



01 August 2022

ASX: UMG

**ASX Announcement:**

- Underlying EBITDA (before SaaS costs) for FY22 expected to be in the range of ~\$100 -108 million<sup>1</sup>.
- Gearing is expected to revert to the target range by September 2023.
- Underlying EBITDA (before SaaS costs) for FY23 expected to be in the range of ~\$140 -160 million.<sup>2</sup>
- Investor Day on Wednesday 3 August to outline the Company's actions to build a more resilient global malting business to unlock value.

**FY22 Trading Update and Investor Day:**

United Malt Group Limited ("the Company" or "United Malt") today provides a trading update and revised earnings guidance for the year ending 30 September 2022 ("FY22") ahead of its Investor Day to be held in Sydney on Wednesday 3 August 2022.

**FY22 earnings guidance:**

United Malt expects Underlying EBITDA (before SaaS costs) for FY22 to be in the range of ~\$100 - 108 million<sup>1</sup>.

As the Company indicated in its interim results in May<sup>3</sup>, the Processing segment in North America was adversely impacted by a number of external events, including the significant deterioration of the North American barley crop, supply chain disruptions, increased costs of imported barley which could not be fully passed on to customers and general cost inflation.

In the April–June quarter, United Malt's Processing segment has continued to experience the negative effect of these events resulting in further deterioration of gross margins in its North American operations.

The Company's earnings for FY22 are now expected to be below the previous guidance as the anticipated improvement in the second half performance of the North American Processing segment has been delayed due to:

- the cost and poor quality of domestically-sourced North American barley supply resulting in increased production costs and reduction in gross margin;
- the expected improvement in supply chain including sea, rail and road freight not materialising, causing continued delays in customer shipments; and
- higher than expected energy costs.

Processing segment Underlying EBITDA (before SaaS costs) for FY22 is expected to be \$62-66 million.

United Malt's Warehouse & Distribution segment is performing well and continues to benefit from reopening in major markets and the return of craft brewing demand, together with business optimisation initiatives which are generating increased revenue and underlying earnings. The Warehouse & Distribution segment operates on a relatively short cycle and is able to pass through input cost increases to customers and maintain margins in an inflationary environment.

<sup>1</sup> SaaS costs for FY22 are expected to be ~\$13 million; EBITDA in FY22 is expected to be ~\$87 -95 million after SaaS costs.

<sup>2</sup> SaaS costs for FY23 are expected to be ~\$6 million FY23 EBITDA (post SaaS costs) is expected to be \$134-154 million

<sup>3</sup> refer to ASX announcement on 17 May 2022

Warehouse & Distribution segment Underlying EBITDA (before SaaS costs) for FY22 is expected to be \$46-50 million in line with guidance provided in the interim results.

Group corporate costs for FY22 are expected to be approximately \$8 million which is less than the guidance provided in the interim results.

United Malt will release its full year results for the period ended 30 September 2022 on 15 November 2022.

### **FY22 Financial position:**

As a result of continued high barley cost and the additional barley intake in the UK in preparation for the Inverness expansion, the Company's Net Debt/EBITDA will temporarily exceed the Company's target range of 2.0 -2.5 times. The Company has been in discussions with its banks regarding options to manage the temporary increase in barley inventories and the short-term reduction in EBITDA, including options to finance a portion of its receivables. Based on the Company's FY23 earnings outlook, the Company believes that it will not need to raise additional capital and will be within its target Net Debt/EBITDA range at 30 September 2023.

The Company has no significant near-term refinancing commitments with long term debt facilities not maturing until November 2024.

### **FY23 Outlook:**

United Malt anticipates a material increase in earnings in FY23 with Underlying EBITDA (before SaaS costs) expected to be in the range of \$140-160 million. Expected drivers of earnings improvement include:

#### **1. Improved North American barley crop conditions**

In each of United Malt's barley sourcing regions, the crop outlook remains positive with a significant improvement expected in the volume and quality of the North American crop compared to last year.

The Canadian barley crop is expected to be harvested in mid-August. The latest Canadian barley outlook is projected at 10.2 million tonnes production, 47% higher than 2021<sup>4</sup>, assuming favourable weather conditions and trend yields remain.

#### **2. Improved pricing and commercial terms**

United Malt has implemented substantial changes to pricing and commercial terms for its North American Processing customers. As these re-negotiated terms come into effect progressively in calendar 2023 the Company will better capture the true cost to serve customers which takes into account crop quality, barley price and cost inflation and will be in a position to manage margin risk better.

#### **3. Completion of the Scottish expansion project**

The Company remains focused on completing the construction of the second of its two new facilities in Scotland which together will provide 79,000 tonnes of new capacity to serve the distilling market. The Inverness expansion is expected to be fully operational and producing quality malt in the first quarter of calendar 2023, while Arbroath is already producing at a rate of 22,000 tonnes per annum. The combined new facilities are confidently expected to deliver an incremental EBITDA of approximately \$18 million on a full year run rate basis.

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<sup>4</sup> RMI Analytics 21 July 2022

#### 4. Progressive delivery of the Transformation project

United Malt expects to complete the implementation of its new technology platform by the end of March 2023. This is a key enabler for the delivery of the Company's Transformation project which is on track to deliver the expected benefits by FY24. The new Enterprise Resource Planning (ERP) platform and Transport Management System (TMS) are well advanced and are being progressively deployed across the business.

##### Chairman's comments:

United Malt Chairman, Graham Bradley AM, said: "The Board is disappointed with the Company's current year performance and outlook. While external conditions have deteriorated dramatically during FY22, including the significant Canadian drought, the pace of change in the business needs a material reset to ensure we meet the expectations of our customers and of our shareholders.

"Higher energy prices and supply chain issues are likely to remain challenging for the foreseeable future as will the impacts of climate on our business. We are building a more resilient global malting business to better navigate these challenges and take full advantage of our potential to unlock greater value for shareholders.

"United Malt's outlook will be stronger for the actions we have already commenced. These include:

- Strengthening management capability;
- Implementing better customer contracts and diversifying barley procurement;
- Maintaining rigorous capital management disciplines; and
- Adding additional industry experience to the Board

"We are already benefiting from stronger financial disciplines put in place by Ryan Dutcher, our interim Chief Financial Officer who has been working with the Company since January this year to strengthen our finance function. We are recruiting a Chief Commercial Officer who will be responsible for the sales and marketing operations of the Company including management of margins.

"We will also strengthen the industry experience on our Board and will soon announce the appointment of a new North American based non-executive director with significant industry experience as part of ongoing board renewal.

The reset of the Company's performance and the building of a more resilient business will take time. The Board and management will provide shareholders with regular information on our progress and the opportunities and challenges we are navigating."

##### Managing Director & CEO's comments:

United Malt Managing Director & CEO Mark Palmquist said: "Better customer contract management and barley procurement will substantially improve results from January 2023. The run rate for January – September 2023 will be significantly higher than our results for FY22. Our first quarter will continue to be affected by the 2022 pricing issues. We expect underlying EBITDA (before SaaS costs) for the 1H23 to be in the range of \$58-66 million, with second half underlying EBITDA (before SaaS costs) expected to be \$82-94 million.

"In addition, the return to an average crop in North America will be positive for us in FY23. Having the quality and quantity of barley we need in North America means that the significant costs associated with importing barley incurred in FY22 that were not able to be fully passed through to customers in FY22 will not recur in FY23. Based on current crop expectations, we do not expect to import barley into North America in FY23."

**Investor Day:**

On Wednesday 3 August, United Malt will hold an Investor Day to outline the actions the Company is taking to build a more resilient global malting business and to take advantage of our opportunities to unlock value.

Key themes at the Investor Day will include:

- Commenting on industry trends in our markets, including expected growth in demand for malt products in established and emerging markets and higher malt inclusion rates in craft beers;
- Identifying strategic priorities to accelerate the pace of change required to manage in the current environment;
- Providing a detailed outlook for a stronger performance in FY23 based on positive North American crop conditions, a reset of pricing and commercial terms and the delivery of key transformation projects;
- Reinforcing our commitment to strong capital discipline following completion of the distilling project in Inverness, Scotland; and
- Providing more detail on the steps we are taking to continue to build a more resilient global malting business and to take advantage of the opportunities to unlock value.

**Conference Call 1 August 2022 at 10am (AEST):**

United Malt will host an analyst and shareholder conference call commencing at 10am (AEST) on Monday 1 August 2022. Please pre-register for the conference call at the link below:

**Conference call link:**

<https://s1.c-conf.com/diamondpass/10024215-dys6d7.html>

After registering you will be provided with the dial in number, the passcode, and your unique access pin. Media are also invited to join on a listen-only basis. Presentations and an audio recording will be available on the United Malt website.

**Additional information:**

For further information, please contact:

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**This announcement was authorised for release to ASX by the Board of Directors.**

**Forward Looking Statements:**

*Certain statements contained in this announcement are forward-looking statements or statements about future matters, including any indications of, and guidance or outlook on, the future earnings, distributions, financial position and/or performance of United Malt. These statements involve known and unknown risks and uncertainties and other factors (many of which are beyond the control of United Malt) and involve significant elements of subjective judgement and assumptions as to future events (which may or may not be correct). No representation, warranty or assurance is given that the occurrence of any of the events expressed or implied in these statements will actually occur or that actual outcomes will not differ materially from the outcomes expressed or implied in these statements.*

**About United Malt Group:**

*United Malt is the fourth largest commercial maltster globally, with approximately 1.25Mtpa of capacity across 12 processing plants in Canada, United States of America, Australia and the United Kingdom. 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.*