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15 November 2022

ASX Announcement

- **FY22 Underling EBITDA $105.9 million**
- **Expect a material increase in earnings in FY23 and reaffirms guidance**

FY22 Results Release

United Malt Group Limited (ASX: UMG) today announced its financial results for the year ended 30 September 2022 (“FY22”).

Group Results

Group revenue increased by 13.9 per cent to $1,406.7 million, primarily reflecting higher barley prices.

Underlying EBITDA[1] (before one-off items and SaaS costs) was $105.9 million, down 23.2 per cent on the prior year. This result was in line with the guidance provided as part of the Company’s trading update lodged with ASX on 1 August 2022.

Statutory Net Profit After Tax was $11.6 million compared to $14.5 million for FY21. Statutory earnings per share were 3.9 cents compared to 4.8 cents for the prior year.

The Group’s financial results were adversely affected by market conditions, including the impact of the severe drought on the Canadian barley crop, significant disruption to ocean and rail supply chains and increased freight costs.

Group Financial Results Summary

A$m (unless specified)	FY22	FY21[2]
Revenue	1,406.7	1,235.0
Underlying EBITDA (excluding one-off items and SaaS costs)	105.9	137.9
EBITDA	91.8	124.0
EBIT	29.8	63.4
Net Profit After Tax	11.6	14.5
Basic earnings per ordinary share (cents)	3.9	4.8
Dividend per ordinary share (cents)	1.5	5.5

[1] Underlying EBITDA for FY22 excludes SaaS costs of ($13.3m) and the impairment of the Brewers Select assets ($0.8m). For FY21 Underlying EBITDA excludes SaaS costs ($6.5m), Grantham site closure costs ($3.1m) and transformation costs ($4.3m).
[2] FY21 restated throughout this release

Financial Position and Balance Sheet

Net debt at 30 September 2022 was $453.4 million compared to $427.3 million at 31 March 2022.

As a result of continued high barley prices, the value of barley and malt inventories and the additional intake of barley in the UK in preparation for commissioning of the Company's expanded Inverness facility, the Company's gearing ratio (net debt/EBITDA) at 30 September 2022 was 5.0[3] times and exceeded the Group's target range of 2.0 - 2.5 times.

As announced on 7 September 2022, United Malt received covenant amendments from its banks in respect of 30 September 2022 and 31 March 2023 and additional inventory funding capacity to accommodate expanded short term requirements.

In November 2022, United Malt entered into a factoring arrangement under which the Company anticipates factoring up to ~$90 million[4] to provide further short term financing flexibility.

An expected improvement in earnings and significantly reduced capital expenditure commitments in FY23 means the Company maintains a clear pathway to its target gearing range by 30 September 2023.

The Company believes it will not need to raise additional capital.

United Malt has no significant near-term refinancing commitments with long term debt facilities not maturing until November 2024 and completed its customary annual refinancing of inventory and working capital facilities in November 2022.

Capital Expenditure

Capital expenditure for the year was $91.2 million compared to $103.3 million for FY21 and represents the peak in the Group's growth capital expenditure. Growth capital expenditure for the year was $64.7 million.

Major growth initiatives included $50.2 million relating to the expansion of the Scottish facilities to service the distilling market. In total this project will add 79,000 tonnes to capacity at both the Arbroath and Inverness sites and is expected to generate incremental EBITDA of approximately $18 million on full year run rate basis.

Other growth projects included sustainability and efficiency programs including the new specialty ingredient processing plant in Calgary and the Optisteep water reduction technology installation at the Pocatello plant.

For the next few years, the Company expects base capital expenditure to be in the range of ~$55 to $60 million including stay-in-business and safety-related investment in the range of ~$30 to $35 million.

Dividend

The Board declared a 1.5 cent interim dividend (unfranked) in May 2022 in respect of the Company's first half result. In light of the Company's second-half profit performance, the Board did not declare a final dividend for FY22 but expects to resume payment of dividends in line with United Malt's policy to distribute approximately 60 per cent of Underlying Net Profit After Tax as dividends.

[3] Based on a 12 month rolling EBITDA excluding the impact of AASB16 and net debt excluding finance lease commitment. The impact of AASB16 on the 12 month rolling EBITDA is $18.7m.
[4] US$60 million receivables factoring arrangement

Segment Results

In the **Processing** segment, revenue increased by 15.6 per cent to $1,084.7 million, primarily reflecting the pass through of significantly higher barley prices compared to the prior year.

Underlying segment EBITDA (before SaaS costs) declined by 30.8 per cent to $70.1 million, impacted by the significant deterioration in the Canadian barley crop which reduced yields and increased production costs.

The reduced Canadian crop resulted in the Company also incurring additional logistics costs to import barley into processing plants in Canada from Denmark and Australia. The combined impact of additional barley required to address reduced quality and yield and additional logistics costs for importing barley was $51.7 million for the year.

The segment was also impacted by disruption to supply chains including sea, rail and road freight which caused continued delays in customer shipments and higher than expected energy costs which were not able to be fully passed through to customers. The impact of these costs was $7.3 million for the year.

Revenue in the **Warehouse & Distribution** segment increased by 8.0 per cent to $356.6 million, benefiting from the business optimisation initiatives implemented over the past two years. On a constant currency basis, revenue increased by 3.4 per cent.

Underlying EBITDA (before one-off items and SaaS costs) increased by 2.5 per cent to $44.6 million. The segment operates on a relatively short cycle and is better able to manage margins in an inflationary environment, as experienced during the year.

Subsequent to the year end, in October 2022 the Company divested its UK craft distribution business, Brewers Select. An impairment on sale of $0.8 million was recorded as a one-off item.

Including one-off costs and SaaS costs, segment EBITDA was $40.3 million and was 1.2 per cent down on the prior year.

Commentary on Results

Managing Director and CEO, Mark Palmquist said: “FY22 was a challenging year for the Group.

“In response we have enacted a more proactive approach to risk allocation, with changed pricing and commercial terms to better capture the true cost-to-serve our customers. This includes barley pricing with customers with more certainty on crop quality and price and a more disciplined approach to managing customers’ volume commitments. Our contracts will also include more frequent freight price re-sets and inflation cost escalation more appropriately reflected in the processing fee.

“These initiatives are designed to ensure a more resilient business which is better equipped to manage external volatility.

“Over the longer term, the fundamentals of our industry remain positive. Beer consumption has not typically been significantly impacted in periods of recession while demand for craft beer and ancillary products continues to grow. Demand for distilling continues to grow with United Malt’s customers laying down spirits for 10+ years for aged whisky.

“We continue to implement our strategy to leverage these positive market fundamentals, whilst strengthening our internal capabilities.

“In the UK, we remain well positioned to service the Scottish whisky market which requires malt to meet the long-term requirements of distillers to produce aged whisky.

The upgrade of the Inverness site will add 57,000 tonnes of capacity to service the distilling market. This strategic addition of capacity has been underpinned by expanded contracts with customers with the new capacity already largely contracted. The facility at Inverness is expected to be producing commercial quality malt in the first quarter of calendar 2023. We continue to expect incremental EBITDA of approximately $18 million on a full year run rate basis from our Scottish expansion project.

"Meanwhile, we are progressing our new specialty ingredient processing plant in Calgary which is supporting growing demand for new products in craft beer and food applications.

"We continue to progress the business transformation programme which is focused on renewing our organisation and technology platforms to create a simplified, more efficient and effective organisation.

"A key pillar of this transformation is the implementation of the new technology platform which is expected to be completed in 2023.

"We remain confident and committed to achieving ~$30 million of net benefits in EBITDA by FY24," he said.

FY23 Outlook

United Malt continues to expect a material increase in earnings in FY23.

The expected drivers of the earnings increase include improved North American crop conditions, pricing and commercial discipline, completion of the Scottish expansion project, efficiencies gained from the transformation programme and implementation of a new technology platform.

The Company confirms previous earnings guidance for FY23 Underlying EBITDA (before SaaS costs) expected to be in the range of $140-160[5] million with 1H23 expected to be in the range of $58-66 million.

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.

Conference Call Tuesday 15 November 2022 10am (AEST)

United Malt will host an analyst and shareholder webcast commencing at 10am (AEDT) on Tuesday 15 November 2022. Access to the webcast is available via the below link.

Webcast link: **https://webcast.openbriefing.com/9051/**

[5] SaaS costs are expected to be ~$7.5m in FY23, ~$6m for the ERP and ~$1.5m for a new transport management system in the UK and Australia.

Additional information

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

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.