY

The Group's balance sheet at 31 March 2020 remained strong. A robust cash balance of R4.6 billion was maintained with the net debt position increasing to R5.1 billion in line with operational cycles. The headroom on committed facilities remained substantial at R8.1 billion and non-committed facilities amounted to R2.9 billion. These facilities exclude the R5.3 billion of committed funding for the Tongaat Hulett Starch acquisition. The Group is actively reviewing and monitoring all facilities on an ongoing basis and remain confident of the good liquidity position. In May 2020 bonds that matured under the Group's Domestic Medium Term Note (DMTN) programme to the value of R950 million were issued and used to refinance notes that matured in the same month. Engagements with investors on the DMTN programme continue as well as engagements with the Group's banking partners to refinance upcoming maturities and we remain confident that we will retain the existing facility levels.

At the end of 31 March 2020, the Group's gearing levels remained low and our financial position was well within our covenants.

DEBT COVENANTS		MAR 2020
EBITDA: Gross interest cover	more than 3.5 times	5.5 times
Net Debt: EBITDA	less than 3.0 times	0.9 times

DIVIDEND

At present, Barloworld has comfortably met its solvency and liquidity obligations and given the current market conditions we take the important precautionary measure not to declare a dividend payment for the six months ended 31 March 2020. Furthermore it is also unlikely that a dividend will be declared at year end. The board will however continue to monitor the market conditions and will make the decision on the declaration of a final dividend at the appropriate time.

LOOKING FORWARD

A strong balance sheet and stable mature business platforms are key strengths that will help the Group navigate the challenges arising from the ongoing COVID-19 pandemic and the associated macroeconomic fallout. Business confidence in the regions where we operate has dropped significantly and the Group expects the average consumer to remain under pressure, while the trading environment will be impacted by the lower outlook for recovery and growth. 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. The Group will also continue on its strategic path to improve efficiencies and performance by adapting and transforming to align with the changing trading environment in line with our stated goals. The assessment of the long-term fundamentals of our businesses is a focus area in our ongoing portfolio review.

Automotive and Logistics division's performance is expected to be significantly below 2019 in the short term with difficult trading conditions expected to intensify in the second half of 2020. The various measures and initiatives proactively put in place by management should minimise the impact, including the review of the dealership portfolio, rationalisation of the Car Rental branch network as well as the consolidation of leased properties and activities on owned properties. Focus on reducing costs and invested capital will continue including the review of underperforming businesses and value added services.

Trading in the Equipment businesses will be affected by a variety of factors including lower average commodity prices, the rate of capital investment in mining and construction, the impact of COVID-19 infections in the sectors in which they operate as well as the level of lockdowns and trade restrictions in their countries of operation. The divisions will continue to focus on managing levers under their control. In Equipment southern Africa this includes prudent cost containment and invested capital reduction in the short to medium term and until the operating environment improves. The environment in Russia is expected to continue on its current trajectory with the mining sector and commodity outlook expected to remain stable and cash preservation continuing to be a key focus area in line with the Group.

The board and management are committed to ensuring that all of the Group's re-opened operations are managed responsibly and in compliance with risk mitigating regulations.

SHORT FORM ANNOUNCEMENT 30 JUNE 2020
This short form announcement is the responsibility of the board of directors of Barloworld and is a summarised version of the full announcement in respect of the interim financial results for the period ended 31 March 2020 of Barloworld and its subsidiaries (collectively "the Group") and as such it does not contain full or complete details pertaining to the Group's results. Any investment decisions should be made based on the full announcement.

The full announcement can be found on the Group's website:

https://www.barloworld.com/investors/interim-results-presentations/

and on the JSE's website at:

https://senspdf.jse.co.za/documents/2020/jse/isse/BAWE/ie2020.pdf

The full announcement is available for inspection, at no charge, at the registered office of Barloworld Limited (61 Katherine Street, Sandton, Johannesburg, 2146) from 09:00 to 16:00 on business days. Copies of the full announcement can be requested from the registered office by contacting the company secretary on +27 11 445 1000.

* Certain information presented in this announcement is regarded as pro forma information. This information has been prepared for illustrative purposes only, it is the responsibility of the board of directors of Barloworld and has not been reviewed or reported on by the Company's external auditors.

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FURTHER INFORMATION
For the full financial results visit www.barloworld.com