Barloworld Limited
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(JSE ISIN: ZAE000026639)
(Share code: BAWP)
(Bond issuer code: BIBAW)
(JSE ISIN: ZAE000026647)
("**Barloworld**" or the "or the "**group**")

VOLUNTARY TRADING UPDATE FOR THE FOUR MONTHS TO 31 JANUARY 2023

Overview

The group continues to achieve pleasing results in its core businesses in the Industrial Equipment and Consumer industries verticals, despite operating challenges presented in its Eurasia division. Favourable group revenue growth has been achieved as a result of better trading performance in Equipment southern Africa, Equipment Mongolia and Ingrain.

The car rental and leasing business, Zeda Limited ("Zeda"), was successfully unbundled and separately listed on the JSE on 13 December 2022, and its assets and liabilities have been de-consolidated from the group financial statements from that date. The Zeda results have therefore been consolidated into the group's numbers up to 13 December 2022.

Operational review for the four months to 31 January 2023 ("the period")

Industrial Equipment and Services

Equipment southern Africa

Equipment southern Africa has delivered solid financial results for the period. This has been headlined by stronger turnover on the back of high demand in the mining sector across all its regions. Machine sales growth has been exceptional with an equally solid performance in aftersales. Due to the strong machine sales mix, the operating margin is tracking slightly lower than the comparative prior period for the four months to 31 January 2022 ("**the prior period**"). Investment in working capital has increased during the period in preparation for planned deliveries in the second half of the financial year ending 30 September 2023 ("**FY2023**"). The firm order book remains strong at levels higher than September 2022.

Bartrac, the joint venture in the Democratic Republic of Congo, continues to show a resilient performance and posted profits for the period. The business is expected to maintain the same trajectory for remainder of the financial year.

Equipment Eurasia

Equipment Eurasia had a strong start in FY2023 supported by a better-than-expected result in Russia and a good performance in Mongolia.

The war in Ukraine continues to affect the business in Russia, and with a reduced product line and a constrained supply chain, results were down from the prior period record results but significantly better than expected. The performance was enabled by sales from available prime product inventories at the start of FY2023 as well as a reasonable parts supply. Linked to this, customers still have a high demand for available products realising good margins. The business has made good progress in restructuring the cost base in line with existing trading levels. We continue to manage our risks and exposures while remaining agile and adaptable to ensure compliance with an ever-changing regulatory environment.

Mongolia experienced a good start with good prime product sales compared to the prior period, supported by the continued positive impact of the opening of the China borders. This has improved the free flowing of products and commodities in the region. Aftermarket demand remained solid and as a result the business managed to record a good operating result during the period.

The businesses in both countries generated solid operating margins.

The firm order book has been maintained at the new lower level as reported for the financial year ended 30 September 2022 ("**prior year**") but lead times between order and supply have reduced significantly. Based on the current outlook, it is expected that the Mongolian results will be better than the prior year on all key metrics, with a better-than-expected contribution from Russia on the operating and ROIC return metric.

Consumer Industries

Ingrain

Ingrain's trading for the period showed strong revenue growth against the prior period with EBITDA at similar levels to the prior period.

Sales volumes were relatively flat year-on-year, with growth in export volumes offset by marginally lower domestic sales volumes. The alcoholic beverages and coffee creamer sectors saw a reduction in demand on the back of prevailing economic pressure on the South African consumer. Notwithstanding this, the confectionary sector remained resilient and showed pleasing volume growth year-on-year. Export sales were ahead of the prior period. The demand in export markets is expected to continue to offset the lower domestic volumes.

Gross margins were slightly lower than the prior period as a consequence of the compounding impact of increased agricultural commodity prices, global input price increases and the effects of a weaker Rand.

Operating margins were lower than prior period levels as a result of increased investment in plant maintenance as well as investing in critical skills in the business.

Funding and cash preservation

The group has purposefully allocated capital by investing cash in projects that aim to yield returns higher than the cost of capital, distributing cash to shareholders and paying down debt as part of ongoing efforts to maximise shareholder value. Total ordinary and special dividends amounting to R1.6 billion were paid to shareholders in January 2023. These dividend payments were made using excess cash and Barloworld has executed its planned distributions and focus on investing in operations. As part of the shareholder value accretion strategy, R1.97 billion was paid to de-risk the UK pension fund during the prior year.

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.

Conclusion

The group will release a further voluntary pre-close update closer to the six-months ending 31 March 2023.

Shareholders are advised that the information related to our four-month performance to 31 January 2023, has not been audited, reviewed, or reported on by the group's external auditors. This update does not constitute a forecast.

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17 February 2023

Equity and Debt Sponsor:

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

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