



27 April 2023

ASX Announcement

Trading Update

United Malt Group Limited (“the Company” or “United Malt”) (ASX:UMG) provides the following trading update on expected earnings for the half year ending 31 March 2023 (“1H23”) and maintains earnings guidance for the full year ending 30 September 2023.

As announced at our AGM in February 2023, United Malt expects a progressive improvement in earnings during FY23.

Expected Underlying EBITDA for 1H23¹

United Malt expects Underlying EBITDA (before SaaS costs and one-off items) for 1H23 to be approximately \$51 million (subject to audit review). This expected result, which is lower than previous guidance of \$58-66 million (before SaaS costs), has been impacted by the items outlined below:

Lower volume partially offset by improved commercial terms

At the AGM, United Malt noted that brewers had reported the potential risk of softer demand and down-trading as consumers respond to inflation and recessionary concerns. United Malt experienced lower than anticipated sales volumes during the half with lower volumes in the first quarter which were not fully recovered in the second quarter as expected. Improvement in gross margin from the progressive implementation of new commercial terms mitigated a significant portion of this decline in overall sales volumes, however the Group expects a net EBITDA impact of approximately \$4 million for the first half.

Delayed start of Inverness facility

United Malt successfully commenced production at its expanded Inverness facility in March 2023. This expansion will add 57,000 tonnes of capacity at the site. The two month delay in commissioning reduced anticipated sales volumes in the first half by approximately 15,000 tonnes which has led to an EBITDA impact of approximately \$3 million. The new Inverness facility has been producing high quality malt and is now running at full capacity.

Other items impacting 1H FY23 (not included in Underlying EBITDA)

One-off costs

The Company experienced an approximate \$5.6 million one-off impact to EBITDA from closing out ineffective currency hedges and from movements in exchange rates during the period.

The Company also advises that it has incurred \$2 million in one-off restructuring costs related to the amalgamation of its North American Processing and Warehouse & Distribution sales teams as part of United Malt’s ongoing business transformation programme which will yield lower overhead costs in the 2H23.

The Company now expects SaaS costs for 1H23 to be approximately \$6.8 million, higher than previously anticipated due to increased usage of external resources for the Enterprise Resource

¹ Underlying EBITDA excludes SaaS costs, one-off costs relating to ineffective currency hedges, restructuring costs and significant items.

Planning and Transport Management System implementation. SaaS costs for FY23 are now expected to be approximately \$10 million compared to the previously estimated \$7.5 million.

Significant items

The Company expects to report transaction costs of approximately \$3 million as a Significant Item in 1H23 related to expenses associated with the response to the Indicative Proposal received from Malteries Soufflet.²

Expected Underlying EBITDA for FY23

Managing Director and CEO, Mark Palmquist said: “Sales volumes in 1Q23 were 6-8% lower than expected reflecting lower beer demand consistent with the sales results of brewers. Volume softness continued during the start of 2Q23 but has since recovered, particularly at the end of the 2Q23, consistent with the expected seasonal increase in malt demand as our customers build inventory for the northern hemisphere summer.

“Importantly, the forecast increase in gross margin reflecting our improved commercial terms was realised in 2Q23. Gross margin in 2Q23 was 1.7 times higher than 1Q23, while volumes were 1.1 times higher in the quarter. This provides confidence in our ability to deliver projected improvements in gross margin and EBITDA in 2H23.

“Notwithstanding our 1H23 expected results, the Company maintains its earlier guidance for FY23, with Underlying EBITDA (before SaaS costs and one-off items) to be in the range of \$140-160 million, assuming no further material deterioration in market conditions and assuming continued gross margin improvements in 2H23 will offset any unanticipated reductions in volumes.

“We continue to carefully monitor the impact of inflation and the potential impact of recessionary concerns on beer demand”.

United Malt will release its half year results on 17 May 2023.

Update on Process Deed with Malteries Soufflet

As previously announced, United Malt has entered into a Process and Exclusivity Deed with Malteries Soufflet in relation to its indicative non binding proposal to acquire all the shares in United Malt for A\$5.00 per share. Malteries Soufflet’s due diligence investigations are underway. United Malt will keep shareholders informed as appropriate.

Additional information

For further information regarding this announcement, please contact:

Investors

Renee Jacob

Email: rjacob@unitedmalt.com Phone: +61 2 8073 3188

Media

Martin Cole

Email: Martin.cole@capitalmarketscommunications.com.au Phone: +61 403 332 977

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 1.3Mtpa 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.

² Refer ASX Announcement on 28 March 2023 - Indicative Proposal from Malteries Soufflet