18 November 2020

ASX & Media Release

United Malt Group Limited FY20 Results

- **Solid operational performance despite significant impact of COVID in 2H**
- **Revenue down 2% to $1.3b on volume decline in 2H**
- **Underlying EBITDA down 11% to $156.1m[1] reflecting volume declines, negative product mix and increased costs as separately listed ASX entity**
- **Robust financial position with net debt of $261.7m and gearing (Net debt/Underlying EBITDA) 1.7 times[2]**
- **Final dividend of 3.9 cents, payable on 30 December 2020**
- **Well positioned to manage through current market uncertainty - current volumes at ~90% of pre-COVID levels**

United Malt Group Limited (ASX: UMG) (United Malt or the Company) today announced its financial results for the year ended 30 September 2020 (FY20).

The Company reported underlying net profit after tax of $57.4[3] million, down 3[4] per cent on the prior year.

Revenue declined by 2 per cent to $1.3 billion, impacted by COVID-related volume declines in the second half of the year, following a solid performance in the first half.

Underlying EBITDA was $156.1[5] million, down 11 per cent on the prior year. The results included a $12.6 million uplift to Underlying EBITDA relating to the AASB 16 Lease accounting standard. Excluding the impact of this standard, underlying EBITDA fell by 18 per cent to $143.5 million.

Earnings in the second half were impacted by COVID-related declines in volumes and a change in product mix, together with an increase in corporate costs and insurance premiums as the business transitioned to a stand-alone listed entity on the ASX following its successful demerger from GrainCorp Limited in March 2020.

These increased costs were partially offset by cost-saving initiatives in the 2H20. Direct cost savings of $5.9 million were realised, and a further $4.4 million in government wage support schemes was accessed in Canada, the UK and New Zealand supporting retained staff who would have otherwise been furloughed. No government wage assistance was received in Australia or in the US.

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[1] Underlying EBITDA is earnings before interest, tax, depreciation, and amortisation, and excluding material non-recurring items related to the demerger.
[2] Based on Underlying EBITDA and net debt inclusive of finance lease commitment.
[3] Underlying NPAT is net profit after tax excluding material non-recurring items related to the demerger.
[4] Calculated on prior year Underlying NPAT excluding intercompany interest of $26.8m.
[5] Underlying EBITDA is earnings before interest, tax, depreciation, and amortisation, and excluding material non-recurring items related to the demerger.

In the **Processing** segment, revenue fell by 1 per cent to $989.4 million reflecting volume declines compared to the prior year. Underlying segment EBITDA declined by 12.5 per cent to $119.7[6] million as a result of the impact of COVID in key markets.

Underlying EBITDA margin was impacted by a change in product mix and increased costs associated with hygiene and social distancing measures put in place to keep the Company's workforce safe. Margin was also affected by lower cost recovery associated with operating at reduced utilisation rates and increased supply chain costs.

Revenue in the **Warehouse & Distribution** segment reduced by 6 per cent to $328.9 million. Underlying segment EBITDA was down by 27 per cent to $28.3[7] million, impacted in the second half by COVID stay-at-home restrictions which reduced demand from craft brewers servicing only the on-premise market.

Underlying EBITDA margin was impacted by a change in sales mix, lower cost recovery associated with operating at reduced volumes and the $3 million write-off in aged hops inventory in the first half. These cost increases were partially offset by a business optimisation program and freight initiatives which delivered $3.8 million in cost savings.

Financial Position and Balance Sheet

United Malt remains in a strong financial position to manage in the current environment and to continue its investment in strategic growth initiatives. The Company successfully completed a $170.6 million equity raising in May 2020 which comprised an institutional placement ($140 million) and a Share Purchase Plan ($30.6 million). Part of the proceeds of the raising were used to repay debt.

As a result, net debt at 30 September 2020 was $261.7 million compared to $584.1 million at 31 March 2020. The gearing ratio (net debt/underlying EBITDA) was 1.7[8] times which is below the Company's target ratio of 2.0 to 2.5 times, reflecting the seasonal impact of lower working capital draw compared to the first half as the Company builds up barley inventories and increases working capital usage.

The Company maintains comfortable headroom within its banking covenants and has no significant near-term refinancing commitments with long-term debt facilities not maturing until November 2022.

Dividend

The Board resolved to pay a final dividend of 3.9 cents per share. The record date for determining entitlements to the final dividend is 14 December 2020 with scheduled payment on 30 December 2020.

No interim dividend was paid by United Malt with respect to the first half-year ending March 2020 result, as these earnings were attributable to shareholders of GrainCorp Limited. The final dividend payment represents a payout ratio of 40 per cent of Underlying NPAT for the second half. The Company's dividend policy in future periods will be to distribute approximately 60 per cent of Underlying NPAT, subject to trading conditions.

[6] Underlying segment EBITDA is earnings before interest, tax, depreciation, and amortisation, and excluding material non-recurring items related to the demerger. Underlying segment EBITDA excludes the impact of AASB16 ($6.3m).
[7] Underlying segment EBITDA is earnings before interest, tax, depreciation, and amortisation, and excluding material non-recurring items related to the demerger. Underlying segment EBITDA excludes the impact of AASB16 ($6.3m).
[8] Based on Underlying EBITDA and net debt inclusive of finance lease commitment.

+61 2 8073 3160|UNITEDMALT.COM|Level 28, 175 Liverpool Street, Sydney NSW 2000 ABN 61 140 174 189

United Malt Managing Director and CEO, Mark Palmquist said the FY20 results reflected the robust performance of the Company's operations and customer relationships, despite the significant impact of COVID in the second half.

"Following a solid first half, our financial performance was impacted in the second half by COVID restrictions which adversely impacted on-premise alcohol consumption, particularly for small craft beer brands. While off-premise consumption increased, this was not sufficient to mitigate the decline in on-premise consumption.

"In response to the pandemic our primary focus has been on the health and safety of our people, customers and suppliers.

"We have implemented necessary changes to how we operate our production and warehouse facilities to align costs with demand, including staff redeployment, some curtailment of capacity and managing more frequent ordering patterns.

"The Company moved quickly to ensure our balance sheet remains robust, including the $170.6 million equity raising in May, while our gearing ratio is expected to be within our target range of 2.0-2.5 times in the first half of FY21.

"Meanwhile we continued to implement our growth strategy, including upgrading and expanding the capacity of our malting facilities.

"The £51 million investment in the Bairds' Scottish malting facilities will add 79,000t of capacity across our Arbroath and Inverness sites, bringing our total capacity to ~300,000t per annum. In Australia, we announced a $27 million replacement of the Perth Kiln, providing safety and efficiency benefits and the opportunity to expand capacity, with further capital investment."

"We have entered into an in-principle agreement with our existing Mexican distribution partner for an expanded partnership to further grow United Malt's penetration into the Mexican market. The new agreement will provide on the ground access to the growing craft market in Mexico, enhanced customer experience, and more efficient logistics.

Mr Palmquist said United Malt remained well positioned to manage through the current market uncertainty which was expected to continue throughout FY21.

"While some signs of recovery have emerged in our markets, we remain prepared for the evolving impact of COVID and the potential for second and third waves, which could continue to disrupt demand, supply chains and operations, including further lock downs in the UK.

"While current volume remains at around 90 per cent of pre COVID levels, we remain well placed to return to growth, once conditions stabilise, supported by our strong market positions, strategically located malting assets and our market leading distribution platform, that is well positioned to service customers' ingredient requirements.

"We retain a high quality customer base diversified by product, end-market and geography and we will continue disciplined investment in our assets to lower our production costs, enhance efficiencies and expand capacity where necessary as we continue to focus on targeting high value markets," Mr Palmquist said.

Additional information

For further information regarding this announcement, please contact:

Investors	**Media**
Renee Jacob	Martin Cole
Email: rjacob@unitedmalt.com	Email: Martin.cole@capitalmarketscommunications.com.au
Phone: +61 2 8073 3188	Phone. +61 403 332 977

This announcement was authorised for release to ASX by the United Malt Group Limited Board of Directors.

About United Malt Group

United Malt is the fourth largest commercial maltster globally, with approximately 1.25Mtpa of capacity across 13 processing plants in Canada, United States of America (US), Australia and the United Kingdom (UK). We also operate an international distribution business, which provides a full service offering for craft brewers and distillers, including malt, hops, yeast, adjuncts and related products.