News Release

GrainCorp

14 May 2020

Strong first half result in period of significant change

- Underlying EBITDA[1]: $183 million (HY19: $27 million)
- Underlying NPAT[2]: $55 million (HY19: $48 million net loss after tax)
- Statutory NPAT[3]: $388 million (HY19: $59 million net loss after tax)
- Lost Time Injury Frequency Rate: 1.5 (HY19: 1.9)

GrainCorp has reported a profit after tax of $388 million for the half-year ended 31 March 2020, reflecting a significant repositioning of the Group's portfolio, including the sale of the Australian Bulk Liquid Terminals business and the successful demerger of United Malt. Underlying EBITDA was $183 million and underlying NPAT was $55 million, both up substantially on the prior corresponding period.

Managing Director & CEO, Robert Spurway, said GrainCorp was well placed after the demerger of United Malt, with an improved result from continuing operations and strong balance sheet with zero core debt.

"Each of our business segments was up substantially on the prior corresponding period, reflecting GrainCorp's new operating model and the steps we have taken to manage crop variability and maximise our assets.

"Market conditions have improved considerably, with widespread rainfall across much of eastern Australia providing optimism for a much larger crop later this year. We are well progressed with our harvest readiness, including a large recruitment and training program for seasonal workers.

"While COVID-19 presents challenges, we are pleased that Food & Agriculture has been classified an essential service and we have shown resilience through the ongoing crisis by continuing to deliver for our customers.

"GrainCorp is playing a critical role supporting the food and grain supply chain, while protecting the health and wellbeing of our people and our communities."

Group CFO, Alistair Bell, said the Agribusiness segment performed well, notwithstanding a third year of drought in eastern Australia.

"With deficits in eastern Australia, we continued to trans-ship grain from inter-state to meet domestic demand.

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[1] Underlying EBITDA is a non-IFRS measure representing earnings before interest, tax, depreciation and amortisation before significant items. Includes continuing operations and Malt operations until demerger. Significant items are $333 million after tax, comprising transaction related costs, gain on sale of liquid terminals and profit on demerger of United Malt.

[2] Net profit/loss after tax and before significant items is a non-IFRS measure – represents profit from continuing operations and Malt operations until demerger.

[3] Net profit/loss after tax and after significant items – represents profit attributable to shareholders.

“Agribusiness benefited from its new more flexible rail contracts and the first year of the Crop Production Contract, which included a $45 million net gain. In addition, there was no repeat of the negative impact from last year’s disrupted grain trade flows and the Feeds, Fats & Oils businesses performed well with strong demand.”

“It was pleasing to see the significant turnaround in Processing, a result of improved oilseed crush margins and greater plant efficiency,” Mr Bell said.

During the period, GrainCorp revised its capital structure to ensure minimal core debt. At 31 March 2020, GrainCorp had zero core net debt, consistent with the Portfolio Review objective outlined in the Demerger Scheme Booklet. GrainCorp’s 10% minority interest in United Malt was valued at $112 million at 31 March 2020, providing additional balance sheet resources and financial flexibility.

GrainCorp maintained a disciplined approach to capital management with total capex of $11 million in the first half. FY20 capex is expected to be $35-45 million and includes preparation for next season’s harvest.

Outlook:

Although the expected summer crop is small, GrainCorp is planning for higher grain exports in 2H20 and lower grain trans-shipments to ECA ports as domestic demand is likely to taper with expectations of a stronger crop in FY21.

Oilseed crush margins are expected to remain favourable in the second half due to prevailing canola oil and meal values.

Favourable soil moisture levels across large parts of eastern Australia has supported widespread planting for the FY21 crop. GrainCorp’s ‘harvest readiness’ is underway, including site preparation, a focused maintenance program, equipment relocation between sites, large-scale procurement of tarpaulins and extensive recruitment and training.

This announcement is authorised by the GrainCorp Board.

MEDIA CONTACT

Jess Simons
Corporate Affairs Manager
+61 2 9266 9434
+61 418 734 653
jessica.simons@graincorp.com.au

INVESTOR CONTACT

Luke Thrum
Senior Manager, Corporate Affairs & Investor Relations
+61 2 9266 9217
+61 447 894 834
luke.thrum@graincorp.com.au