

11 May 2023

GrainCorp delivers strong 1H23 result

GrainCorp Limited (GrainCorp) (ASX: GNC) announces its results for the half-year ended 31 March 2023 (1H23).

- **EBITDA**¹: \$383 million (1H22: \$427 million)
- **Net Profit After Tax (NPAT)**: \$200 million (1H22: \$246 million)
- **Return on Invested Capital (ROIC)**²: 22.7% (1H22: 25.7%)
- **1H23 dividend**³: 24 cents per share (cps) fully franked (1H22: 24cps)
- **FY23 guidance**:
 - **EBITDA** of \$500 – 560 million (up from \$470 – 530 million)⁴
 - **NPAT** of \$220 – 260 million (up from \$180 – 220 million)

GrainCorp's Managing Director and CEO Robert Spurway commented:

"GrainCorp delivered an excellent result in 1H23, with EBITDA of \$383 million and NPAT of \$200 million."

"Both our business segments – Agribusiness and Processing – contributed to the strong performance, with outstanding operational execution and solid supply chain margins."

"We saw good ongoing demand for Australian grain and oilseeds, and this was supported by a third bumper crop in east coast Australia (ECA)."

"Our teams worked well to move product to our customers, with a continued focus on supply chain efficiencies. We are benefiting from our extensive asset footprint and the operational capability of our teams."

"GrainCorp's export program ran at close to full capacity with 4.4mmt of grain and oilseeds exported during the half. Export supply chain margins remained solid, albeit not at the levels we experienced last year."

Safety

GrainCorp acknowledges the tragic loss of a colleague in a fatal truck accident which occurred in April at the GrainCorp receival site in Moree, NSW.

Mr Spurway emphasised: "The safety of all employees at GrainCorp remains our highest priority and tragic accidents such as this one highlight why we remain committed to achieving and maintaining our goal of zero harm."

¹ EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation.

² ROIC is a non-IFRS measure and is defined as Group net profit after tax less interest expense (after tax) associated with core debt / average net debt (excluding commodity inventory funding) + average total equity

³ 1H23 dividend of 24cps comprises interim ordinary dividend of 14cps and interim special dividend of 10cps

⁴ Previous guidance provided on 16-Feb-23

Strategy update

GrainCorp continues to strengthen its core business and, during the half, increased output and asset utilisation across several businesses. This included oilseed crush volumes, which were up 10% on 1H22, and bulk material volumes (including woodchips and cottonseed), which were up 15% on 1H22.

Evaluating new oilseed crush plant

In line with GrainCorp's focus on growth opportunities within the agri-energy sector, GrainCorp is conducting preliminary assessments for the creation of new oilseed crush capacity.

Any increase in oilseed crushing capacity will provide GrainCorp the opportunity to build on its strategic position as a leading supplier of renewable fuel feedstocks, including vegetable oils, used cooking oil (UCO), and tallow.

"As Australasia's largest exporter of tallow and UCO, and Australia's largest crusher and processor of oilseeds, GrainCorp is well positioned to play a substantial role in the growing demand for renewable fuel feedstocks," Mr Spurway said.

Business segment performance

Agribusiness:

EBITDA was \$254 million, down from last year's record of \$376 million (1H22), with strong performances from the ECA, International, and Feeds, Fats and Oils (FFO) businesses.

ECA had an excellent all-round performance, leveraging its extensive footprint and capabilities and delivering strong supply chain margins. GrainCorp's International business benefited from its multi-origination strategy and strong execution from Western Australia. FFO performed strongly with high global demand for renewable fuel feedstocks, including UCO and tallow.

Processing:

EBITDA was \$103 million, up 47% on 1H22, with higher canola crush volumes, driven by efficiency improvements at GrainCorp's Numurkah plant in Victoria, and stronger crush margins.

Crush margins were supported by record Australian canola production and strong demand for vegetable oils, arising from global production challenges in key oilseed growing regions, disruption of supply out of the Black Sea region, and growing markets in renewable fuel feedstocks.

Balance sheet and cash flow

GrainCorp's balance sheet strengthened further during the half, with a core cash balance of \$200 million at 31 March 2023 (1H22: \$129m core cash). Net debt on 31 March 2023 was \$1.4 billion (1H22: \$2.0 billion).

GrainCorp's net working capital (NWC) remained elevated at 31 March 2023, reflecting the current strong export program and high commodity prices. NWC is expected to unwind as commodity prices and export activity normalise.

Dividends and capital management

GrainCorp's Board of Directors has declared a total interim dividend of 24cps, comprising:

- an interim **ordinary dividend** of 14cps, fully franked (FY22 interim ordinary dividend 12cps); and
- an interim **special dividend** of 10cps, fully franked (FY22 interim special dividend: 12cps)

Both the interim ordinary and interim special dividends will be paid on 20 July 2023 to ordinary shareholders at a record date of 6 July 2023.

Average earnings through the cycle

GrainCorp upgrades its average EBITDA through-the-cycle (TTC) to **\$310 million** (previously \$240 million⁵).

Average EBITDA TTC is an estimate based on a multi-year crop cycle incorporating both below-average and above-average crop years.

The updated average EBITDA TTC incorporates several structural changes that have benefited the business, including: an increase in oilseed crush capacity, from 460kmt to 500kmt; an increase in oilseed crush margins, driven by higher demand for oil for food and renewable fuels; an increase in margins for renewable fuel feedstocks including UCO; the significant operating leverage GrainCorp has demonstrated in large ECA crop years, combined with cash flow support from Crop Production Contract in drought years; and an increase in interest on commodity funding, which is reflected in higher net interest and passed through in cost of inventory.

Outlook

GrainCorp upgrades its FY23 earnings guidance:

- **FY23 EBITDA**⁶: \$500 – 560 million (previously \$470 – 530 million)
- **FY23 NPAT**: \$220 – 260 million (previously \$180 – 220 million)

“We are seeing good global demand for Australian grain and oilseeds and expect the strong export program to continue in the second half,” Mr Spurway said.

“Our Oilseeds business is performing exceptionally well, with high volumes and crush margins.”

“ECA conditions have been generally favourable leading into the 2023/24 winter crop planting period, with good rainfall to date across most areas. As the ECA winter crop develops, this will influence activity and margins both in the fourth quarter of FY23 and into FY24,” Mr Spurway said.

GrainCorp's FY23 guidance remains subject to a range of variables, including second half grain receipt and export volumes, supply chain margins, oilseed crush margins and the outlook for 2023/24 winter crop.

“Overall, GrainCorp is extremely well positioned, with our businesses performing well, a balance sheet that continues to strengthen and a pipeline of strategic growth opportunities,” Mr Spurway said.

⁵ 'Through-the-cycle' EBITDA of \$240 million announced on 24 March 2021 represented a single year with average grain metrics and average market conditions.

⁶ FY23 guidance incorporates a fair value increase in GrainCorp's stake in United Malt Group of \$31 million, which relates to the share price increase in UMG between 30 September 2022 and 10 May 2023. This compares to the previous guidance announced on 16 February 2023, which incorporated a \$14 million fair value increase between 30 September 2022 and 15 February 2023.



This announcement is authorised by the GrainCorp Board.

Webcast call:

Robert Spurway, Managing Director & CEO, and Ian Morrison, Chief Financial Officer, will host a webcast call today at 10:00am (Sydney time) to discuss GrainCorp's 1H23 results.

The call will be webcast live at <https://webcast.openbriefing.com/gnc-hyr-2023/> or at www.graincorp.com.au in the Investors & Media section. A replay of the webcast will also be available later today on GrainCorp's website.

About GrainCorp

GrainCorp is an integrated grain and edible oils business with a market leading presence in East Coast Australia (ECA). It is the largest grain storage and handling business in ECA and the number one edible oil processor and oilseed crusher in Australia and New Zealand. Over its 100+ year history, GrainCorp has created a global supply chain with high quality infrastructure assets that store, process and facilitate the transportation of grains and edible oils. For future details, please visit the Investors & Media section of our website at www.graincorp.com.au

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