Barloworld Limited
(Incorporated in the Republic of South Africa)
(Registration number 1918/000095/06)
(Income Tax Registration number 9000/051/71/5)
(Share code: BAW)
(A2X share code: BAW)
(JSE ISIN: ZAE000026639)
(Share code: BAWP)
(JSE ISIN: ZAE000026647)
(Bond issuer code: BIBAW)
("**Barloworld**" or the "**company**" or the "**group**")

VOLUNTARY TRADING UPDATE FOR THE FIVE MONTHS TO 28 FEBRUARY 2025

Overview

The Barloworld group has delivered a commendable set of results for the five-month period ended 28 February 2025. This was driven by the robust performance from Barloworld Mongolia which continues to counteract the contraction in Equipment southern Africa and Vostochnaya Technica ("**VT**"). Despite the constrained trading conditions, Ingrain has delivered significant improvement in its operational results following the turnaround plan which was instituted in the second quarter of the 2024 financial year.

In the first five months of the 2025 financial year, the group generated revenue of R14.8 billion, 4.9% below the R15.6 billion generated in the comparative five months of the prior financial year (the "**prior period**"). Group EBITDA declined by 12% from R1.9 billion to R1.6 billion while operating profit from core trading activities declined by 20.5% from R1.3 billion to R1.1 billion.

The group results are weighed down by the markedly lower activity levels at VT, as the business trades towards break-even at the profit level.

Excluding VT, the group generated revenue of R13.8 billion, 2% below the R14.1 billion generated in the prior period. Group EBITDA grew by 3% from R1.5 billion to R1.6 billion while operating profit from core trading activities remained flat at R1.0 billion.

Operational review for the five months to 28 February 2025 (the "current period")

Industrial Equipment and Services

As indicated in the voluntary trading update for the four months to January 2025, in order to provide clarity in reporting, we have further sub-categorised the Industrial Equipment and Services cluster into Industrial Equipment, which comprises of Equipment southern Africa and Barloworld Mongolia (as Caterpillar equipment distributors), and Industrial Services which comprises of VT (as it primarily provides other services to its customers).

Industrial Equipment:

The revenue for Industrial Equipment of R10.9 billion was 2.3% below the prior period due to a 9.2% revenue reduction in Equipment southern Africa which was offset by the 44% increase in Barloworld Mongolia revenue in rand terms.

Industrial Equipment's EBITDA of R1.4 billion was flat when compared to the prior period whilst the operating profit of R982 million from core trading activities was 4.1% below the R1.0 billion reported in the prior period.

Industrial Equipment generated EBITDA and operating profit margins of 12.8% and 9.0% respectively, in line with 12.4% and 9.2% respectively achieved in the prior period.

Equipment southern Africa

Equipment southern Africa's results are reflective of the slow recovery in the mining sector and the business disruption arising from the unrest in Mozambique. Mining customers continue to take a cautious approach to capital re-investment whilst the construction industry recovery has not fully gained momentum. As a result, the business continued to generate growth in rental revenue whereas machine and aftersales revenue was lower when compared to the prior period. Overall revenue softened by 9.2% from R9.7 billion to R8.8 billion.

Cost control measures resulted in a 3.7% decrease in net operating expenses notwithstanding higher trade related expenses (due to increased costs on guaranteed repair and maintenance contracts) as well as higher inventory impairment provision movements when compared to the prior period.

Equipment southern Africa generated EBITDA of R949 million, which, albeit 6.1% lower than the prior period's EBITDA of R1.0 billion, remains resilient, representing an EBITDA margin of 10.8% when compared to the 10.4% EBITDA margin reported in the prior period.

Operating profit before fair value adjustments ended at R684.0 million (prior period: R780.2 million) resulting in a margin of 7.8% (prior period: 8.0%). Foreign currency volatility experienced during the current period led to higher fair value losses of R108.2 million, 18.1% higher than the prior period of R91.7 million. As a result, operating profit after fair value adjustments declined by 16.4% from R688.5 billion to R575.8 million and the margin declined from 7.1% in the prior period to 6.5%.

The Bartrac joint venture ("**JV**") in the Democratic Republic of Congo continues to trade under arduous trading conditions. The share of profit generated by the JV declined to R25 million in the current period.

The investment in working capital was aligned with the trading activity levels and is expected to further reduce in the second half of the year.

Pleasingly, the firm order book has increased by 13% from R3.0 billion as reported in the prior period to R3.4 billion as at the end of February 2025.

Barloworld Mongolia

Barloworld Mongolia continued to generate strong revenue growth, with 49.5% revenue growth from $77.8 million to $116.3 million in the current period. The aftermarket contribution remained strong at 48% of the total revenue mix. Gross margins have however moderated when compared to the prior period. This resulted in 24.2% growth in EBITDA from $20.1 million in the prior period to $25.0 million and operating profit growth of 26.7% from $17.9 million in the prior period to $22.6 million. EBITDA and operating profit margins trended downwards from 25.9% and 23.0% respectively to 21.5% and 19.5% respectively.

The firm order book has reduced from $117.8 million (in the prior period) to $27.8 million following the significant prime product deliveries made since 28 February 2024 to date. Aftermarket demand is expected to remain strong whilst prime product sales are expected to ease, especially when compared to the relatively strong sales generated in the second half of the prior financial year.

Industrial Services:

Vostochnaya Technica

VT's revenue of $60.6 million is 25.3% lower when compared to the prior period revenue of $81.1 million, impacted by lower activity levels following the curtailed inventory supply and the reducing addressable market due to the evolving sanction regime. VT generated EBITDA of $2.8 million (83% lower than the prior period of $17.0 million) and operating profit from core trading activities of $1.5 million (91% lower than the prior period of $15.6 million). We expect VT to continue to trade at breakeven levels as we optimise the structure in accordance with the lower activity levels. VT remains self-sufficient in terms of its funding requirements.

The independent investigation into potential export control violations is ongoing. In light of the complexities involved in the investigation. The Bureau of Industry and Security ("**BIS**") has granted an extension of the deadline for the company to complete its investigation and submit a final narrative account of voluntary self-disclosure, to 2 June 2025.

Consumer Industries

Ingrain

Ingrain generated revenue levels consistent with the prior period at R2.7 billion. The business delivered 11.4% growth in EBITDA to R353.7 million in the current period (from R317.6 million in the prior period); and operating profit growth of 15.5% to R232.4 million (from R201.2 million in the prior period). This resulted in EBITDA and operating margin improvement from 12.0% to 13.3% and from 7.6% to 8.7%, respectively.

Our focus on levers that are within our control, including our investment in continuous improvement across Ingrain's operations are starting to yield the desired results. In line with the optimisation plans, strong focus on manufacturing efficiencies and cost discipline, the business generated pleasing operational results and stronger free cash flow relative to the prior period.

Although overall sales volumes were somewhat lower than the prior period, the greater contribution of higher value products resulted in the stable overall revenue. Domestic revenue held up while export market volumes were under pressure as a result of global competition and some local production challenges. Softer international starch and glucose prices benefitted imports into the country. As a result, the confectionary, prepared foods and trader sectors' demand was constrained. The alcoholic beverages sector showed pleasing growth relative to the prior period.

Exports into the Australian and the Deep-Sea markets have recovered, delivering double digit volume growth, while regional export volumes were subdued. The recovery was supported by more stable global shipping schedules compared to the prior period. Agri-product volumes benefitted from yield improvements driven by targeted capital investments.

SAFEX maize prices traded above import parity over the current period and are expected to ease in the short term, supported by improved weather prospects leading to higher crop volumes. The South African Crop Estimates Committee forecasts a 13.9 million ton maize crop for the 2025 harvest season, an 8% improvement from the 2024 final crop of 12.9 million tonnes. Ingrain has secured sufficient maize supply well into 2025/2026.

Funding and capital allocation

The group continues to purposefully allocate 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.

To this end, the group has invested in working capital to support its organic growth objectives, utilised free cashflow generated to repay floor plans and made a distribution to shareholders.

Barloworld has reviewed its current facilities, including committed and non-committed facilities, as well as headroom on the existing domestic medium term note programme. The group remains satisfied with the positive state of its gearing levels, liquidity and headroom (R18.1 billion). The group continues to trade comfortably within its financial covenants.

Progress on our strategy

The group confirms that its strategy, based on the principles of “Fix, Optimise and Grow”, remains unchanged. Concurrent with the ongoing BIS investigation, Barloworld continues to review various options to preserve shareholder value in respect of its investment in VT. The market will remain updated on this process at the appropriate time.

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 2025. We expect to release our interim financial results on or about Monday, 26 May 2025.

Shareholders are advised that the information related to our five months’ performance to 28 February 2025, 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, 25 March 2025, to answer any questions from investors. Shareholders and analysts are to please use the following link to register: RSVP – Barloworld Pre-Close Trading Update February 2025 – Virtual |

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25 March 2025

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