

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

PROPOSED DISPOSAL OF BARLOWORLD'S MOTOR RETAIL DIVISION AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. Introduction and background

Barloworld shareholders are referred to the detailed cautionary announcement published by the Company on SENS on 9 December 2020 noting the discussions to dispose of Barloworld's motor retail business. Shareholders are hereby advised that Barloworld South Africa Proprietary Limited ("**Seller**"), a wholly-owned subsidiary of Barloworld, has entered into an agreement ("**Agreement**") dated 21 January 2021 ("**Signature Date**") with NMI Durban South Motors Proprietary Limited ("**Purchaser**" or "**NMI-DSM**"), to dispose of the Barloworld Group's motor retail business as a going concern (the "**Business**" or "**Motor Retail**") to NMI-DSM for an estimated cash consideration of ZAR947 264 000 (nine hundred and forty seven million two hundred and sixty four thousand Rand) ("**Disposal Consideration**") ("**Proposed Disposal**"). NMI-DSM is a joint venture of the Barloworld Group in which Barloworld holds a 50% interest alongside the Akoo family ("**JV Partners**"). Post the Proposed Disposal, Barloworld's entire motor retail interests will be housed within NMI-DSM and Barloworld will retain its 50% interest in the Purchaser.

Barloworld and the JV Partners are long-standing shareholders of NMI-DSM. There have been several discussions between the Barloworld Group and the JV Partners over the years on how to grow the business of the Purchaser by growing its brands and dealer footprint. Arising from the aforesaid business discussions, and in contemplation of the Barloworld Group's exit from the motor retail business, Barloworld offered to sell to the Purchaser Barloworld's motor retail business (franchises and selected supporting services), which is conducted through the Seller and other companies within the Barloworld Group.

2. Information on the Business and NMI-DSM

Motor Retail, a unit within the Barloworld Automotive division, operates leading motor franchise dealerships in South Africa and Botswana representing leading global brands such as Audi, BMW, Ford, Toyota, Lexus, Isuzu, Mazda, Volkswagen and Mercedes-Benz. Products include the sale of new and used vehicles with supporting finance insurance products, and aftermarket service including parts sales. Complementing the dealer footprint, Barloworld Fleet Marketing develops and maintains strong relationships with key corporate customers. The following businesses have been specifically excluded from the transaction perimeter:

- Digital Disposal Solutions which includes:
 - Salvage Management and Disposal ("**SMD**"); and
 - the TradersOnline platform.
- The used vehicles operations of Avis Budget Rental and Fleet.

The JV Partners, which hold a 50% interest in the Purchaser, have been agents of Mercedes-Benz since 1991 and partners of the Barloworld Group since 2003. NMI-DSM built the state-of-the-art Mercedes Benz facility in Umhlanga Ridge, the first Brand Campus concept in South Africa.

3. Rationale for the Proposed Disposal

Barloworld has recently reviewed its strategy and has communicated this extensively. The Proposed Disposal is aligned to the Barloworld Group's strategy which was communicated during the results presented in November 2020 and further outlined in the 2020 Integrated Report. Barloworld believes that its stakeholders will best be served

by consolidating its motor retail and related services under a single ownership structure under NMI-DSM. Motor Retail is better served under a single entity that is dedicated to all Motor Retail related management, activities and dealerships. The Akoo family are excellent partners to Barloworld and have driven an entrepreneurial approach by being hands-on in NMI-DSM and supporting overall corporate governance. Through restructuring Motor Retail into the NMI-DSM joint venture, Barloworld believes it is able to create a larger Motor Retail business with a focus on growth through a diversified brand portfolio.

Capital allocation within Barloworld is a key factor in driving return metrics and cash flow generation targets as part of the Barloworld Group's overall objectives. In Barloworld executing the Proposed Disposal and retaining its shareholding in NMI-DSM, efficient capital reallocation for the Motor Retail business is achieved.

4. Terms and conditions of the Proposed Disposal

4.1 Salient terms of the Proposed Disposal

- 4.1.1 On the 1st (first) day of the calendar month following the calendar month in which the last of the conditions precedent ("**Conditions Precedent**") set out in paragraph 4.3 below is fulfilled or waived ("**Closing Date**") the Seller agrees to sell the assets of the Business to the Purchaser and transfer the liabilities relating to the Business to the Purchaser, as a going concern and as one indivisible transaction.
- 4.1.2 As part of the sale of the Business by the Seller to the Purchaser in terms of the Agreement, the Seller and Avis Southern Africa Proprietary Limited, being a wholly-owned subsidiary of Barloworld, will enter into various agreements ("**Related Disposal Agreements**") with the Purchaser to dispose of all their shares and loan claims in those subsidiary companies of Barloworld that are involved in the Business ("**Related Motor Retail Assets**"), including certain related motor retail properties ("**Related Motor Retail Properties**").

4.2 Disposal Consideration

The Disposal Consideration will be the sum of:

- 4.2.1 the tangible net asset value of the Business as at the Closing Date (at 30 September 2020 the tangible net asset value of the Business was ZAR547 264 000 (five hundred and forty seven million, two hundred and sixty four thousand Rand)), which shall be payable in cash by the Purchaser to the Seller on or about the Closing Date; plus
- 4.2.2 ZAR400 000 000.00 (four hundred million Rand) in respect of the goodwill, which shall be payable in cash by the Purchaser to the Seller in three tranches: ZAR250 000 000 (two hundred and fifty million Rand) on the Closing Date; ZAR75 000 000 (seventy five million Rand) on the 1st (first) anniversary of the Closing Date; and ZAR75 000 000 (seventy five million Rand) on the 2nd (second) anniversary of the Closing Date.

The Disposal Consideration will be capped at ZAR1 500 000 000 (one billion, five hundred million Rand).

The current estimated value of the Disposal Consideration is ZAR947 264 000 (nine hundred and forty-seven million, two hundred and sixty-four thousand Rand) based on the management accounts of the Business as at 30 September 2020 ("**Management Accounts**"). The Disposal Consideration will be allocated in line with the Barloworld Group's previously stated approach to prudent capital allocation, and based on the prevailing conditions at the Closing Date, including consideration to paying down debt, acquisitive growth options and/or returning excess capital to shareholders.

4.3 Conditions Precedent

The Proposed Disposal is subject to the fulfilment or waiver (as the case may be) of the following outstanding Conditions Precedent:

- 4.3.1 by not later than 15 March 2021, the Purchaser has delivered to the Seller documentary proof to the satisfaction of the Seller that it has the necessary cash resources to meet its obligations in terms of the Agreement;
- 4.3.2 that on or before 14 May 2021, all the necessary statutory and regulatory consents or approvals required for entering into or implementing the Agreement are obtained;
- 4.3.3 by not later than 31 March 2021, the Seller and the Purchaser shall have entered into the Related Disposal Agreements in respect of the Related Motor Retail Assets;
- 4.3.4 by not later than 14 May 2021, the Seller and the Purchaser shall have entered into the Related Disposal Agreements in respect of the Related Motor Retail Properties;
- 4.3.5 by not later than 14 May 2021, a transitional services agreement between the Purchaser and the Seller has been concluded in terms of which the parties agree to provide certain services to each other in respect of the Business;
- 4.3.6 by not later than 16 April 2021, the consent(s) and/or waiver(s) from certain third parties in respect of certain rights arising from the change of control contemplated by the Proposed Disposal are obtained;
- 4.3.7 by not later than 31 March 2021, the relevant original equipment manufacturers approve the sale of the Business, to the extent that their approval is required;
- 4.3.8 by not later than 16 April 2021, a cession and assignment agreement between the Seller, the Purchaser and the floorplan and facilities providers shall have been concluded in terms whereof the Seller cedes and/or assigns its rights and/or obligations under the existing floor plan and debt facilities and guarantees to the Purchaser; and
- 4.3.9 on or before 15 March 2021, the Purchaser confirming in writing to the Seller that it is satisfied with the outcomes of a due diligence investigation.

The Agreement contains certain representations and warranties by the Seller in favour of the Purchaser, and by the Purchaser in favour of the Seller, as is standard for a transaction of this nature.

4.4 Effective date

The Proposed Disposal will become effective on the Closing Date, which is expected to be on or about 1 June 2021 ("**Effective Date**").

5. Financial information

The Management Accounts of the Business show net assets, excluding right of use assets and liabilities, of ZAR630 101 000 (six hundred and thirty million, one hundred and one thousand Rand) and a loss after tax for the 12 month period to 30 September 2020 of ZAR123 000 000 (one hundred and twenty three million Rand). The net assets at 30 September 2020 includes goodwill of ZAR82 837 000 (eighty two million eight hundred and thirty seven thousand Rand). The Company confirms that it is satisfied with the quality of the Management Accounts.

6. Categorisation and withdrawal of cautionary announcement

In terms of the JSE Listings Requirements, the Proposed Disposal is classified as a Category 2 transaction for Barloworld, which requires an announcement. As the full details of the terms of the Proposed Disposal have now been published, Barloworld shareholders are no longer required to exercise caution when dealing in the Company's securities.

Johannesburg
21 January 2021

Equity and Debt Sponsor
Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Enquiries:
Nwabisa Piki

Group Investor Relations

Tel: +27 11 445 1890

E-mail: nwabisap@barloworld.com