# Company announcement

**GrainCorp Limited ABN 60 057 186 035**

Date: 24 November, 2011

To: The Manager
Announcements
Company announcements office

## PUBLIC ANNOUNCEMENT

## GRAINCORP INVESTOR PRESENTATION FOR THE YEAR ENDED 30 SEPTEMBER 2011

## Results Release Presentation

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Ms Alison Watkins (Managing Director and Chief Executive Officer)
24th November 2011

# GRAINCORP 2011 RESULTS

# Agenda

1. **Financial Results**
2. **Business Performance**
3. **Dividend**
4. **FY12 Outlook**
5. **Strategy Update**

# Higher earnings due to crop size and performance

→ Increased earnings to **$350M EBITDA** (up 65%) and **$172M NPAT** (up 114%)

- ROE 13.0% and EPS $0.87 (up 117%)

→ Significantly **higher Grain earnings** due to:

- Strong receival share of large eastern Australia crop of 24.3mmt(1)
- Customer focus and effective response to large and weather disrupted harvest, proportionally lower crop quality and large export program

→ **Maintained Malt sales** offset by softer margins and challenging FX

→ **Low gearing** and **strong free cash flow**

→ Fully franked final dividends per share of **$0.15 final** plus **$0.20 special**, resulting in $0.55 of fully franked dividends for the year

→ **Strategic plan initiatives underway** delivering:

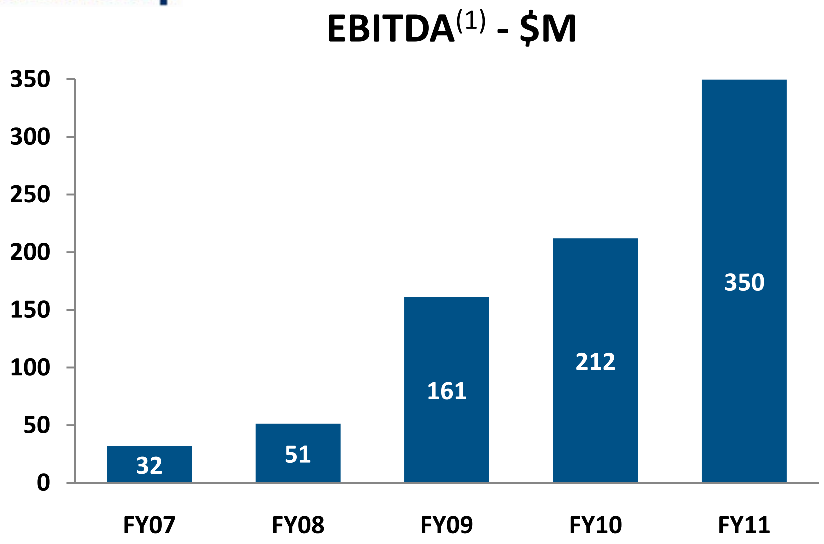
- Value from an integrated and international grain business
- Growth in Malt and Marketing capability

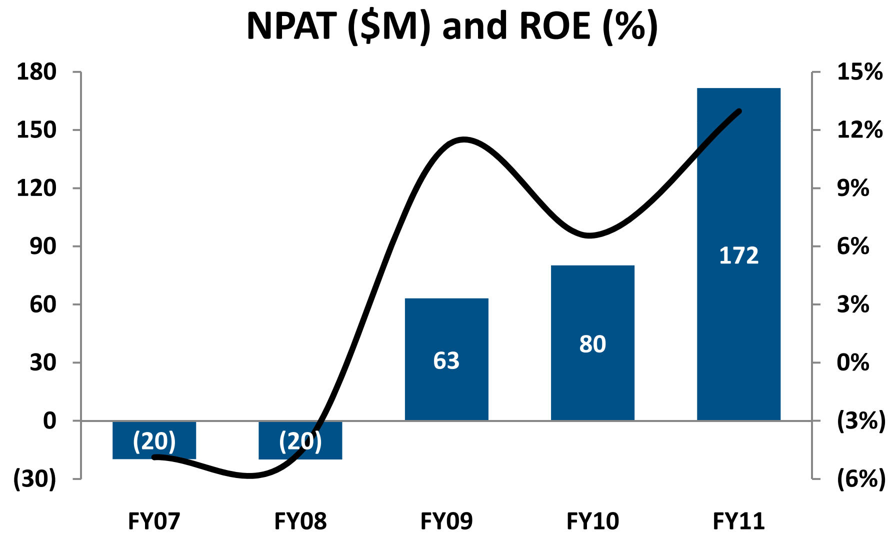
(1) Million metric tonnes. ABARES' estimated wheat, barley, canola and sorghum production

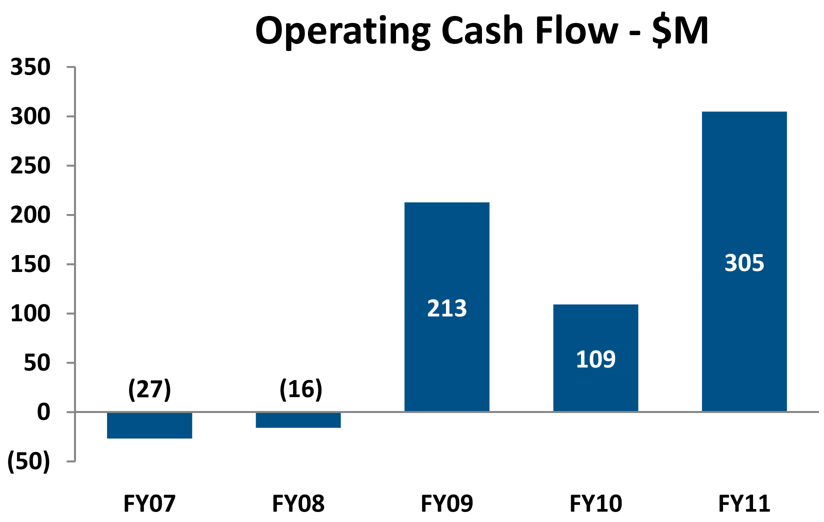
GrainCorp

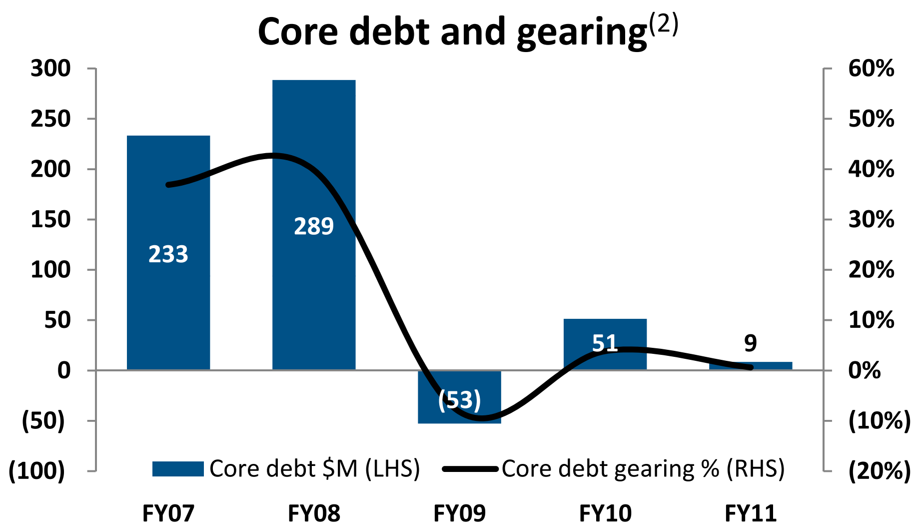
# FINANCIAL RESULTS

# Strong earnings and cash flow, low gearing



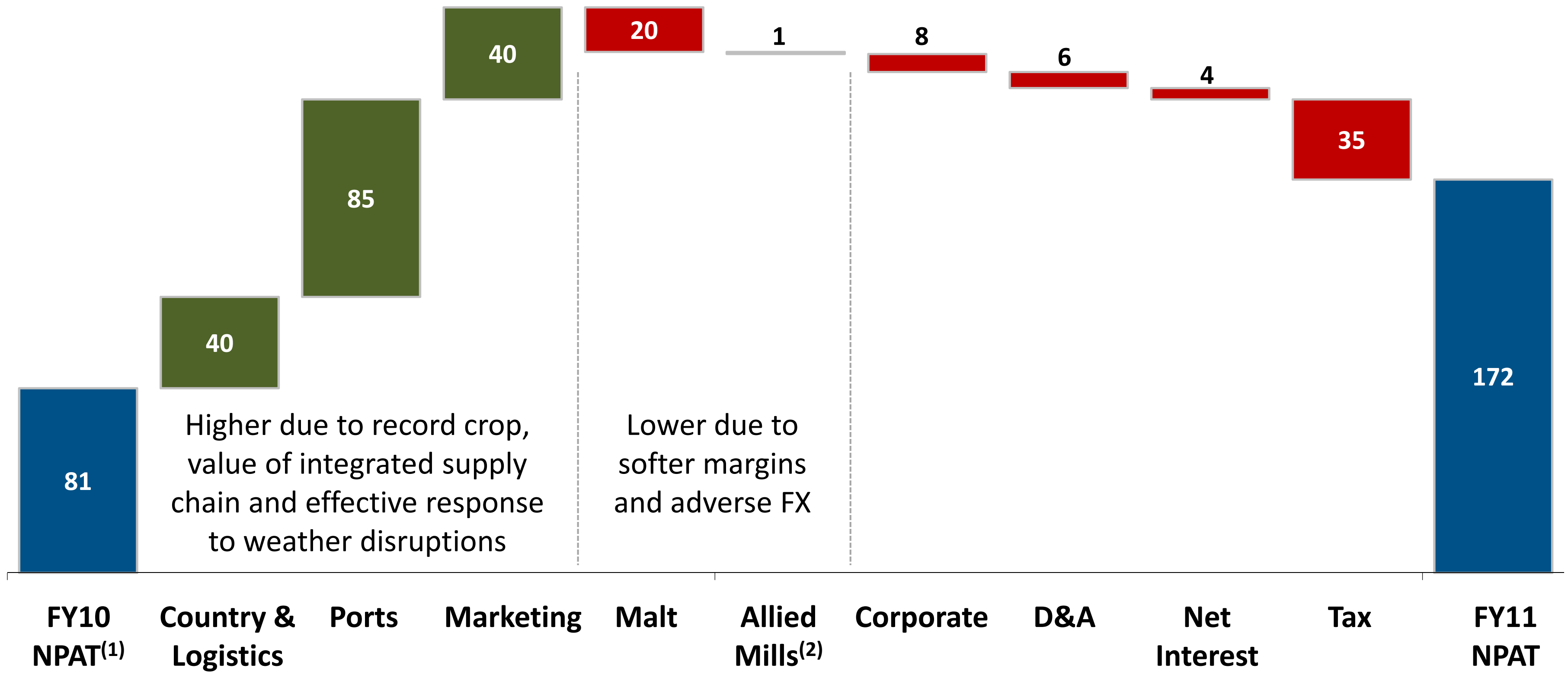




(1) Includes 60% JV share of Allied Mills NPAT

(2) Core debt = Total debt – Cash – grain Marketing inventory. Core gearing = Core debt / (Core debt + Equity)

# Increased earnings from grain storage, handling, and marketing activities

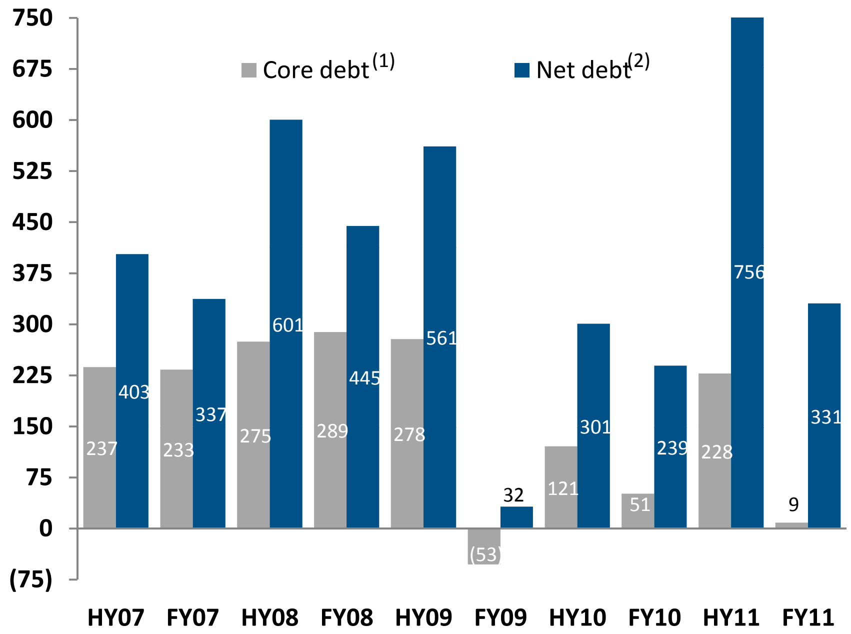



| | Country & Logistics | Ports | Marketing | Malt | Allied Mills | Corporate | D&A | Net Interest | Tax | NPAT |
|---|---|---|---|---|---|---|---|---|---|---|
| **FY11 ($M)** | **74** | **137** | **72** | **99** | **8** | **(41)** | **(78)** | **(25)** | **(74)** | **172** |
| FY10 ($M) | 34 | 52 | 32 | 119 | 9 | (33) | (72) | (21) | (39) | 81 |

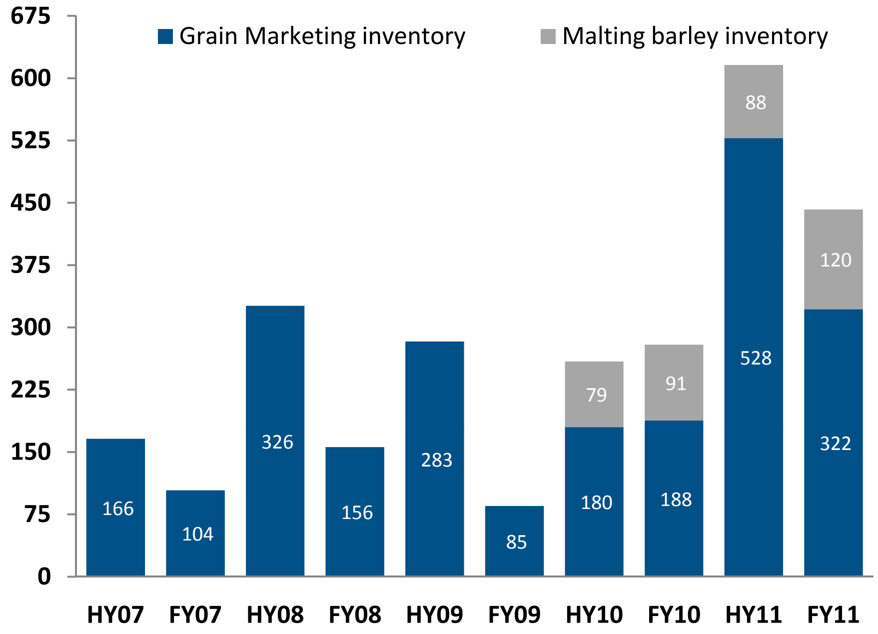
(1) Excludes $0.7M loss from Discontinued Operations
(2) 60% of NPAT

# Debt and inventory in line with strategy

**Debt - $M**



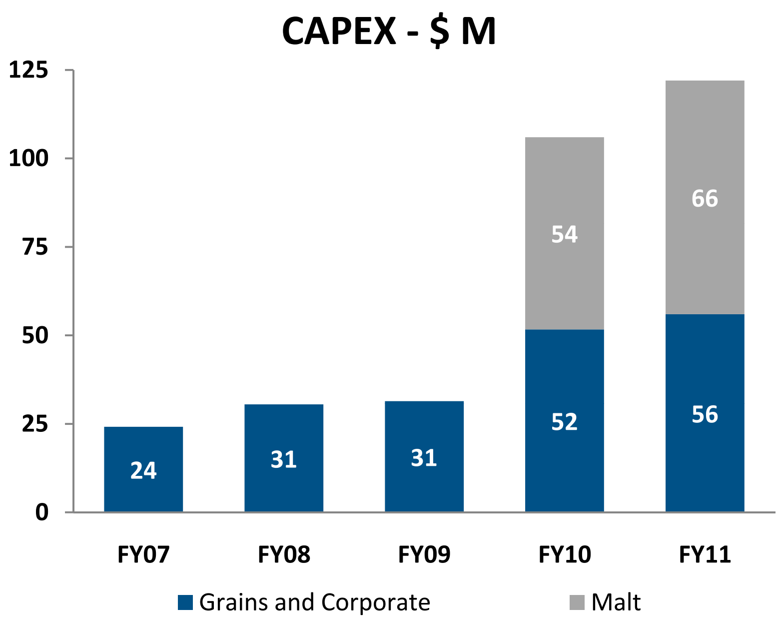

**Grain Inventory - $M**




- Core debt gearing lower at 1% due to strong free cash flow
- Grain Marketing inventory higher year on year due to large crop and carry-out
- Malting barley inventory higher due to seasonal and production requirements
- Net debt excludes ~$220M of cash payments early in FY12 including Schill Malz acquisition (~$80M), tax payments (~$70M) and dividends (~$70M)

(1) Core debt is total debt less cash less grain Marketing inventory
(2) Net debt is total debt less cash

# Capex to handle large harvests and support growth




| $ M | Malt FY11 | Malt FY10[1] | Grains and Corporate FY11 | Grains and Corporate FY10 |
|---|---|---|---|---|
| Depreciation | 18 | 16 | 45 | 40 |
| Amortisation | 13 | 14 | 2 | 2 |
| **Total D&A** | **31** | **30** | **47** | **42** |
| Stay-in-business capex | 22 | 12 | 37 | 41 |
| Investment capex | 44 | 42 | 19 | 11 |
| **Capex (excl. acquisitions)** | **66** | **54** | **56** | **52** |

- Country & Logistics stay-in-business capex higher due to preparation for large FY11 receivals task, offset by lower Ports and Corporate capex
- Investment capex excludes acquisitions and includes Pinkenba completion ($30M), Portland woodchip expansion ($5M) and additional grain storage capacity

(1) 10½ months trading only

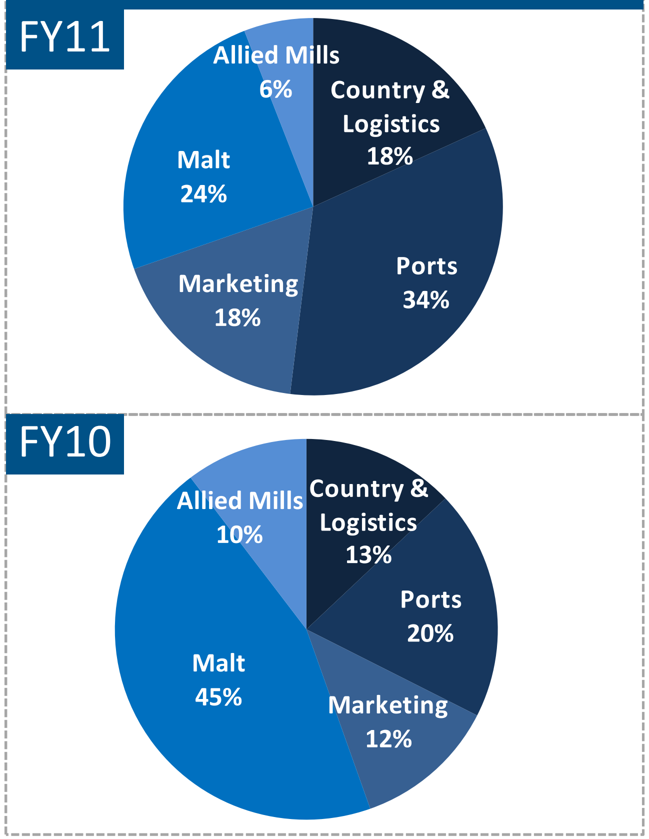
# BUSINESS PERFORMANCE

# Business revenue and EBITDA overview

- Earnings from a portfolio of diversified grain related businesses

| $M | Revenue FY11 | Revenue FY10 | EBITDA FY11 | EBITDA FY10 |
|---|---|---|---|---|
| Malt[1] | 868 | 796 | 99 | 119 |
| Country & Logistics | 523 | 340 | 74 | 34 |
| Ports | 220 | 104 | 137 | 52 |
| Marketing | 1,406 | 924 | 72 | 32 |
| Allied Mills[2] | - | - | 8 | 9 |
| Corporate costs | - | - | (41) | (33) |
| Eliminations and other[3] | (240) | (162) | 1 | (1) |
| **Total** | **2,777** | **2,002** | **350** | **212** |

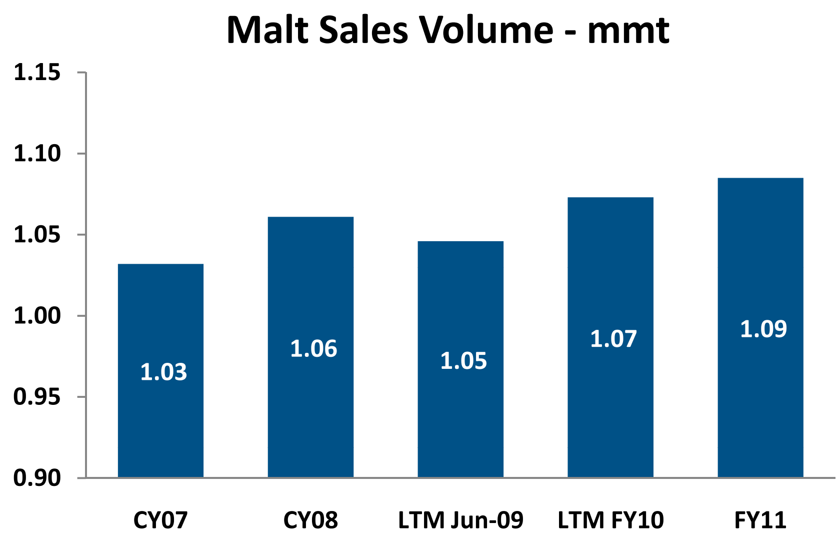
EBITDA[4] % contribution




(1) 10½ months trading in FY10
(2) 60% share of NPAT
(3) Includes Share of Associates other than Allied Mills, and Discontinued Operations
(4) Includes 60% share of Allied Mills' EBITDA

# Malt – sound performance in a challenging market

| $ M | FY11 | FY10(1) |
|---|---|---|
| Revenue | 868 | 796 |
| EBITDA(2) | 99 | 119 |
| EBIT | 68 | 89 |
| Capital Expenditure | 66 | 54 |




- Lower EBITDA due to cyclical margin pressure and stronger AUD and CAD
- 296Kt of additional malt capacity for FY12
  - Schill Malz acquired (190kt), Pinkenba commissioned (86kt), Perth acquired (46kt), partially offset by closure of Toowoomba (26kt)
- New roast house development (Port of Vancouver) and water and energy sustainability initiatives (Calgary, Pocatello and Geelong) on track

(1) 10½ months trading only
(2) Includes FY11 $7.1M and FY10 $9.3M Port of Vancouver compensation payments received. At acquisition FX, Malt EBITDA margin/t rises from $91 to $107

# Higher grain volumes drive higher Grain earnings

- Increased S&L grain and non-grain throughput to 24.1mmt (up 73%)
  - 71% of total grain production[1] handled by S&L (country sites or port terminals)
- Carry-out significantly higher at 6.0mmt providing FY12 earnings benefit

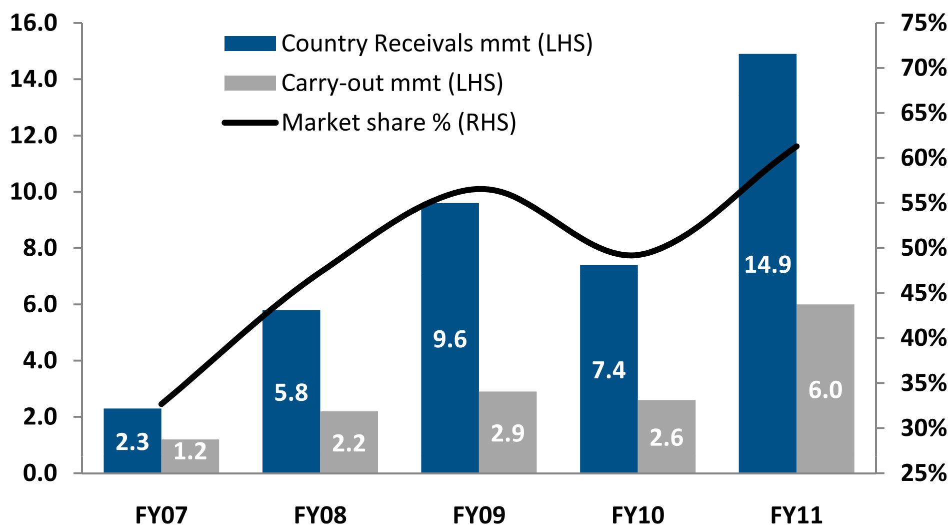
| Earnings driver (mmt) | FY11 | FY10 | Comments |
|---|---|---|---|
| Grain carry-in (1-Oct) | 2.6 | 2.9 | • Grain stored at period start<br>• Lower than average due to below average FY10 season |
| Country network receivals | 14.9 | 7.4 | • Record grain production of 24.3mmt[1]<br>• Increased country share of grain production from 50% to 61% |
| Grain exports handled | 8.1 | 3.5 | • Large export task<br>• Increased volume from ex-farm and other bulk handlers |
| Non-grain exports handled | 1.5 | 1.4 | • Includes woodchips, mineral sands and fertiliser<br>• Woodchip exports affected by Japanese tsunami |
| Grain carry-out (30-Sept) | 6.0 | 2.6 | • Grain stored at period end<br>• Record carry-out, increasing grain throughput in FY12 |
| **Throughput**[2] | **24.1** | **13.9** | • Avg of country sites in/out, and ports grain and non-grain |
| Domestic grain outload | 5.7 | 5.2 | • Maintained share of domestic grain market |
| Grain received at port | 2.3 | 1.0 | • Grain received direct at port ex-farm and other bulk handlers<br>• Increased total share of grain production from 61% to 71% |

(1) ABARES' estimated wheat, barley, canola and sorghum production
(2) Average Country & Logistics grain inload and outload + Ports grain and non-grain exports handled

# Country & Logistics – higher volumes and share

| $ M | FY11 | FY10 |
|---|---|---|
| Revenue | 523 | 340 |
| EBITDA | 74 | 34 |
| EBIT | 44 | 10 |
| Capital Expenditure | 38 | 27 |

**Grain Receivals and Market Share[1]**

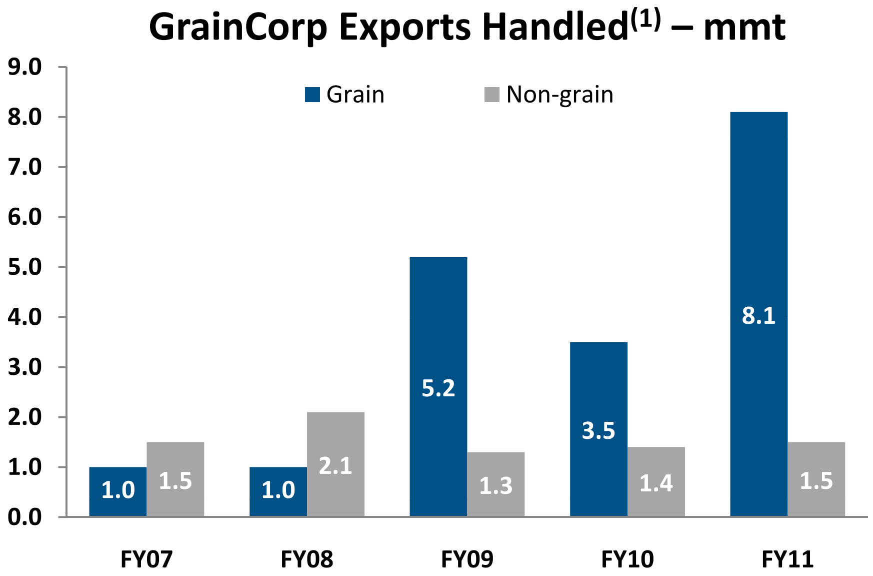



- Higher receivals handled (13.9mmt winter and 1.0mmt summer)
- Network capability demonstrated:
  - Flexibility to handle disrupted harvest and large number of segregations
  - Customer engagement supported by infrastructure and transport capability
  - Additional trains leased plus rail and road productivity improvements
- Higher capex and opex to handle large and disrupted FY11 crop and prepare for record carry-out to FY12
- Committed $3M to Victorian Government to reopen Rainbow rail line for FY12 harvest

(1) Receivals market share calculated as % of ABARES' eastern Australia wheat, barley, canola and sorghum production estimates

# Ports – higher elevations

| $ M | FY11 | FY10 |
|---|---|---|
| Revenue | 220 | 104 |
| EBITDA | 137 | 52 |
| EBIT | 123 | 38 |
| Capital Expenditure | 13 | 15 |



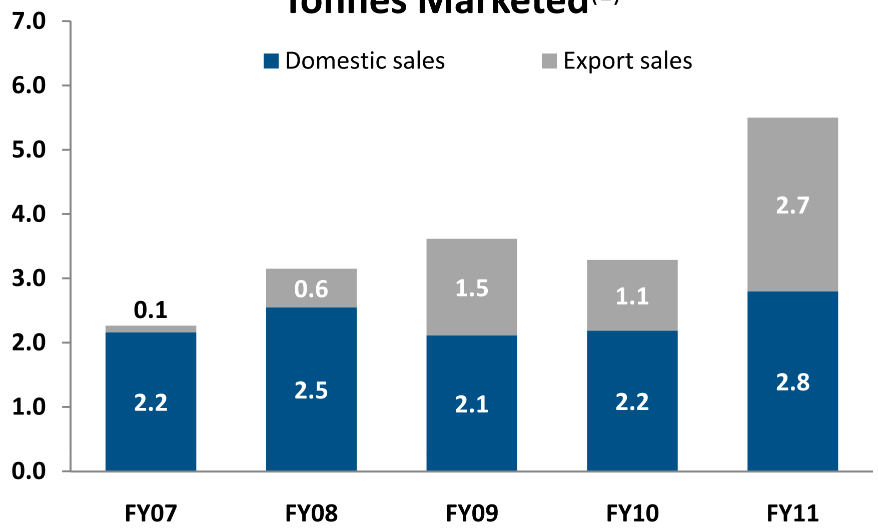

- 8.1mmt grain exports handled (7.7mmt bulk and 0.4mmt containers)
  - 2.3mmt grain receivals direct to port from non-GrainCorp sites
- 1.5mmt non-grain exports, plus 0.3mmt non-grain imports
- Strong operational performance to manage large shipping programme
  - Increased road intake capability
  - Maintained exports during floods
- Regulatory updates:
  - Renewal of ACCC port access Undertakings for 3 years ending Sep-14
  - Federal Government announced its intention to deregulate bulk grain export sector by Oct-14

(1) Includes bulk grain elevation and containers

# Marketing – higher volumes and earnings

| $ M | FY11 | FY10 |
|---|---|---|
| Revenue | 1,406 | 924 |
| EBITDA | 72 | 32 |
| Interest expense | (25) | (12) |
| PBT | 47 | 20 |
| Trading inventory held | 322 | 188 |

**Tonnes Marketed**[1]



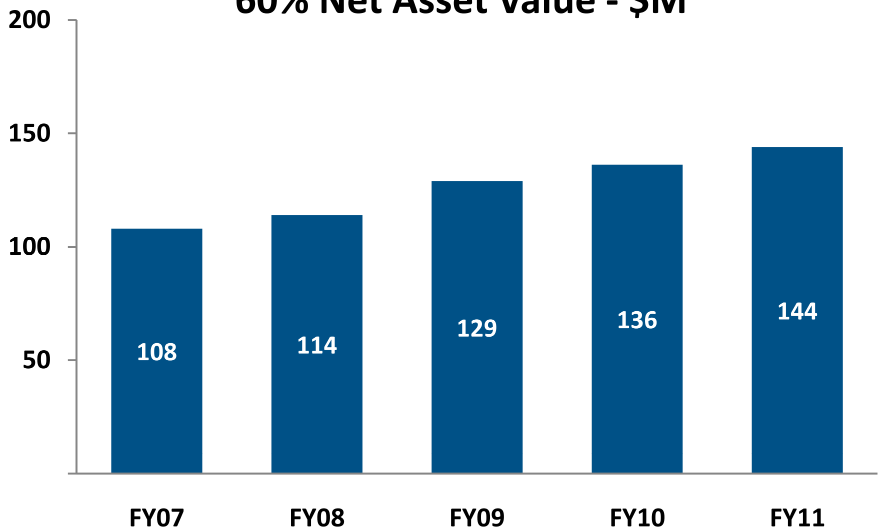

- Higher revenue due to higher grain volumes and prices
- Increased earnings through:
  - Higher GrainCorp grain exports to 2.7mmt[1]
  - Higher direct (CFR) international sales, representing 63% of total exports
  - Effective execution of feed grain exports
- 65% of marketed grain acquired from growers and >90% sold to end users
- Marketing inventory of $322M → mark to market valuation at year end lead to unrealised loss of $16M
- 10% movement in commodity price equates to +/-$2M NPAT movement

(1) Includes bulk grain and containers

# Allied Mills – earnings maintained

| $ M (60% JV share) | FY11 | FY10 |
|---|---|---|
| EBITDA | 26 | 27 |
| Equity Profit | 8 | 9 |
| Shareholder loan interest received | 1.4 | 1.2 |
| Net Asset Value(1) | 144 | 136 |

**60% Net Asset Value - $M**

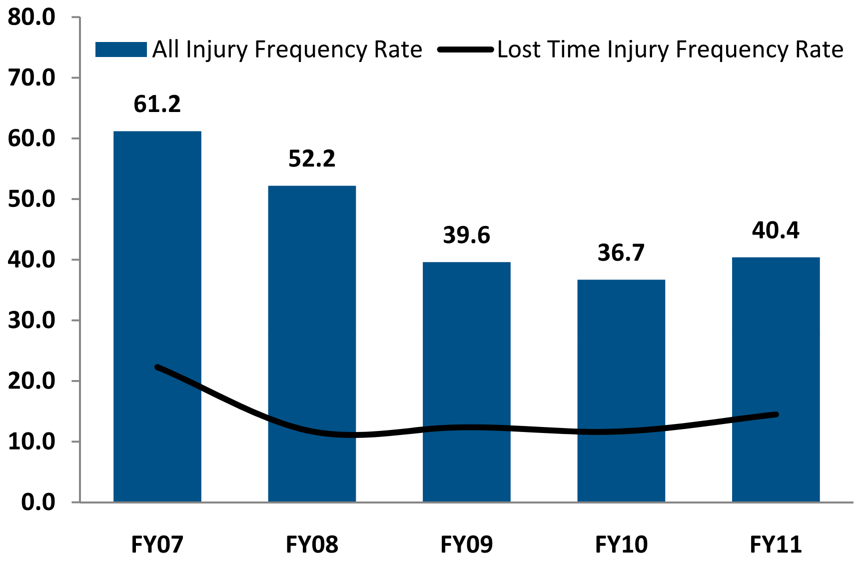



- Earnings maintained in a competitive environment
- Toowoomba mill closed due to flooding
  - All customer orders met due to business flexibility and national footprint
  - Business interruptions and capital costs in FY11 largely covered by insurance
  - Strategy to reinstate capacity under consideration
- Value add initiatives pursued
  - Growth in in-store bakery business
  - Artisan Bread at Yatala facility

(1) FY11 includes 60% of Shareholders' Equity ($125M) and Shareholder Loan ($19M)

# Safety and Sustainability – GrainCorp Values

## Health & Safety



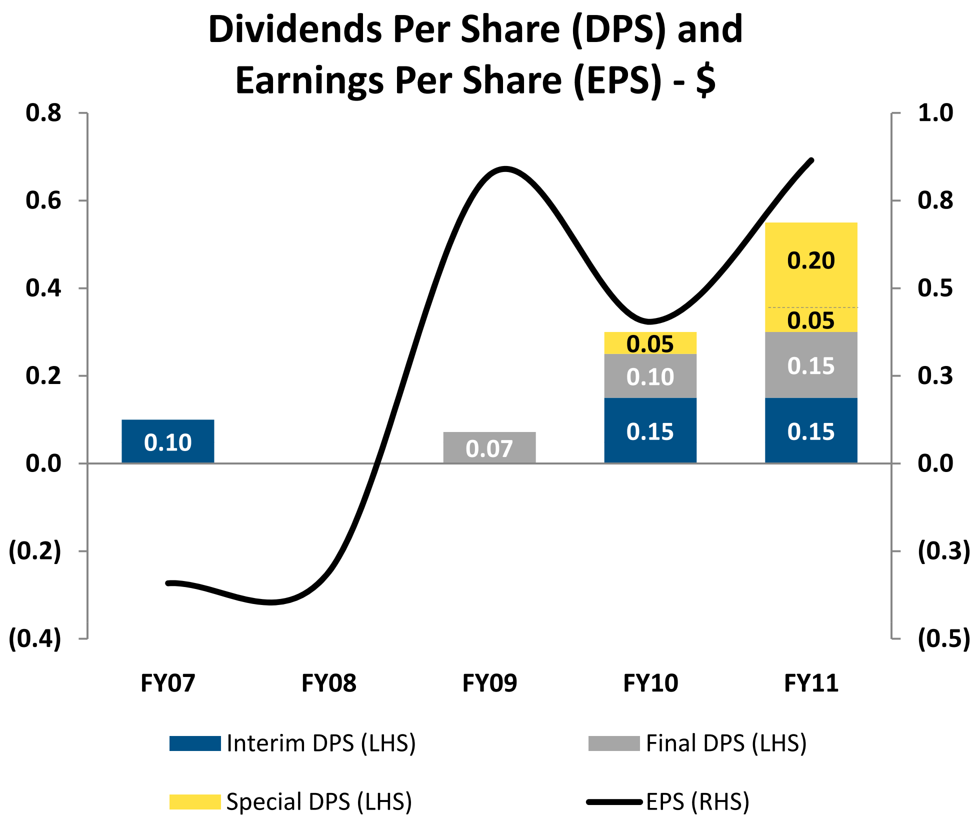

- Challenging S&L safety environment due to record crop and more than 3,000 harvest casual employees
- Safety behaviours a major focus → ~20,000 Safety Toolbox talks

## Sustainability

- Focus on reducing energy and water usage
- Developing a better understanding about company $CO_2$ emissions
- $CO_2$ emissions higher in 2011 due to crop size and higher malt production
- Storage & Logistics' 2011 $CO_2$ emissions lower per throughput tonne due to economies of scale
- A range of Malt sustainability initiatives underway including recycling and sharing agreements

# DIVIDEND

# Higher dividends including special




- Year end fully franked dividends per share of:
  - $0.15 final
  - $0.20 special
- Record date of 7 December 2011 and payment date of 21 December 2011
- Full year dividends represent 64% of FY11 NPAT
- Policy to pay 40-60% of NPAT through the business cycle
  - Target a dividend each year
  - Flex via special dividend when Grain and Malt cycles permit

Historic dividends not adjusted for rights issue

# FY12 OUTLOOK

# Grains – high throughput volume expected

## Eastern Australia Grain Market

- Australian industry forecasters estimate above average 2011/2012 crop plantings
- Crop production dependent on yield
- Industry crop production forecasts (wheat, barley, canola, sorghum):
  - ACF[1]: 19.1mmt
  - ABARES[2]: 19.2mmt
- Forecasts reflect same planting area and yield
- Positive long term global demand side fundamentals

## GrainCorp FY12 Earnings Drivers[3]

- Carry-in of 6.0mmt (compared to avg of 3.0mmt) – see next page
- Current crop production forecasts indicate above average receivals
- YTD country receivals 5.2mmt
- Improved rail and road productivity
- Large export programme
- YTD bulk exports 1.0mmt and stem bookings 7.8mmt[4]
- FY12 carry-out likely above average

(1) Australian Crop Forecasters (ACF) Nov-11 report
(2) ABARES Sep-11 Crop Report
(3) Year To Date (YTD) as at 23 November 2011
(4) Grain commodities only

# Significance of record grain carry-in stocks

- Grain carry-in is ‘old-season’ grain stored in GrainCorp’s network at 1 October
- It is segregated from ‘new season’ grain, stored in GrainCorp’s network and outloaded to domestic or export customers in the following year
- Carry-in will generate additional revenue along the grain chain in FY12

### Country Operations

- **Storage fee →** higher fees applied due to higher maintenance costs
- **Outload fee →** applied at current season rates

### Logistics

- Rail and/or road **freight rates**
- Subject to carry-in grain being transported via GrainCorp logistics

### Ports

- **Port fees →** receival, storage, elevation
- Subject to carry-in grain being exported

### Marketing

- **Marketing margin →** to local and export markets
- Subject to GrainCorp managing price risk and securing sales

**FY12 carry-in of 6.0mmt is double long-term average of ~3.0mmt**

# Malt – higher sales but continued margin pressure

## Global Malt Market

- Soft demand in mature beer markets
- Increasing demand in emerging beer markets → Asia, Africa, craft beer
- Malt margin pressure
- USDA(1) estimate world 2011/2012 barley production at 133mmt
  - Indications of above average barley crop in Canada and Australia,
  - Indication of below average crop in Europe and US
- Firm global barley prices
- Strong AUD & CAD vs USD & EUR
- Evidence of industry consolidation and rationalisation

## GrainCorp FY12 Earnings Drivers

- Malting capacity higher to 1.4mmt
- Sales volume guidance ~1.3mmt
- Cyclical margins currently trending lower, below historical average
- Unfavourable FX impact on Australia and Canada export competitiveness
- Current FY12 forward sold 0.9mmt, or ~70% of volume guidance
- At parity AUD:USD, average EBITDA guidance +/-A$65 per tonne(2)
- EBITDA sensitivity to FX translation → 1c movement in AUD/USD = AUD~$1M EBITDA variance

(1) USDA Oct 2011
(2) Exclusive of estimated Port of Vancouver compensation receipt of $5M

# STRATEGY UPDATE

# Corporate objectives and strategic themes

| 1 Improve Returns | 2 Manage Variability | 3 Growth |
| --- | --- | --- |
| Increase underlying shareholder return | Manage earnings through the cycle and consistent dividends | Scale through accretive organic and acquisitive growth |

**Five strategic themes**

1 Maintain a strong market presence → leading grain supply chain service

2 Operate along the grain chain → “end to end” supplier

3 Increase participation in grain processing → (a) broader and competitive malt offering; (b) downstream opportunities in flour

4 Grow as an international agribusiness → organic and acquisitions

5 Build supporting capabilities → capital and organisation model

Targeting ~$40M additional underlying EBITDA (excl. acquisitions) over next 3 years

# An integrated and international grain business

**Country Operations** → **Logistics** → **Ports** → **Processing**

**Grain Marketing (grain ownership links the grain chain)**
**Sydney, Hamburg (Germany), Norfolk (UK), Singapore**

**Country Operations**

- 280+ eastern Australia sites serving ~10,000 growers
- Grain accumulation team across the network
- 10 Canadian elevators

**Logistics**

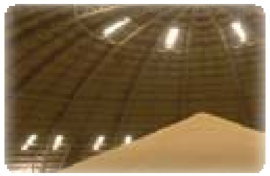
- Contract minimum 11 trains + own 4 trains with ~3.5mmt capacity in eastern Australia
- Contract ~1mmt road capacity
- Ocean and barge freight

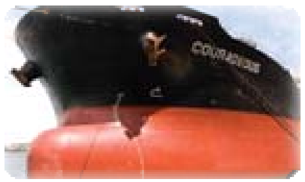
**Ports**

- 7 bulk export elevators and 3 container facilities in eastern Australia
- Facilities can handle grain, woodchips, mineral sands, fertiliser and other non-grains

**Processing**

- ~1.4mmt malt capacity at 19 plants – world's 4th largest commercial maltster
- ~0.8mmt flour and mixes capacity at 9 mills – Australia's largest producer of flour for human consumption



# Our business model and capabilities deliver value

- Well positioned to participate in global food demand growth
  - Servicing both local and overseas customers in grain and processed grains
- Our growing international presence reinforces our capability and provides growth
  - Grain business with international linkages → provides competitive capability
  - Malt business with international presence → provides platform for further growth

**Grain Marketing**

- Links grower to local and overseas consumer, **driving the grain chain**
- Captures value long the grain chain

**Grain Storage & Logistics**

- Competitive infrastructure and logistics capability secures grain
- **Supply push** through grain chain

**Grain Processing**

- Generates value-add to grain
- Understanding grain requirements
- **Demand pull** through grain chain

# International capability strengthens business

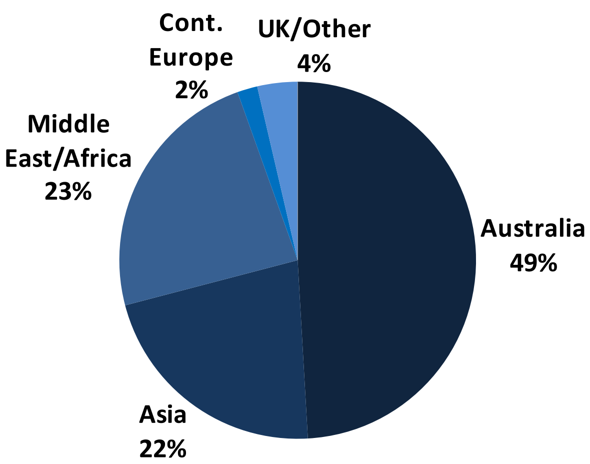
## Grain Marketing

- ~50% grain sales outside of Australia
- Provides competitive capability
  - Common customers in core commodities (wheat, barley and canola)
  - Link with Malt → barley requirements

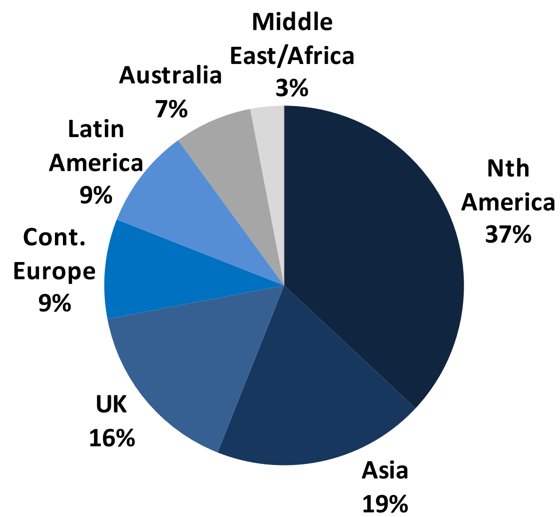
## Malt

- >90% malt sales outside of Australia
- Leverage our international presence
  - Participate in growth markets
  - Platform to pursue growth in Grain and Malt related businesses

**FY11 Grain Sales(1) by Geography**




**FY11 Malt Sales(1) by Geography**




(1) Sales by volume

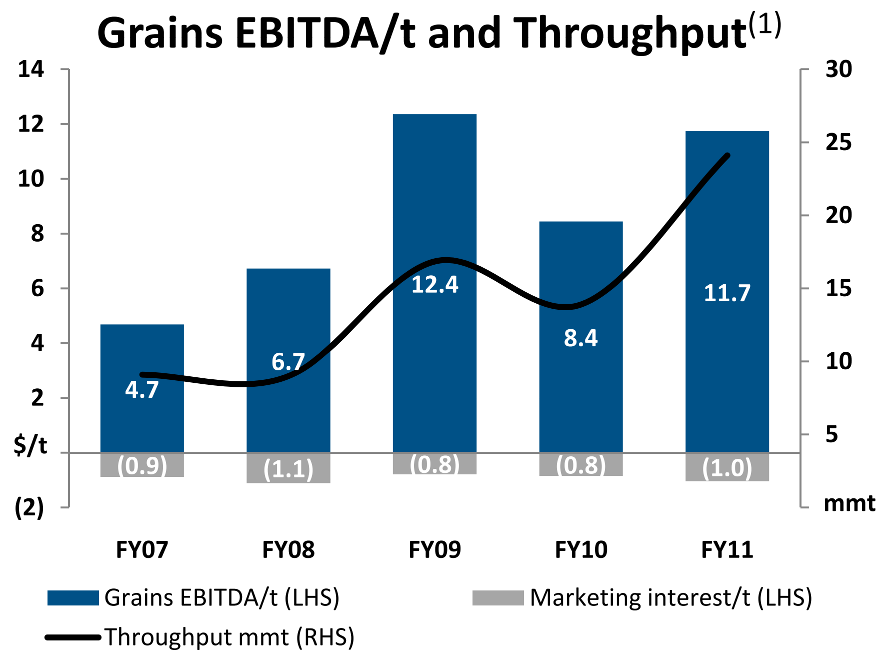
# Integrated business delivering underlying growth

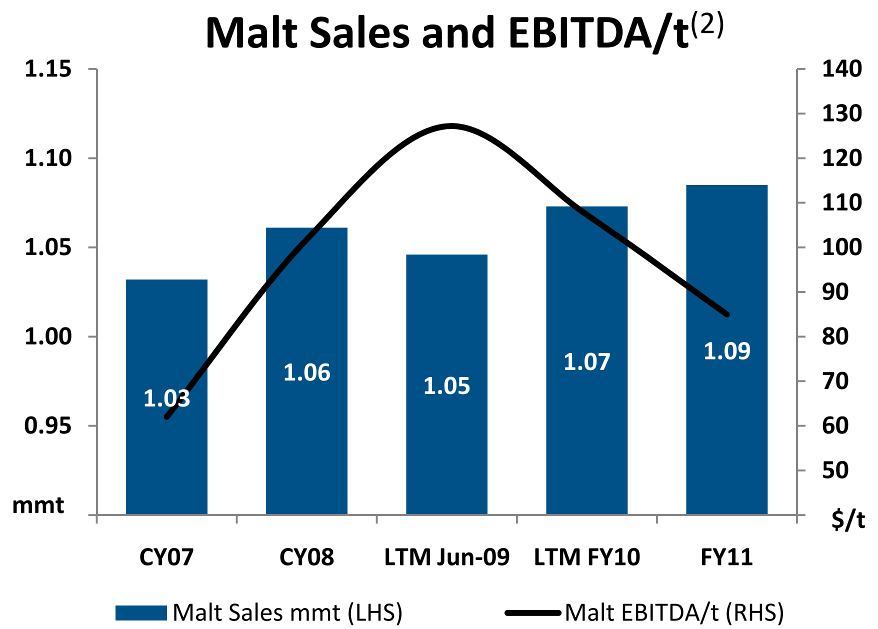
## Grain

- Increasing margin
  - Operate from grower to consumer
  - New products to capture value
- Managing costs with variable volumes

## Malt

- Increasing volume
  - Servicing growing exports
  - Global footprint and relationships
- Managing costs with variable margin




(1) Grains EBITDA is combined S&L (Country, Logistics and Ports) and Marketing
(2) Excludes Port of Vancouver compensation receipts of $7.1M FY11 and $9.3M FY10. FY11 margins rise to $91/t inclusive of Port of Vancouver receipt

# FY11 strategic achievements and initiatives

## 1 Maintain a strong market presence

### Storage & Logistics

- ✓ Large and difficult crop received, segregated and shipped
- ✓ GrainTransact successfully launched
- ✓ Managed more than 5mmt of rail transport
- ✓ New accumulation desk to service domestic customers
- ✓ Grown container packing to 0.4mmt

## 2 Operate along the grain chain

### Marketing

- ✓ 2.7mmt of export grain sales → 33% of GNC bulk exports
- ✓ 65% of grain acquired direct from growers
- ✓ >90% of grain sales direct to end-users
- ✓ New Hamburg office, integrating UK merchanting
- ✓ New trading system approved

## 3 Increase activity in grain processing

### Malt/Allied Mills

- ✓ 300kt Malt capacity added → 240kt acquired, 86kt built, 26kt closed
- ✓ Malt acquired Canadian grain elevator
- ✓ Malt corporate office established in England
- ✓ Allied Mills growth in parbake products eg Artisan Bread

## 4/5 Grow as an international agribusiness

### GrainCorp

- ✓ Higher offshore grain and malt sales
- ✓ European presence → Marketing office opened and Schill Malz acquired
- ✓ Leveraging Malt to increase activity in Canadian grain market
- ✓ Decentralised organisation model being implemented

# FY12 strategic focus

### 1 Maintain a strong market presence

**Storage & Logistics**

- ✓Handle record carry-in and FY12 harvest
- ✓Improve rail and road freight productivity
- ✓Develop voluntary Code of Conduct with industry
- ✓Grow non-grain exports and imports
- ✓Grow container packing activity

### 2 Operate along the grain chain

**Marketing**

- ✓Maintain strong domestic and international sales
- ✓Commence Hamburg trading activity
- ✓Leverage UK merchanting business
- ✓Develop new global trading system
- ✓Approach market opportunities in Canada

### 3 Increase activity in grain processing

**Malt/Allied Mills**

- ✓Integrate Schill Malz – common processes, centralise some functions
- ✓Develop integrated global Malt and Marketing solution
- ✓Grow Allied Mills value add activity
- ✓Decide on reinstating lost Toowoomba milling capacity

### 4/5 Grow as an international agribusiness

**GrainCorp**

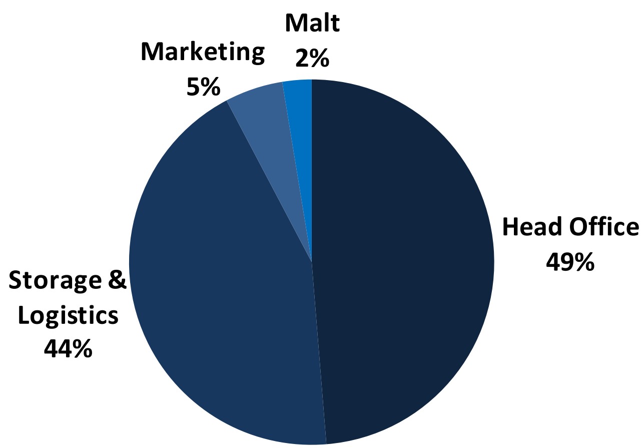
- ✓Maintain strong offshore sales
- ✓Leverage Malt to increase activity in Canadian grain market
- ✓Decentralise organisation model

# THANK YOU – Q&A

# Appendix – Corporate costs

| $ M | FY11 | FY10 |
|---|---|---|
| Reported Corporate costs | 41 | 33 |
| Adjust for one-offs(1) | (2) | 2 |
| **Adjusted Corporate costs** | **39** | **35** |

**Corporate costs % by business**




- Adjusted Corporate costs $4M higher due to management of an international agribusiness
- Business support costs decentralised in FY12, with approximately 50% of total Corporate costs to be apportioned across the businesses

(1) FY11 one-offs include Schill Malz and Kirin Australia acquisition costs. FY10 one-offs include net AWB merger break fee and Malt acquisition transaction costs

# Disclaimer

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