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")

SHORT FORM ANNOUNCEMENT

AUDITED BARLOWORLD YEAR END RESULTS FOR THE 12 MONTHS
ENDED ON 30 SEPTEMBER 2020

Salient Features

- Resilient Group performance, under an unprecedented trading environment impacted by the COVID-19 pandemic;
- Revenue of R49.7 billion, down 17%;
- Operating margin* down from 6.6% to 4.1%;
- Austerity measures implemented to manage COVID-19 impact, 2020 overhead cost containment savings R 402 million;
- Strong Balance sheet, committed funding capacity closing at R15.6 billion;
- The Group Net debt-to-EBITDA#^ ratio is at 0.6 times (2019: 0.2 times);
- Group EBITDA to gross interest paid#^ of 4.7 times (2019: 5.7 times);
- Group return on invested capital^ of 1.0% (2019: 11.9%);
- Group normalised headline (loss)/earnings per share#*^ of (30) cents (2019: 1 167** cents);
- Group basic (loss)/earnings per share of (1 236) cents (2019: 1 150 cents);
- Group basic headline (loss)/earnings per share of (268) cents (2019: 1 100 cents);
- Decisive measures in response to ensure the long-term value creation by the Group; and
- Progress made on the strategy with the acquisition of Equipment Mongolia and Tongaat Hulett Starch (now Ingrain SA).

excluding IFRS 16 impact; *excluding B-BBEE charges
** amount reported in 2019 includes the fair value adjustment on the USD deposits in the UK. The adjusted normalised HEPS 2019 number which excludes the USD deposits in the UK is 1 098 cents.

Group Review

The constrained consumer demand that was experienced in 2019 continued during the year under review. The onset of the global COVID-19 pandemic in our geographies started impacting trading in March 2020 triggered by trade restrictions, lockdowns and travel restrictions that resulted in negative knock-on effects on the trading conditions. The results therefore reflect the challenges faced by our businesses during the period

Group revenue for the year decreased by 17% to R49.7 billion (2019: R60.2 billion). Equipment southern Africa's (snA) revenue declined by 14% against the prior year due to the impact of COVID-19 but better than our re- forecasts boosted by comparatively good mining machine sales and resilient aftermarket activity levels. Despite the COVID-19 pandemic and geopolitical challenges, Equipment Eurasia's revenue increased by 22% benefiting from strong levels of mining activity, particularly in the gold sector. The Automotive revenue (excludes NMI-DSM which is now equity accounted and includes Avis Fleet that was held for sale in 2019) was down 15% with declines across all business units as COVID-19 and economic pressures impact discretionary spending coupled with lower fleet utilisation in the Avis businesses. On a positive note strong used sales volumes have increased against the prior year and margins in this segment are being maintained. In Logistics, revenue declined by 27% against the prior year on the back of the non-renewal of contracts and the contraction of the Transport and Supply Chain markets resulting from weaker demand for goods and services.

IFRS 16: Leases (IFRS 16) was adopted for the first time this current financial year and the modified retrospective approach was applied. The comparatives were therefore not restated. The impact of IFRS 16 on the Group's operating profit was an uplift of R 147 million because we no longer record operating lease charges, but recognise depreciation.

The operating profit for the Group of R1.8 billion was 54% down (2019: R3.9 billion), negatively impacted by lower revenues, high fixed costs and B-BBEE charges (IFRS 2) of R236 million. The Equipment snA operating profit was down 35% impacted by lower service labour recoveries, Khula Sizwe charges and once off retrenchment costs while gross margin remained in line with the prior year boosted by a stronger aftersales contribution. In USD terms Equipment Eurasia's operating profit improved by 1.8% with continued cost containment and sale mix driving the sustained margin, showing resilience. The operating profit for Automotive was down by 83% and the Logistics operating profit reduced to a loss of R153 million against a R38 million profit in the prior year. Cost savings through staff reductions and lease rationalisation were key focus areas during the year with benefits expected to be realised in 2021. Corporate cost containment measures and the reduction of consulting costs to key projects, were also a focus area.

Group normalised headline earnings per share (HEPS#*^), excluding the impact of IFRS 16,B-BBEE charges and the fair value adjustments on the USD deposits in the UK, was a (30) cent loss down on the prior year of 1 167 cents. Including these charges, the reported HEPS loss was (268) cents. Normalised HEPS*^ was impacted by all operations performing at levels well below the prior year due to COVID-19.

A return on invested capital (ROIC^) of 1.0% was generated compared to 11.9% achieved in 2019 due to a reduction in operating profit whilst invested capital remained at similar levels to 2019.

Operating segments results for the year ended 30 September 2020 for continuing operations

R million	Revenue		Operating profit /(loss)	
	Sept 2020	Sept 2019	Sept 2020	Sept 2019
Equipment and Handling	25 132	26 647	2 020	2 559
Automotive and Logistics	24 549	33 558	136	1 747
Corporate	2	1	(442)	(409)
Khula Sizwe			83	
Total group	49 683	60 206	1 797	3 897

Cash preservation, cost containment and cost-saving measures

The austerity measures and cost saving initiatives aimed at reducing and containing costs to preserve cash already implemented by the Group yielded savings during this financial year. Most importantly, the results will greatly impact the 2021 year as implementation costs had to be borne in 2020. The measures included a Group-wide remuneration sacrifice plan and retirement fund payment holiday, implemented on 1 May 2020, retrenchments, the deferment of non-essential capex, a moratorium on external appointments, a reduction in operating costs and additional counter-measures to contain invested capital. These measures have reduced the 2020 overhead costs by R691 million. The retrenchment process, an unfortunate and difficult decision for the Group, included early retirement and cost the Group R289 million. The process resulted in approximately 2 644 headcount reduction. The board and management remain committed to the implementation of prudent measures aimed at reducing and containing costs to preserve cash while ensuring the medium to long term strength of the organisation.

Financial position, Gearing and Liquidity

The Group's balance sheet as at 30 September 2020 remained strong considering the challenging environment. A robust and solid liquidity position with cash balance of R6.7 billion was maintained with the net debt position even after taking into account the Equipment Mongolia acquisition only increasing to R2.6 billion from R1.1 billion at the end of the prior year. The headroom on committed facilities remained substantial at R15.6 billion. The funding capacity of the Group remains healthy as management continues to focus on actively reviewing and monitoring all facilities on an ongoing basis and remain confident of the good liquidity position.

At the end of 30 September 2020, the Group's gearing levels increased and our financial position was well within our covenants. It is important to note that, in April 2020, the EBITDA to interest covenant was renegotiated from 3.5 times to 2.5 times based on an unpredictable future that was forecasted at the time. The Group not only met the renegotiated covenant but also remained well within our old covenant targets even post acquisition of the Equipment Mongolia. Management interventions during the lockdown period have sown positive results in managing our assets and liabilities.

Debt covenants	September 2020	September 2019
EBITDA: Interest Cover >2.5 times	4.7 times	5.7 times
Net Debt:EBITDA <3.0 times	0.6 times	0.2 times

After considering the acquisitions being progressed, we retain significant headroom within our covenants, with Net Debt to EBITDA remaining below 1.0 times, target being below 3.0 times.

Dividend

Barloworld has met its solvency and liquidity obligations and given the current market conditions, the board took the important precautionary measure not to declare a final dividend payment for the year ended 30 September 2020 (30 September 2019: 297 cents).

Looking forward

The spread of the COVID-19 pandemic has had a crippling impact on economies and industries critical to our business performance. From the airline industry, to tourism, mining and supply chain sectors, the virus has caused ripple effects that we need to be fully prepared for and mitigate in the short, medium, and long-term. It has incontrovertibly been a difficult and tough time for all, as no business has been left unscathed by this pandemic.

Notwithstanding the results achieved in the midst of unprecedented challenges, we expect to begin realising cost efficiencies and operational synergies in the short term from the group-wide implemented austerity measures. In addition, the implementation of the Barloworld Business System across the Group, new ways of working, founded on lean principles and continuous improvement, position us well to continue to show resilience amid volatile macroeconomic dynamics in the local and global economies.

Going forward, a strong balance sheet and stable mature business platforms are key strengths that will help the Group navigate the challenges. Business confidence in the regions where we operate has dropped 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 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. The divisions will continue to focus on managing levers under their control, this includes prudent cost containment and preservation as well as invested capital reduction in the short to medium term and until the operating environment improves. Ensuring that the group's assets generate a return on invested capital above our stated target weighted average cost of capital target of 13% remains imperative.

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.

^ Certain information presented in this announcement is regarded as additional performance measures. These measures are not defined by IFRS, not uniformly defined or used by all entities and may not be comparable with similar labelled measures and disclosures provided by other entities. This information has been included to further illustrate the performance of the business and align with measures the board and management have selected to monitor performance against set targets. The definitions of these are included in the Consolidated Financial statements available on the website.

30 November 2020

Short form announcement

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 annual financial results for the 12 months ended 30 September 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/yearend-results-presentations/) and on the JSE's website at https://senspdf.jse.co.za/documents/2020/jse/isse/BAWE/ye2020.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.

The unqualified audit report, containing key audit matters, together with the annual financial statements are available on the Group's website at https://www.barloworld.com/investors/yearend-results-presentations/.

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