17 May 2023

ASX Announcement

- **1H23 Underlying EBITDA $52.7m (before SaaS costs and one-off items)[1]**
- **Stronger 2Q performance as improved commercial terms lift gross margin**
- **Improved financial performance expected to continue in 2H23**
- **FY23 Underlying EBITDA guidance maintained at $140m - $160m (before SaaS costs and one-off items)**

1H23 Results Release

United Malt Group Limited (ASX: UMG) today announced its financial results for the half year ended 31 March 2023 ("1H23"). The financial result is consistent with the Trading Update issued on 27 April 2023.

Group Results

Group revenue increased by 16 per cent to $756.6 million, primarily reflecting improved contract pricing and higher barley prices during the period.

Underlying EBITDA (before SaaS costs and one-off items) was $52.7 million, up 1 per cent on the prior corresponding period[2]. Earnings improved materially in 2Q from an uplift in gross margin with realised improvements in commercial terms.

As previously disclosed, the Company incurred one-off costs not included in Underlying EBITDA. These included $5.6 million from closing out ineffective currency hedges[3] and from movements in exchange rates during the period. In addition, one-off restructuring costs of $2.0 million were incurred related to the amalgamation of the Company's North American Processing and Warehouse & Distribution sales teams.

Software as a Service (SaaS) costs for the period were $6.8 million. These were higher than previously anticipated due to the increased use of external resources for the Enterprise Resource Planning and Transport Management System implementation.

EBITDA (including SaaS and one-off costs) was $38.3 million.

The Company reported Significant Items of $3.0 million related to expenses associated with the response to the Indicative Proposal received from Malteries Soufflet.

Reported EBITDA (including Significant Items) was $35.3 million.

Net finance costs increased from $5.3 million to $16.4 million, in line with expectations due to higher interest rates, the impact of higher barley inventory costs, and the cost of barley required for the new Inverness facility in Scotland.

The Group reported a Statutory Net Loss After Tax of $13.8 million compared to a Net Profit After Tax of $6.0 million for the prior corresponding period.

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[1] Underlying EBITDA for 1H23 is before SaaS costs of ($6.8m) and one-off items of ($7.6m)
[2] During the half-year the Group restated its 1H22 accounts for a change in accounting treatment. See notes to the Financial Statements for further details (Overview note b restatement of comparative information). 1H22 comparative numbers shown throughout this release reflect the restated 1H22 position.
[3] In accordance with AASB 9: Financial Instruments

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Group Financial Results Summary

A$m (unless specified)	1H23	1H22
Revenue	756.6	651.6
Underlying EBITDA (before SaaS costs and one-off items)	52.7	51.9
EBITDA	38.3	46.2
EBIT	5.8	15.9
Net (Loss) Profit After Tax	(13.8)	6.0
Basic (loss) earnings per ordinary share (cents)	(4.6)	2.0
Interim Dividend per ordinary share (cents)	0.0	1.5

Financial Position and Balance Sheet

Net debt at 31 March 2023 was $639.2 million compared to $453.4 million at 30 September 2022.

As a result of continued high barley prices; the value of barley and malt inventories and the additional accumulation of barley in the UK for the Company's expanded Inverness facility, the Company's net debt/EBITDA ratio at 31 March 2023 was 9.8 times[4]. United Malt received covenant amendments from its banks to accommodate the temporarily higher net debt/EBITDA ratio at 31 March 2023.

As previously announced, the Company has also entered into a receivables factoring arrangement of up to $90 million[5] which provides additional short term financing flexibility.

The Company expects the increase in earnings in 2 Q from improved commercial terms to continue into the second half. When combined with significantly reduced capital expenditure commitments in 2H23 and capital and costs management initiatives underway the Company maintains a pathway towards its target gearing range of 2.0 to 2.5 times.

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

The Company has commenced the refinancing process in relation to its short-term facilities which mature in November 2023 and its long-term debt facilities which mature in November 2024.

Capital Expenditure

Capital expenditure for the period was $39.9 million; a reduction of 15 per cent on the prior corresponding period.

Growth capital expenditure of $26.9 million included completion of the expansion of the Scottish facility in Inverness to service the distilling market. In total this project has added 79,000 tonnes of capacity at the Arbroath and Inverness sites and the Company expects to generate incremental EBITDA of approximately $18 million[6] on full year run rate basis from this new capacity.

The new Inverness facility has been producing high quality malt since commissioning in March 2023 and is now running at full capacity. The new capacity is more than 95% sold.

Other growth projects included the specialty ingredient processing plant in Calgary as well as sustainability and efficiency programs.

[4] Based on a 12-month rolling EBITDA excluding the impact of AASB16 and net debt excluding finance lease commitment. The impact of AASB16 is a reduction of $21.8m on the 12 month rolling EBITDA
[5] US$60 million receivables factoring arrangement
[6] Subject to FX

For the next few years, the Company expects 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

No interim dividend was declared for 1H23. As the Company's earnings profile improves, the Board 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.

Segment Results

In the **Processing** segment, revenue increased by 23 per cent to $612.7 million, primarily reflecting the pass through of significantly higher barley prices and improved commercial terms progressively taking effect.

Underlying segment EBITDA (before SaaS costs and one-off items) increased by 7 per cent to $37.9 million. Earnings were lower than anticipated, impacted by lower-than-anticipated volumes in 1Q and the two-month delay in commissioning of the Inverness facility which reduced anticipated sales volumes by approximately 15,000 tonnes and led to an EBITDA impact of approximately $3 million.

Sales volumes were 3 per cent above the prior corresponding period, however sales volumes in 1Q were 6-8 per cent lower than anticipated, reflecting lower beer demand consistent with the sales results of brewers. Volume began recovering towards the end of 2Q, reflecting the expected seasonal increase in malt demand as customers build inventory for the northern hemisphere summer.

Earnings increased in 2Q from realised improvement in commercial terms which resulted in a significant uplift in gross margin in 2Q compared to 1Q.

Segment EBITDA (including one-off items and SaaS costs) was $25.8 million and was 18 per cent down on the prior corresponding period.

Revenue in the **Warehouse & Distribution** segment declined by 4 per cent to $161.8 million, reflecting volume declines.

Underlying EBITDA (before and SaaS costs and one-off items) declined by 10 per cent to $18.8 million, reflecting lower volumes experienced during the period. Underlying EBITDA margins on a constant currency basis remained in line with the prior corresponding period.

Including SaaS costs and one-off items, segment EBITDA was $16.5 million and was 14 per cent down on the prior corresponding period.

Commentary on Results

Managing Director and CEO, Mark Palmquist said: "While the first quarter of FY23 included a continuation of the challenges experienced in the prior year, our financial performance improved markedly during the second quarter.

"Sales volumes started to recover, particularly towards the end of 2Q, which is consistent with the expected seasonal increase in malt demand as our customers build inventory for the northern hemisphere summer.

"As we indicated previously, our gross margins have also improved from the progressive implementation of enhanced pricing and commercial terms with our customers which came into effect from 1 January.

"We expect this rate of financial improvement to continue into the second half as our contracts better reflect our improved commercial terms. These contracts include more frequent freight price re-sets with inflation cost escalation more appropriately reflected in our processing fee.

"Our barley quality, price and supply are also secured for the remainder of the year.

"Taken together, these factors provide confidence in our ability to deliver projected improvements in gross margin and EBITDA in 2H23.

"Meanwhile our new facility at Inverness is running at full capacity which will deliver further earnings improvement in the second half.

"The expected increase in earnings, together with lower capex and seasonal reduction in inventory in the second half means we maintain a pathway towards our target gearing range," he said.

FY23 Outlook

United Malt continues to expect a significant increase in earnings in FY23 compared to the prior year.

The Company maintains earnings guidance for FY23, with Underlying EBITDA (before SaaS costs and one-off items) to be in the range of $140-160 million[7], assuming no further material deterioration in market conditions and assuming that continued gross margin improvements in 2H23 will offset any unanticipated reductions in volumes.

Update on Process Deed with Malteries Soufflet

On 28 March 2023, United Malt announced it has entered into a process and exclusivity deed (Process Deed) with Malteries Soufflet SAS (Malteries Soufflet) following Malteries Soufflet submitting a conditional, non-binding and indicative proposal to acquire all of the ordinary shares on issue in United Malt for $5.00 per share in cash consideration.

Under the terms of the Process Deed, Malteries Soufflet has the opportunity to conduct due diligence on an exclusive basis for 10 weeks and to work cooperatively with United Malt towards entry into a scheme implementation agreement.

Malteries Soufflet, and its commercial, financial and legal advisers, are undertaking a detailed due diligence programme. United Malt is facilitating this by providing (among other things) access to an extensive virtual data room, management Q&A, briefings and presentations, and global site inspections of United Malt's facilities in the UK, North America and Australia.

United Malt shareholders do not need to take any action in relation to the Indicative Proposal.

United Malt will keep United Malt shareholders informed about the Indicative Proposal in accordance with its continuous disclosure obligations.

[7] Underlying EBITDA for FY23 is before one-off items and SaaS costs which are expected to be ~$10m

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 Wednesday 17 May 2023 10am (AEST)

United Malt will host an analyst and shareholder webcast commencing at 10am (AEST) on Wednesday 17 May 2023. Access to the webcast is available via the below link.

Webcast link: https://webcast.openbriefing.com/umg-hyr-2023/

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 1.3Mtpa 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.