14 November 2019

GrainCorp FY19 results

- Underlying EBITDA[1] $69 million (FY18: $269 million)
- Underlying net loss after tax[2] $82 million (FY18: $71 million net profit after tax)
- Statutory net loss after tax $113 million (FY18: $71 million net profit after tax)
- No dividends declared (FY18: 16 cents per share)
- Recordable Injury Frequency Rate of 7.7 (FY18: 12.2)

GrainCorp Limited ("GrainCorp") today reported FY19 earnings in the guidance range that was announced on 2 August 2019, noting earnings were adversely affected by one of the worst droughts on record in eastern Australia, compounded by significant disruptions in global grain markets.

"Our country supply chain and port networks are reliant on grain volumes and, with minimal production in eastern Australia, our receivals and exports were down significantly on last year," GrainCorp CEO Mark Palmquist said.

"There were large grain deficits across much of Queensland and New South Wales and, in response, we reversed our port supply chains and trans-shipped over two million tonnes of grain from other states to satisfy eastern Australian demand. Trans-shipments of this size are rare, and this emphasises the severity of the drought and demonstrates our ability to adapt to manage these extreme factors."

"Our Grains business was also negatively impacted by unexpected disruptions to international grain trade flows and Australian grain markets, which caused a rapid and material decline in feed grain values and, in turn, adversely affected our positions."

GrainCorp Malt had a good year with increased malt sales in the second half and continued solid demand from its craft beer and distilling customers. GrainCorp progressed its malt capacity expansion projects in Scotland, including an upgrade of Bairds Malt's Arbroath facility and construction of a new malting plant at Inverness. The expansion will bring Bairds' total annual capacity to over 300,000 tonnes.

In GrainCorp's Oils business, oilseed crush margins continued to be adversely affected by the ongoing drought and the resulting impact on canola supply and cost. The Bulk Liquid Terminals and Feeds businesses both performed well, with Terminals maintaining a high utilisation and Feeds benefiting from strong demand for supplementary feed. Foods delivered a stable result with improved plant performance.

As a result of the financial performance, the Board has determined that GrainCorp will not pay a dividend for the period.

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[1] Underlying EBITDA is a non-IFRS measure representing earnings before interest, tax, depreciation and amortisation, before significant items.
[2] Underlying net profit/loss after tax is a non-IFRS measure representing net profit/loss after tax, before significant items

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The Company reported strong improvements to its two key safety metrics, with a 37 per cent reduction in the Recordable Injury Frequency Rate to 7.7 and 46 per cent reduction in Lost Time Injury Frequency Rate to 2.2. This is a pleasing outcome and reflects GrainCorp's commitment to critical risk management, injury reduction and process safety management.

In June this year, GrainCorp announced it had entered into a 10-year Crop Production Contract with White Rock Insurance (SAC) Ltd to help manage the risk associated with the volatility of eastern Australian winter grain production. The contract is effective for FY20 and will be instrumental in helping to smooth cash flow through the cycle and provide protection in severe drought years. It will also enhance the Group's ability to invest and plan for the long-term.

Portfolio review:

During the year, GrainCorp undertook a comprehensive review of the Company's portfolio of assets to assess a range of strategies to create improved value for shareholders. In March, the Company announced the sale of its Australian Bulk Liquid Terminal assets for a total enterprise value of $350 million. The sale is currently being reviewed by the Australian Competition and Consumer Commission (ACCC), with a decision date of 15 November 2019.

In April, GrainCorp announced it would integrate its Grains and Oils businesses into a single business unit. The integration is well advanced and will benefit our customers through improved access to infrastructure and logistics.

The Company also announced in April that it was pursuing a demerger of the Malt business. The Board believes the proposed demerger will unlock significant value for shareholders and create two high quality, ASX-listed agribusiness companies, each with management teams focussed on pursuing independent strategies and growth opportunities. The demerger will be implemented by a scheme of arrangement, with the Scheme Booklet expected to be sent to shareholders in the first quarter of calendar year 2020.

Outlook:

GrainCorp Malt expects continued high utilisation of its malting plants and a continuation in solid demand for malt and brewing ingredients from both brewing and distilling customers.

Based on independent crop forecasts, the FY20 winter crop will again be significantly below average in eastern Australia, with the Western Australian and South Australian crops also expected to be below average. GrainCorp's Crop Production Contract, which is linked directly to eastern Australian winter crop production, is effective for FY20.

The Company expects low levels of grain carry-in in eastern Australia and a continuation of supply deficits in certain regions in eastern Australia due to the drought. To help satisfy demand for grain in these regions, GrainCorp expects further grain trans-shipments from Western Australia, South Australia and Victoria throughout FY20.

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