Barloworld Limited
(Incorporated in the Republic of South Africa)
(Registration number 1918/000095/06)
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(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 "**Group**")

VOLUNTARY TRADING UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2020

The group is trading well in the current environment, supported by the critical actions taken in the prior year and the recent acquisitions delivering ahead of expectations. Overall trading conditions remain affected by COVID-19, volatile commodity prices and infrastructure cycles. Notwithstanding, the performance recorded during the three months to 31 December 2020 ("first quarter") benefitted from the easing of lockdown restrictions, the incorporation of Equipment Mongolia, as well as the inclusion of Ingrain (formerly Tongaat Hulett Starch) from 1 November 2020.

Divisional performance
Equipment

Equipment southern Africa's performance remained resilient with total revenue uplifted by the resilience of the mining sector. Machine sales were stronger, while parts sales were in line with the prior year. Consequently, the sales mix changed, and gross margins were slightly lower as a result. Operating profit was in line with the prior year, supported by cost containment measures initiated in 2020. The firm order book at the end of December 2020 remains strong.

Bartrac, our Joint Venture in the Katanga Province of the DRC, remains under pressure, generating a loss over the period due to a mixture of subdued trading and non-trading impairments.

Cash generation remains a highlight with a stronger cash generation than the prior year and backed by our focused balance sheet management strategy.

Equipment Eurasia's first quarter performance was above expectations both from a revenue and operating perspective. This was driven mainly by strong mining sales and good margin realisation. The incorporation of the Mongolian business buffered Russia's depressed aftermarket activity with operating profit well above the comparative period. The firm order book to December 2020 remains strong, supported by the region's mining sector.

Automotive

Automotive trading was up on the prior year mainly as a result of improved margins and a reduction in costs. Revenue was below prior year with new and used vehicle sales down due to the contracted economy and a declining new vehicle market, down 16.9%. The various lockdown restrictions negatively impacted car rental days although a gradual increase in billed days was supported by inter-provincial travel from September 2020. Used vehicle margins improved off the back of demand for quality used vehicles. The rental fleet has been right sized, and utilisation improved on the prior year. Avis Fleet is performing in line with expectations with operating performance down against the prior year due to large contracts lead out, offset by cost reductions. Following our stated intention to consider options around the optimal deployment of capital in motor retail, Barloworld entered into an agreement with NMI Durban South Motors (Pty) Ltd (NMI-DSM) on 21 January 2021 to dispose of the Motor Retail business. NMI-DSM is a joint venture of the Barloworld Group in which Barloworld holds a 50% interest alongside the Akoo family This transaction is expected to conclude by 1 June 2021.

Logistics

Logistics performed below expectations in the Transport and Freight Forwarding business units as depressed local demand continues to drive low volumes and quality of revenue. High fixed costs, including long term lease commitments, and the reduced operating performance negatively impacted results. The supply chain solution business units continued to reflect a robust performance. Turnaround initiatives are ongoing despite the headwinds faced. The internal review of the business continues, and several expressions of interest in the business have been noted.

Ingrain

Ingrain experienced a strong recovery in demand from the alcoholic beverage sector following the lifting of the second lockdown in August. This recovery, combined with the continued performance of the coffee creamer sector, has increased total sales volumes by 12% above the prior year.

The benefit of the large maize crop harvested in June 2020 has seen more competitive local market prices, leading to an improvement in margins over the prior year.

Strategy and outlook

Our strategy to sustainably double the group's intrinsic value every four years remains on track. The Group has positioned itself as an industrial processing, distribution and services company with the Group's two focus areas being Industrial Equipment and Services, and Consumer Industries focussing on food and ingredient solutions. The strategic levers of 'fix, optimise and grow' remain unchanged.

With the second wave of COVID-19 in South Africa and the regression into stricter lockdown levels from December 2020 there remains uncertainty and challenges to the country's economic recovery. Our balance sheet remains strong after the acquisition of Ingrain with net borrowings being well-within our covenants, thereby protecting us against any financing or liquidity risk.

Shareholders are advised that the information relating to our first quarter performance has not been audited, reviewed or reported on by the Company's auditors. This update does not constitute a forecast.

Management will host a conference call at 15:00 today to address any questions from investors. Shareholders and analysts are to please use the following link to register: https://www.diamondpass.net/5782441.

Sandton
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Sponsor: Nedbank Corporate and Investment Banking, a division of Nedbank Limited

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