Barloworld Limited
(Incorporated in the Republic of South Africa)
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(Share code: BAW)
(JSE ISIN: ZAE000026639)
(Share code: BAWP)
(Bond issuer code: BIBAW)
(JSE ISIN: ZAE000026647)
("**Barloworld**" or the "**company**" or the "**Group**")

VOLUNTARY TRADING UPDATE FOR THE FIVE MONTHS ENDED 29 FEBRUARY 2024

Overview

Barloworld Group's results for the five months ended 29 February 2024 ("the current period") are reflective of the diverse and complex economic environments in which its customers operate. Southern African customers have had to contend with the challenges of inadequate electricity supply, intensified logistical bottlenecks, high inflation, and pervasively high interest rates; whereas our Mongolian customers have continued to benefit from the government-led expansion of transport infrastructure and robust external demand for coal and other minerals from China.

Group revenue declined by 5.5% from R16.5 billion to R15.6 billion when compared to the five months ended 28 February 2023 ("the prior period"). EBITDA declined by a marginal 2,5% from R2.1 billion to R1.9 billion. The EBITDA margin improved to 11.9% (11.5% in the prior period) and the operating profit margin marginally weakened to 8.7% (8.9% in the prior period). The Group continues to focus on cash generation and capital allocation.

Operational review for the five months ended 29 February 2024

Industrial Equipment and Services

Equipment southern Africa

Equipment southern Africa generated revenue of R9.7 billion which was 4.9% lower than the prior period at R10.2 billion. This is mainly attributable to the cyclical nature of Machine sales, which declined by 17.8% from R4.5 billion to R3.7 billion as a result of lower demand from the mining customers. This was however partially offset by 13.2% growth achieved from Parts sales (from R3.8 billion to R4.3 billion).

Operating margin continues to be impacted by input cost pressures, ZAR weakness, and softer parts sales margins, whilst operating expenses were impacted by lower service productivity due to the slowdown in mining activity.

Operating profit from trading activities after fair value adjustments was 7.5% lower than the prior period ending at R689 million (prior period: R745 million) and EBITDA declined by 3.1%to R1,0 billion compared to the prior period. Operating profit and EBITDA margins translated to 7.1% (prior period: 7.3%) and 10.4% (prior period: 10.3%) respectively.

The Bartrac JV continues to deliver a positive performance, contributing R72.6 million to attributable profit which represents a 38.1% improvement from the prior period.

Investment into net working capital has reduced relative to the prior period and is expected to further unwind in the second half of the financial year.

The firm order book ended at R3 billion (prior period R5.7 billion), reflective of the reduced trading activity.

Equipment Eurasia

Equipment Eurasia's revenue of $159 million is 11.1% lower relative to the prior period due to a 30% decrease in VT's revenue (from $116 million in the prior period to $81 million in the current period) partially offset by the 24% growth in Barloworld Mongolia revenue (from $63 million in the prior period to $78 million in the current period). High margin realisation, high after market contribution and cost control contributed to a 17% growth in operating profit from core trading activities to $33.5 million (prior period $28.6 million). The firm order book grew from $15.9 million in respect of the prior period to $119.8 million.

Barloworld Mongolia

Barloworld Mongolia's performance momentum has continued into the current financial year supported by prime product sales and aftermarket demand. The prime product contribution to revenue increased to 40% compared to the prior period at 35% while the aftermarket contribution remained at 48% of the total revenue mix.

Positive margin conversion, in addition to disciplined cost control, resulted in EBITDA of $20.1 million (growth of 78.6% from $11.3 million in the prior period) and operating profit of $17.9 million (prior period $9 million). This resulted in EBITDA and operating profit margin of 25.9% and 23.0% respectively (prior period 18.0% and 14.3% respectively).

Vostochnaya Technica

The decrease in Vostochnaya Technica's ("VT's") revenue is largely attributable to reduced product lines, supply chain constraints and the sanction regime.

The 74% aftermarket revenue mix combined with overall good margin realization and reduced expenses contributed positively to the operating profit from core trading activities of $15.6 million, representing a 20.6% decline from the prior period. VT generated EBITDA of $17.0 million which is 19.8% lower than prior period.

EBITDA and operating margin improved to 20.9% and 19.2% respectively (prior period 18.2% and 16.9% respectively).

We continue to ensure compliance in the business, with cash management a key priority in ensuring that the business continues to be self-sufficient in terms of its funding requirements.

Consumer Industries

Ingrain

Revenue was R2.6 billion, a 5.2% reduction against the prior period's R2.8 billion mainly due to lower overall volumes, reduced export pricing and agri-product recoveries. Domestic revenue was flat year-on-year with a reduction in volumes supplied to the alcoholic beverage, spray drying, confectionary, and paper sectors.

Exports into Australia and the deep sea markets were negatively impacted by the port challenges at the Durban harbour and the highly competitive global pricing of starch throughout the current period. The business benefitted from good demand within the region as regional export volumes into neighbouring countries saw an improvement. Agri-product volumes were flat compared to the prior period.

Maize prices are currently trading closer to import parity, up considerably from mid-January following dry conditions in the maize planting areas. The maize supply secured for the remainder of the period and crop estimates give confidence that Ingrain will have sufficient supply into 2024 /2025.

EBITDA was R318 million (the prior period: R353 million), mainly impacted by lower trading activity and fixed overheads outpacing inflation. Operating profit of R201 million was 16.9% lower than prior period and the margin was down by110 basis points.

In light of Ingrain's performance trajectory in changing market conditions, management is implementing a trough plan to structurally lower the fixed cost base in the business. To that end, an organisational restructure has commenced as part of a broader turnaround plan to right-size Ingrain in line with its trading activity. This will position the business to deliver acceptable target returns.

Funding and cash preservation

The Group is focusing on cash generation and capital allocation. To this end, the matured term debt of R1,3 billion was repaid from free cashflow generated from operations and the Group paid an ordinary dividend of R569 million in January 2024.

The Group assessed the adequacy of its current facilities, committed facilities, non-committed facilities, as well as headroom on the existing domestic medium-term note programme and remains satisfied with the positive state of the headroom of R16,2 billion.

Progress on our strategy

The Group confirms that its strategy based on the principles of *"Fix, Optimise and Grow"* remains unchanged.

Conclusion

The Board will release a trading statement once a reasonable degree of certainty exists concerning the Group's results for the six months ending 31 March 2024. We expect to release our interim financial results on or about Monday, 27 May 2024.

Shareholders are advised that the information related to our five months' performance to 29 February 2024, has not been audited, reviewed, or reported on by the Group's external auditors. This update does not constitute a forecast.

Management will host a conference call at 15:00 CAT today, 26 March 2024, to answer any questions from investors. Shareholders and analysts are to please use the following link to register:

https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=5433732&linkSecurityString=11159df300

Johannesburg

26 March 2024

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