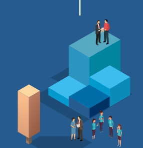
Barloworld
Leading brands

Barloworld Reviewed interim results

for the six months ended 31 March 2021

GROUP SALIENT FEATURES



Group HEPS of
367 cents
(1H20: 70 cents)

Group revenue of
R28.6 bn
up 6.5%
(1H20 Group revenue: R26.9bn)
with revenue from continuing operations up 13% to R20.2 billion

Enhanced Group ROIC of
3.8%
(FY2020: 1.0%)

R1.2 billion cost savings as a result of austerity measures
R1.2 bn

Group normalised HEPS from continuing operations#* of
448 cents
(1H20: 180 cents)

Strong balance sheet with a robust cash balance of
R8.3 bn
maintained

Improvement of Group EBITDA to gross interest paid to
6.9 times
(FY2020: 5.8 times)

Operating margin of
9.6%
(1H20: 7.5%)

Interim dividend reinstated for the six months ended 31 March 2021
137 cents
(1H20: Nil)

Group net debt (including Ingrain) increased to
R4.9 bn

Acquisition of Equipment Mongolia and Ingrain SA contributed
23.0%
of total operating profit

A special dividend of
200 cents
per share declared, returning capital to shareholders

Basic earnings per share (BEPS)
371.4 cents
(1H20: 729.7 cents loss per share)

Operating profit increased
44.0%
to R1.9 billion

Barloworld Limited (Incorporated in the Republic of South Africa)
(Registration number: 1918/000095/06)
(Income tax registration number: 9000/051/71/5)
(JSE share code: BAW) (JSE ISIN: ZAE000026639) (Share code: BAWP)
(JSE ISIN: ZAE000026647) (Namibian Stock Exchange share code: BWL)
(Bond issuer code: BIBAW) (Barloworld or the Company or the Group)

[#] Excluding IFRS 16 impact (1H21: R46 million: 1H20: R50 million)
[*] Excluding B-BBEE charges (1H21: R40 million: 1H20: R93 million)

The Group's performance during the period has been bolstered by executing on our strategy, the swift implementation of austerity measures aimed at cash preservation, maintaining a focused balance sheet management strategy and instilling focused working capital management, resulting in cash generation exceeding our expectations.

Group chief executive officer
Dominic Sewela

Group review

The decisive actions taken in 2020 are beginning to yield positive results, as reflected in our strong set of results for the first six months of the financial year ended 31 March 2021. The revenue from continuing operations for the period was R20.2 billion (1H20: R17.9 billion), up 13% from the prior period, which was largely unaffected by COVID-19. Our recent acquisitions delivered better than expected performance with Equipment Mongolia and Ingrain contributing R3.4 billion in revenue (17% of total revenue).

The operating profit from continuing operations increased by 44.0% to R1.9 billion, with Equipment Mongolia and Ingrain contributing R450 million (23.0% of total operating profit). The Group achieved a R1.2 billion reduction in costs compared to the prior period, owing to the swift implementation of austerity measures aimed at cash preservation. The effect of the acquisitions and cost containment resulted in a 210 basis points increase in the operating margin to 9.6%.

We maintained a strong balance sheet and instilled intensive working capital management, with free cash generation of R4 billion (excluding the Ingrain acquisition of R5.3 billion) exceeding our expectations. Our Group net borrowings of R4.9 billion have increased by R2.3 billion as at 31 March 2021, from R2.6 billion at 30 September 2020. The increase was solely driven by the R5.3 billion Ingrain acquisition, which was partially paid down by cash from existing operations.

The Group headline earnings per share (HEPS) was 367 cents, up on the prior period HEPS of 70 cents. The Group normalised HEPS from continuing operations, excluding the impact of IFRS16 and B-BBEE charges, at 448 cents (1H20: 180 cents) was higher than the prior period owing to exceptional performance in the Equipment businesses and the contribution from our recent acquisitions. Basic earnings per share (BEPS) of 371.4 cents (1H20: -729.7 cents loss per share) up 1 101.1 cents per share.

An improved return on invested capital (ROIC) of 3.8% (1H20: 7.8%), compared to the 1.0% achieved in the 2020 financial year, was generated from the improved results recorded. Attention should be drawn to the fact that the calculation of ROIC for six months necessitates the inclusion of our annualised performance, therefore the last half of the 2020 financial year is included, which will be eliminated in September 2021.

Operating segment results for the six months ended 31 March 2021 for continuing operations

Rm	Revenue Six months ended Reviewed 31 Mar 2021	Revenue Six months ended Unreviewed 31 Mar 2020	Operating profit/(loss) Six months ended Reviewed 31 Mar 2021	Operating profit/(loss) Six months ended Unreviewed 31 Mar 2020
Industrial equipment and services	**13 846**	12 745	**1 452**	1 092
Consumer industries	**1 956**		**305**	
Car Rental and Leasing	**4 014**	4 829	**378**	464
Other segments*	**393**	326	**(200)**	(213)
Total continuing operations	**20 326**	17 900	**1 935**	1 343

* Other segments includes Digital Disposal Solutions (including SMD), Corporate, Khula Sizwe and Handling.

Discontinued operations

During the year under review the board approved the sale of the Group's wholly owned Motor Retail business to NMI Durban South Motors Proprietary Limited (NMI-DSM), in which Barloworld holds a 50% interest, effective 1 June 2021. All substantive conditions have now been met, including the Competition Tribunal approval.

The board also approved a formal disposal process to exit the Logistics business after receiving several expressions of interest. The process is expected to close by the end of the current calender year.

Cash flow

Net cash generated from operating activities before dividends to 31 March 2021 of R3.7 billion (inflow) was R5.1 billion higher than the prior year at R1.3 billion (outflow). Operating cash flows were better than last year and the working capital levels significantly improved due to the reduction in inventory balances and the increase in payables. Cash utilised in the acquisition of the Leasing and Rental Fleet was R1.3 billion (1H20: R1.1 billion), as we ramped up the fleet to meet increasing demand.

Net cash utilised in investing activities of R5 billion includes the Ingrain acquisition of R5.3 billion, partly offset by the maturity of the investment in USD-linked Angolan bonds of R388 million (USD25.5 million).

Free cash flow generated of R4.0 billion before the acquisition of Ingrain for the period was an exceptional effort in tough trading conditions when compared to the prior year's outflow of R1.4 billion.

Financial position, gearing and liquidity

Group total assets amounting to R52.4 billion (FY2020: R47.9 billion) were impacted by the acquisition of Ingrain carrying a total asset base of R6 billion, together with increased cash levels, but partially offset by a reduction in working capital in the rest of the businesses. A robust cash balance of R8.3 billion was maintained with the net debt position, including the Ingrain acquisition increasing to R4.9 billion. Assets held for sale of R5.8 billion (1H20: R218 million) include Motor Retail and Logistics.

The Group maintains committed facilities for both the local and offshore operations, which remained substantial at R22.7 billion and non-committed facilities amounted to R2.2 billion.

Our South African short-term debt includes committed overnight short-term facilities, revolving credit fund facilities and a R3 billion bridging finance on the Ingrain acquisition, which expires in May 2021. Subsequently, we concluded syndication at favourable rates. We expect to maintain our participation in this market to the extent that we are able to achieve funding rates that are competitive with existing short-term funding lines and requirements, as well as available liquidity within this market.

Liquidity volumes have eased up within the debt capital markets post the outbreak of the COVID-19 pandemic when compared to the 2020 financial year. With the easing of lockdown restrictions in recent months, a number of investors found themselves with available cash to invest, which has allowed spreads to narrow and slightly favourable rates on bond issuances.

The Group's financial position remains well within our covenants.

Debt covenants	March 2021
EBITDA: Interest cover > 3.0 times	**6.9 times**
Net Debt: EBITDA < 3.0 times	**0.9 times**

Resumption of dividend

Our focus on the integration and value extraction from the acquisitions, which will precede programmatic "bolt-on" mergers and acquisitions focused on Industrial Equipment and Services and Consumer industries, and the release of capital likely from the disposals under way, has provided the board with the comfort necessary to take the decision at its May 2021 board meeting to resume the payment of dividends. In light of this decision, the Group will pay a total of 337 cents per share in dividends to shareholders, made up of an ordinary dividend of 137 cents per share and a special dividend of 200 cents per share.

Dividend declaration

Notice is hereby given that interim dividend number 183 and a special dividend have been declared (collectively "the dividends") in respect of the six months ended 31 March 2021 subject to the applicable dividends tax levied in terms of the Income Tax Act, 58 of 1962 (as amended) as follows:

Dividend	Gross amount	Withholding tax	Net amount
Ordinary	137 cents	20%	109.60 cents
Special	200 cents	20%	160.00 cents

Payment of the special dividend is subject to exchange control approval by the South African Reserve Bank. A further announcement will be released once such approval has been obtained.

In accordance with paragraphs 11.17(a)(i) to (ix) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividends have been declared out of income reserves
- Local dividends tax rate is 20% (twenty per centum)
- Barloworld has 201 025 646 ordinary shares in issue.

In compliance with the requirements of Strate and the JSE Limited, the following dates are applicable to the dividends:

DIVIDENDS DECLARED	Monday, 24 May 2021
FINALISATION DATE	Monday, 14 June 2021
LAST DAY TO TRADE CUM DIVIDENDS	Tuesday, 22 June 2021
ORDINARY SHARES TRADE EX-DIVIDENDS	Wednesday, 23 June 2021
RECORD DATE	Friday, 25 June 2021
PAYMENT DATE	Monday, 28 June 2021

Outlook

Our strategy, based on a clear ambition and outcome to double the Group's intrinsic value every four years, means that we need to be forward looking in how we approach our business. With this in mind, we are actively pivoting our portfolio towards defensive, relatively asset-light and cash-generative industrial sectors, based on a business-to-business operating model.

To achieve this, we have positioned the Group as an industrial processing, distribution and services company with two primary areas of focus: Industrial Equipment and Services and Consumer Industries (food and ingredient solutions). However, as we strengthen our position in these areas, our strategic focus will remain on fixing and optimising our existing business portfolio to extract maximum potential and further acquisitive growth once we have completed our remaining portfolio changes.

Our outlook for 2021 remains positive as key markets recover, commodity prices improve, our customers increase capital expenditure, and government stimulus spending supports infrastructure projects.

Mining activity is expected to steadily improve on the back of buoyant commodity prices albeit with lower production, while construction activity is expected to remain at the same levels in the short term. We expect COVID-19-related restrictions to continue impacting on our operations in the near term, with sporadic lockdowns expected to be implemented to support efforts to curb the spread of the virus. Sales volumes in the consumer segment are expected to benefit from a reduction in economic restrictions that impacted the prior period. The good outlook for maize in South Africa for the current season is expected to continue to support margins going forward as local maize prices remain competitive.

The used car market is expected to be strong on the back of the shortage of new cars and anticipated higher prices. We also foresee that providing quality services, and not just price, will continue to be a driving force in the Car Rental and Leasing business. While we await the resumption of new normal travel patterns, we will maintain our reduced fixed cost base to ensure an agile organisation in Car Rental and Avis Fleet. Our commitment to our customers will continue while we grow our market share and sustain a lower cost to serve.

Over the short to medium term, we will focus on aspects within our control by executing on the completion of our corporate actions through the disposal of Logistics and the integration of our recent acquisitions.

We will continue our vigilant approach towards ensuring the safety of all our employees by complying with legislation, as well as implementing best practices in a safe working environment.

Uncertainty about the macroeconomic environment remains, and it is therefore still too early to provide any guidance. However, we will continue to provide regular updates to assist shareholders in assessing the Group's performance and financial position.

24 May 2021

Short form announcement

This short form announcement is the responsibility of the board of directors of Barloworld and is a summarised version of the full announcement in respect of the interim financial results for the period ended 31 March 2021 of Barloworld and its subsidiaries (collectively the Group), and as such it does not contain full or complete details pertaining to the Group's results. Any investment decisions should be made based on the full announcement, which has been reviewed by Barloworld's auditors.

The full announcement can be found on the Group's website:
https://www.barloworld.com/investors/interim-results-presentations/
and on the JSE's website at:
https://senspdf.jse.co.za/documents/2021/jse/isse/BAWE/ie2021.pdf

The full announcement is available for inspection, at no charge, at the registered office of Barloworld (61 Katherine Street, Sandton, Johannesburg, 2146) from 09:00 to 16:00 on business days. Copies of the full announcement can be requested from the registered office by contacting the Company secretary on +27 11 445 1000.

* Certain information presented in this announcement is regarded as pro forma financial information. This information has been prepared for illustrative purposes only, is the responsibility of the board of directors of Barloworld and has not been reviewed or reported on by the company's external auditors.

Directors

Non-executive
NP Dongwana (Chairman),
FNO Edozien*, HH Hickey,
MD Lynch-Bell**, NP Mnxasana,
NV Mokhesi, H Molotsi,
P Schmid

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Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited