Barloworld Limited
(Incorporated in the Republic of South Africa)
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(Share code: BAWP)
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(JSE ISIN: ZAE000026647)
("**Barloworld**" or the "**company**" or the "**group**")

VOLUNTARY TRADING UPDATE FOR THE FIVE MONTHS TO 28 FEBRUARY 2022

Overview

The group has delivered resilient results with both revenue from continuing operations and operating profit increasing by double digits when compared to the prior five-month period ended 28 February 2021 ("**comparative period**"). This was driven by the robust performance from Equipment southern Africa, Equipment Eurasia, and Ingrain, together with the strong results from the car rental and leasing business.

The group working capital and related net debt levels have increased during the period, as the order books increased, and business has grown the fleet over the period. The group optimised its capital structure by reducing the pension fund obligation in the UK and delivering value to shareholders through paying dividends.

Operational Review for the five months to 28 February 2022

Industrial Equipment and Services

Equipment southern Africa

Equipment southern Africa delivered a solid performance in an environment that is still impacted by global supply chain disruptions. Revenue for the five-month period to 28 February 2022 ("**period**") was up 2,3% mainly driven by exceptional growth in both machine and parts sales in greater Africa. This offset the low activity in South Africa which was impacted by delayed deliveries. Botswana successfully executed on key machine deliveries and joined Mozambique, Zambia, and Angola in delivering exceptional growth compared to the comparative period. The firm order book increased by 43% to R4.6bn (September 2021: R3.2bn) on the back of strong mining demand and improved activity in the second half of FY2021, mainly in South Africa.

Operating expenses were well controlled resulting in an increase operating profit of 4.8% from the comparative period, and an operating margin of 8.8% (February 2021: 8.6%). EBITDA was up 12.1% compared to the comparative period.

The turnaround plan in Bartrac, the joint venture in the Democratic Republic of Congo, continues to deliver results with a return to profitability reported for the period.

Working capital increased as the division prepares to fulfil firm back orders. While the increase in working capital negatively impacted the cashflow during the period, returns remain strong with a rolling 12 months ROIC at 16.5%.

Equipment Eurasia

As we continue to manage our risks and exposures emanating from the current difficult operating conditions in the Eurasia region, our focus is first and foremost on addressing the needs of our employees. The situation is fluid, and the team needs to be agile and adaptable to ensure compliance with emerging regulatory changes that impact us both internally and externally.

Our trading is restricted, amongst others by supply chain disruptions as all service providers work through the complex and changing environment to enable us to meet customer requirements. We expect this trend to continue, impacting our trading negatively despite a record firm order book. To date we have had some cancellations from some of our customers. We anticipate further cancellations once the full extent of sanctions, supply chain disruptions and recent announcement by Caterpillar of the suspension of their manufacturing facilities at the Tosno plant in Russia has been fully absorbed. We remain in close contact with our customers, keeping them up to date as the process unfolds. As noted above it is difficult to predict the exact impact at this stage, however the potential impairment of certain asset

categories is possible. The actual circumstances at the time of reporting will dictate how we deal with this aspect of the accounting or International Financial Reporting Standards (IFRS).

Despite the disruptions caused by the Russian/Ukraine conflict that started in late February 2022, as well as the continued impact of Covid-19 on Mongolia, the division delivered exceptional results. Revenue exceeded the comparative period by 11% with Russia being the main driver of this increase. Operating profit remained well above comparative period and showed an improvement of 34% as at February 2022 while strong cash generation led to an EBITDA cash conversion of 90%.

This performance was driven mainly by strong mining sales, a diversified commodity mix, good aftermarket growth and good margin realisation. Margin improvements across various lines led to a very good operating margin of 12.3% compared to the comparative period. Although the impact of Covid-19 has now largely been negated in Russia, it is still a real factor in Mongolia with continued border closures between Mongolia and China. While this has impacted revenue generation the business continues to generate good quality operating margin, driven by a good aftermarket performance.

The firm order book for Equipment Eurasia at 28 February 2022 reached record levels at USD314 million, well above September 2021 (USD224 million) and September 2020 (USD105 million), driven by a diversified mining order book.

Consumer Industries

Ingrain

Ingrain's performance for the period is well ahead of the prior four month period included in the group's FY2021 results. The business is performing well as trading conditions normalise and customer volumes improve across all sectors. Revenue is up 48.1% from the prior reporting period, while the operating margin is lower as a result of a normalised sales mix.

Domestic starch and glucose volumes increased by 30% for the period while agri-product volumes were supported by increased maize grind across the business. Export sales volumes increased despite the restricted availability of food-grade containers and shipping space from South African ports.

Continued investments in plant and maintenance initiatives and additional skills are yielding positive results with improving maize grind and consequent volumes improvements across most product categories. Contribution margins continue to receive support from increasing international starch and glucose prices. Current local maize prices are increasing in line with global markets. The business's exposure to maize price volatility remains limited through effective hedging and customer pricing models and it has secured sufficient maize to deal with customer demand well into the next financial year.

Automotive

Car Rental

The car rental business posted a surge in operating profit of 205% compared to FY2021, and a 17% improvement on pre-Covid 2020 levels. The solid base of replacement (insurance) business, a rebound in domestic and corporate travel, increased uptake of the subscription offerings and green shoots of inbound travel have contributed to trading volumes being at 65% of 2019 levels and a record EBITDA margin at 27.1%.

The business has benefited from a strategic shift towards a subscription model, travel that is less dependent on leisure and the strict discipline in managing out of service vehicles. Fleet utilisation averaged 79% (300bps above prior year) due to improved process efficiencies and strong leadership.

The used car business continued to maximise profit margins in the current trading conditions.

Avis Fleet

Avis Fleet continued to post strong results with operating profit 17% higher than the prior comparative period and 10% higher than the same period in 2020 pre-Covid. The solid results are attributable to strong contract management and a focus on the health of the fleet, coupled with exceptional risk management, resulting in record EBITDA margins of 54% compared to 48% in the prior period.

Used vehicle margins continued to benefit from the integration with the car rental operation, leveraging infrastructure, strategic disposal channels and systems. Management's strategy of diversifying the portfolio and capabilities into medium and heavy commercial fleets continues to yield good results while tapping into expanded industries.

Increased corporate activity can be seen in the firm order book and the number of renewed facility approvals that are in the system.

Discontinued operations

Logistics

The sale of the group's investment in Manline Energy, Manline Freight, and Timber 24 was concluded on 28 February 2022, and the sale of its 51% controlling interest in Aspen Logistics was concluded on 30 November 2021. 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. This process is well advanced and is anticipated to be substantially concluded by 31 March 2022.

The group has made progress with interested parties in relation to the sale of its shareholding in the Supply Chain Solutions (SCS) business. The SCS business continues to perform profitably and ahead of expectations in the current financial year. The group will provide an update on the progress on this transaction in due course.

Funding and cash preservation

The group has been intentional in allocating capital through investing and distributing cash resources and paying down debt to increase its efficiency and maximise shareholder value. A special dividend was paid to shareholders in January 2022. The group reviewed its current facilities, including committed and non-committed facilities, as well as headroom on the existing medium-term note programme and remains satisfied with the positive state of the headroom, gearing and liquidity.

The group remains within its target debt, and gearing levels remain well within our covenants, with net debt to EBITDA at 1.2 times (group target is < 3.0 times), whilst EBITDA interest cover exceeds 8 times (group target is > 3.0 times).

Progress on our strategy

The group previously indicated that it intended to exit its investment in its car rental and leasing business, Avis Budget Southern Africa by the end of 2022.

Accordingly, Barloworld is investigating potential options to separate Avis Budget Southern Africa by way of a sale or a separate listing via an unbundling. The market will remain updated on this process and a decision is anticipated on or before the release of Barloworld's interim results for 2022.

Conclusion

The board will release a trading statement once a reasonable degree of certainty exists concerning the group's results for the six months ended 31 March 2022. We expect to release our interim financial results on or about Monday, 23 May 2022. 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/6214232 .

Shareholders are advised that the information related to our five months' performance to 28 February 2022, has not been audited, reviewed, or reported on by the group's external auditors. This update does not constitute a forecast.

Johannesburg

29 March 2022

Equity and Debt Sponsor:

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

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