

Barloworld Limited
(Incorporated in the Republic of South Africa)
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(Namibian Stock Exchange share code: BWL)
("Barloworld" or the "company" or the "group")

CEO's AGM STATEMENT AND VOLUNTARY TRADING UPDATE FOR THE FIRST QUARTER TO 31 DECEMBER 2021

Overview

The group continued to deliver a solid performance in the first quarter of the financial year. The first quarter was bolstered by favourable results in December, particularly in the Equipment southern Africa and the Car Rental and Leasing businesses. The results for the three months ending 31 December 2021 were further supported by sustainable cost management and healthy free cash flow generation by the group's core operations.

Operational Review for the first quarter to 31 December 2021

Industrial Equipment and Services

Equipment southern Africa

Equipment southern Africa continues to perform well in what remains an uncertain operating environment. Underlying activity remains strong with an increased firm back order. However, the supply chain disruptions resulted in the delayed delivery of large mining package deals. Mozambique, Zambia, and Angola delivered exceptional revenue growth, this was on the back of bullish coal, copper and oil prices. The significant growth in these three countries was offset by slow deliveries in South Africa and Botswana. Operating margin is tracking above the comparable period in the prior financial year, driven by well-controlled expenses.

The Bartrac joint venture in the Democratic Republic of Congo delivered strong results, contributing a positive share of associate profits.

Equipment Eurasia

Equipment Eurasia had a strong start to the financial year, supported by a strong performance in Russia. Despite the geo-political tensions in the region, business at operational level has not been impacted. The business is generating record results capitalising on the current mining boom. The group continues to monitor the environment.

Mongolia experienced reduced machine volumes, however the region still managed to record a good result at the operating margin level.

It is also pleasing to note that at 31 December 2021, Equipment Eurasia had a record firm order book supported by a diversified commodity mix.

Consumer Industries

Ingrain

Ingrain's performance for the three months to 31 December 2021 reflects higher sales volumes and benefits will accrue from the first year of a full 12-month period in Barloworld's financials in this financial period.

The increased export sales volumes during the period were despite the restricted availability of food-grade containers and shipping space from South African ports, with good recovery in demand from the regional markets following the prior period Covid restrictions.

There has been an improvement in the sales of powdered glucose and modified starches during the period, as investments in plant and maintenance initiatives start to yield results. Contribution margins continue to receive support from the current differentials between local and international maize prices. SAFEX maize prices are trading closer to export parity levels, with favourable predictions for the current season on the back of the second-largest maize crop of 16,234 million tons harvested for the 2020/21 season. International maize prices continue to trade higher, spurred by increased demand from China, causing South African maize prices to rise on the back of higher USD pricing and a weaker currency.

Automotive

Car Rental

The Car Rental business continues its recovery trajectory, with the rebound of domestic travel and uptake of subscription offerings in the first quarter resulting in an improvement on trading volume at an average 67.5% of 2019 levels.

Fleet utilisation breached the 80% mark at an average of 81% (600bps above the prior year) mainly due to strong demand coupled with strict fleet management to minimise out of service fleet.

The supply chain constraints remain a limitation to improved recovery of the mobility industry. Despite this, the business continues to deliver solid earnings, which are even higher than the first quarter of FY2020 (pre-Covid).

The used vehicle market remains buoyant with strong margins.

Avis Fleet

The Avis Fleet business continued to show resilience despite the ongoing market challenges, related to the diversity of the industries which the business provides mobility solutions to, coupled with rigid contract management capability. Increased corporate activity can be seen in the firm order book and the number of renewed facility approvals that are in the system. The global fleet shortage, and the slow new vehicle production, remain a restraint to order delivery.

Used vehicle margins continue to benefit from the integration with the Car Rental operation, leveraging infrastructure and systems. Management's strategy of diversifying the portfolio and capabilities into medium and heavy commercial fleets is yielding good results.

Discontinued operations

Logistics

The process to exit the Logistics business through a piecemeal disposal of various sections, in response to high levels of interest in the niche market-leading specialised business units, is substantially advanced.

Focus remains on transactions that continue to support our customer requirements and protect value for the group. The group has concluded the sale of its 51% controlling interest in Aspen Logistics on 30 November 2021 and also entered into a sale agreement for the shares it owns in subsidiaries which own Manline Energy, Manline Freight, and Timber 24. This transaction remains subject to approval from the Competition Commission of South Africa. Together with the sale of Aspen Logistics, these transactions when concluded will finalise the group's exit from the bulk of its assets within the Transport business. The remainder of the business within Transport are made up of dedicated customer contracts, which are in the process of being exited from in an orderly manner and / or transferred to parties nominated by the customer; and this process is well advanced.

As part of the piecemeal disposal process underway, the group remains in discussions with several interested parties in relation to the sale of its shareholding in the Supply Chain Solutions (SCS) business. The company will provide an update on the progress on this transaction in due course.

Funding and cash preservation

The group remains within its target debt and gearing levels remain well within our covenants, with net debt to EBITDA well below 1.0 times (group target is < 3.0 times), whilst EBITDA interest cover exceeds 8 times (group target is > 3.0 times). We have reviewed our current facilities, including committed and non-committed facilities, as well as headroom on the existing medium-term note programme and remain satisfied with the positive state of our headroom, gearing and liquidity.

Conclusion

Management will release a pre-close trading update prior to close period for the interim results to 31 March 2022. We expect to release our interim financial results on or about Monday, 23 May 2022.

The information contained in this announcement has not been reviewed or reported on by Barloworld's auditors.

Johannesburg
10 February 2022

Equity and Debt Sponsor:
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