



20 May 2015

The Manager  
Company Announcements Office  
ASX Limited  
20 Bridge Street  
**SYDNEY NSW 2000**

**GRAINCORP LIMITED: GNC  
INVESTOR DAY PRESENTATION  
GEELONG PORT TERMINAL**

Please find attached the Investor Day Presentation being presented by Managing Director & CEO, Mr Mark Palmquist, and the Executive Team at GrainCorp Geelong Port Terminals commencing at 9.00am AEST.

The Investor Day will also be webcast and can be accessed from the following link:  
<http://webcasting.brrmedia.com/broadcast/138644>

Yours sincerely,

A handwritten signature in black ink, appearing to read "Gregory Greer", written in a cursive style.

**Gregory Greer  
Company Secretary**

**GrainCorp Limited**

Level 28, 175 Liverpool Street  
Sydney NSW 2000

PO Box A268  
Sydney South NSW 1235

T 02 9325 9100  
F 02 9325 9180

[graincorp.com.au](http://graincorp.com.au)

# 2015 Investor Day

## Delivering the value in Grain

20 May 2015



GrainCorp



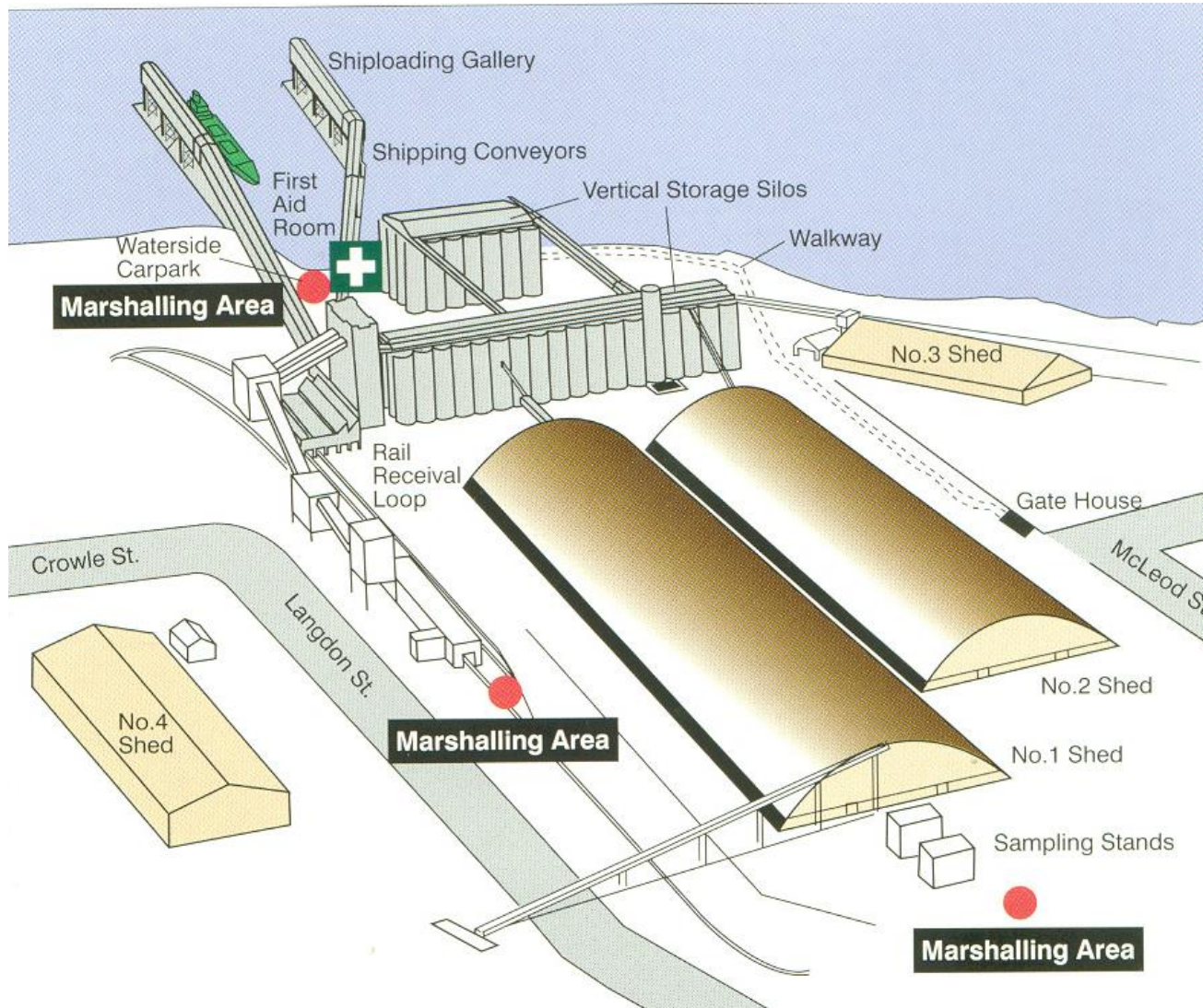
# Disclaimer



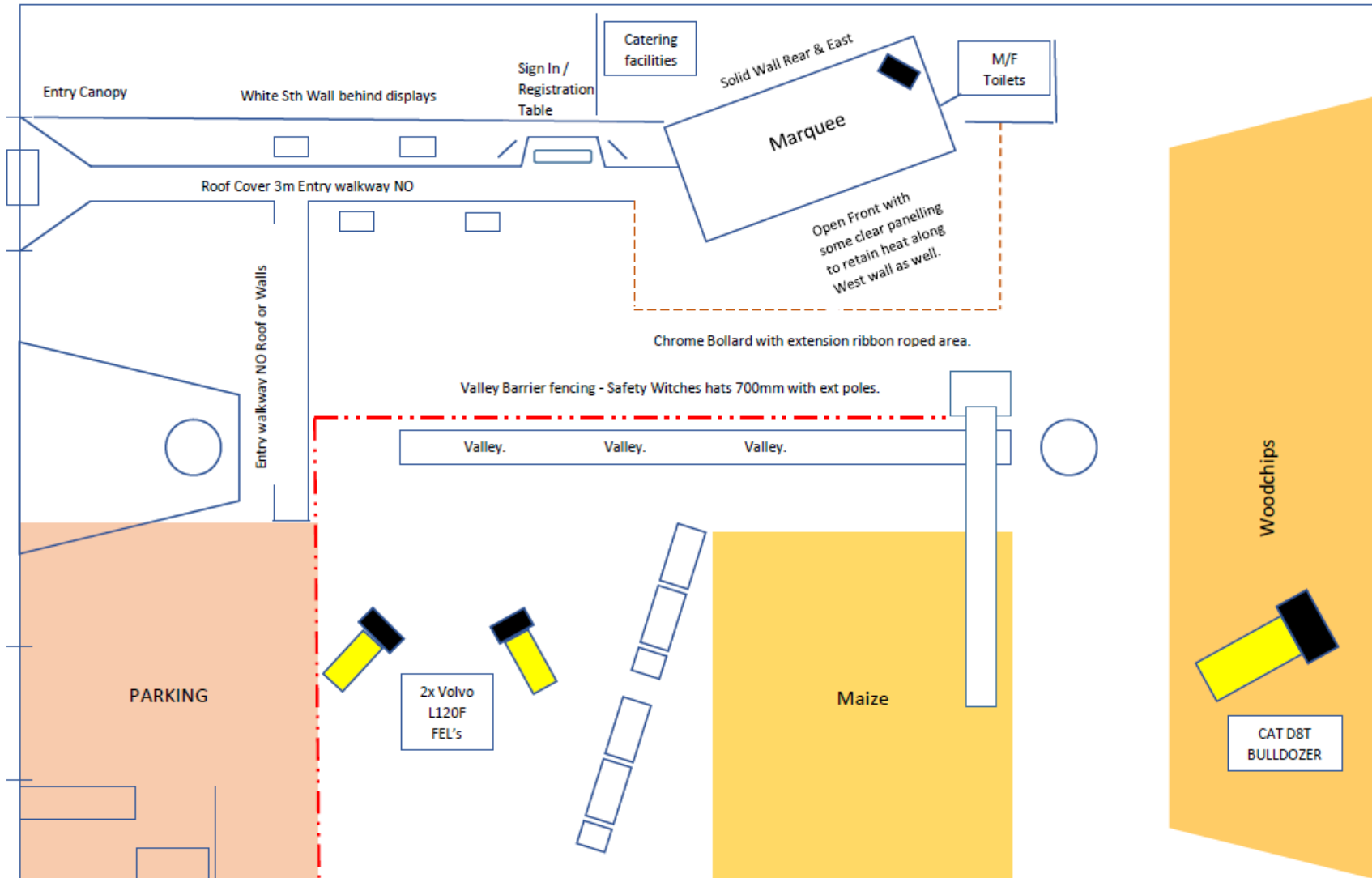
This presentation includes both information that is historical in character and information that consists of forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. The forward looking statements are subject to risks, stakeholder engagement, uncertainties and assumptions which could cause actual results, timing, or events to differ materially from the expectations described in such forward looking statements. Those risks and uncertainties include factors and risks specific to the industry in which GrainCorp operates, any applicable legal requirements, as well as matters such as general economic conditions.

While GrainCorp believes that the expectations reflected in the forward looking statements in this presentation are reasonable, neither GrainCorp nor its directors or any other person named in the presentation can assure you that such expectations will prove to be correct or that implied results will be achieved. These forward looking statements do not constitute any representation as to future performance and should not be relied upon as financial advice of any nature. Any forward looking statement contained in this document is qualified by this cautionary statement.

# Investor Day - Safety Briefing



# Investor Day - Safety Briefing cont'd



# Agenda



Time	Mins	Activity	Presenting
9.00am	10 min	Welcome & Safety	Ben Gray (Strategy & Development)
9.10am	35 min	<b>Global View &amp; Strategy</b>	Mark Palmquist (MD & CEO)
9.45am	30 min	<b>Malt</b>	Greg Friberg (President & CEO Malt)
10.15am	15 min	Morning Tea	
10.30am	30 min	<b>Storage &amp; Logistics</b>	Neil Johns (Group GM S&L)
11.00am	30 min	<b>Marketing</b>	Klaus Pamminger (Group GM Marketing)
11.30am	30 min	<b>Oils</b>	Sam Tainsh (Group GM Oils)
12.00pm	30 min	Lunch	
12.30pm	20 min	<b>Capital Management</b>	Alistair Bell (Group CFO)
12.50pm	20 min	Wrap Up	Mark Palmquist (MD & CEO)
1.10pm	20 min	Slippage buffer	
1.30pm - 3.30pm	2 hrs	Site Tours	S&L / Malt Ops Teams
By 4.00pm		Depart	



# GrainCorp Global View & Strategy

*Delivering the value in grain*

Mark Palmquist – Managing Director & Chief Executive Officer



**GrainCorp**



# Global View and Strategy

## A. Macro Trends

- Global themes
- Industry trends

## B. GrainCorp Approach

- Business Model
- Corporate Objectives

## C. Strategic Direction

- Priorities
- Strategic direction



# Global themes and industry trends in agribusiness and food



## Global themes

Access to supply and food security

Increasing demand for food quality and transparency

Increasing competition → domestic and international



## Industry trends

Supply chain  
investment

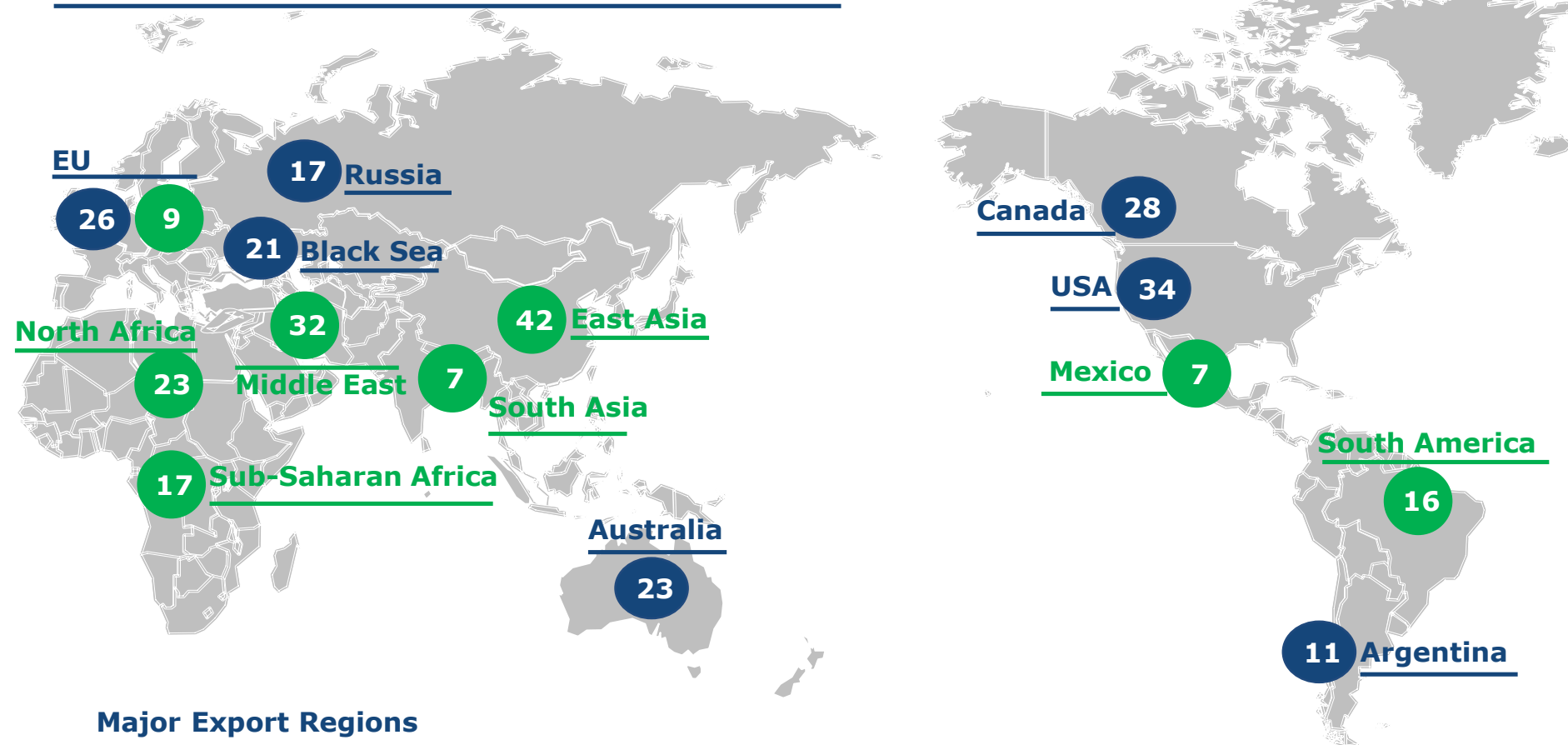
Diversification and  
consolidation

Customer  
relevance

# Grain demand and supply



## Wheat, barley, canola, sorghum (mmt) <sup>(1)</sup>



### Major Export Regions

### Major Import Regions

1. Global exports / imports – wheat, barley, canola, sorghum. 10 year average to 2014. Source: USDA (accessed May 2015).

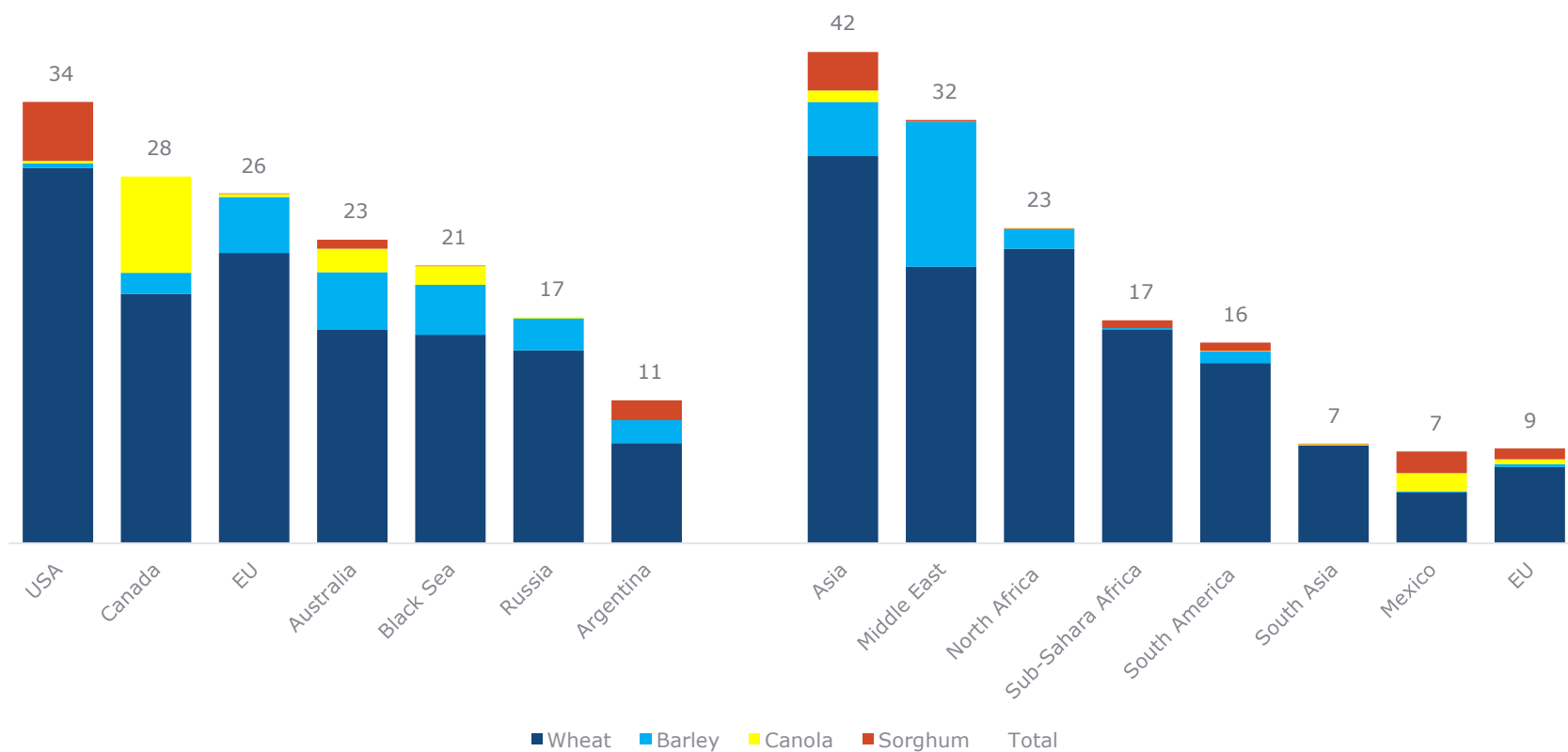
# Major export and import regions



## Wheat, barley, canola, sorghum (mmt) <sup>(1)</sup>

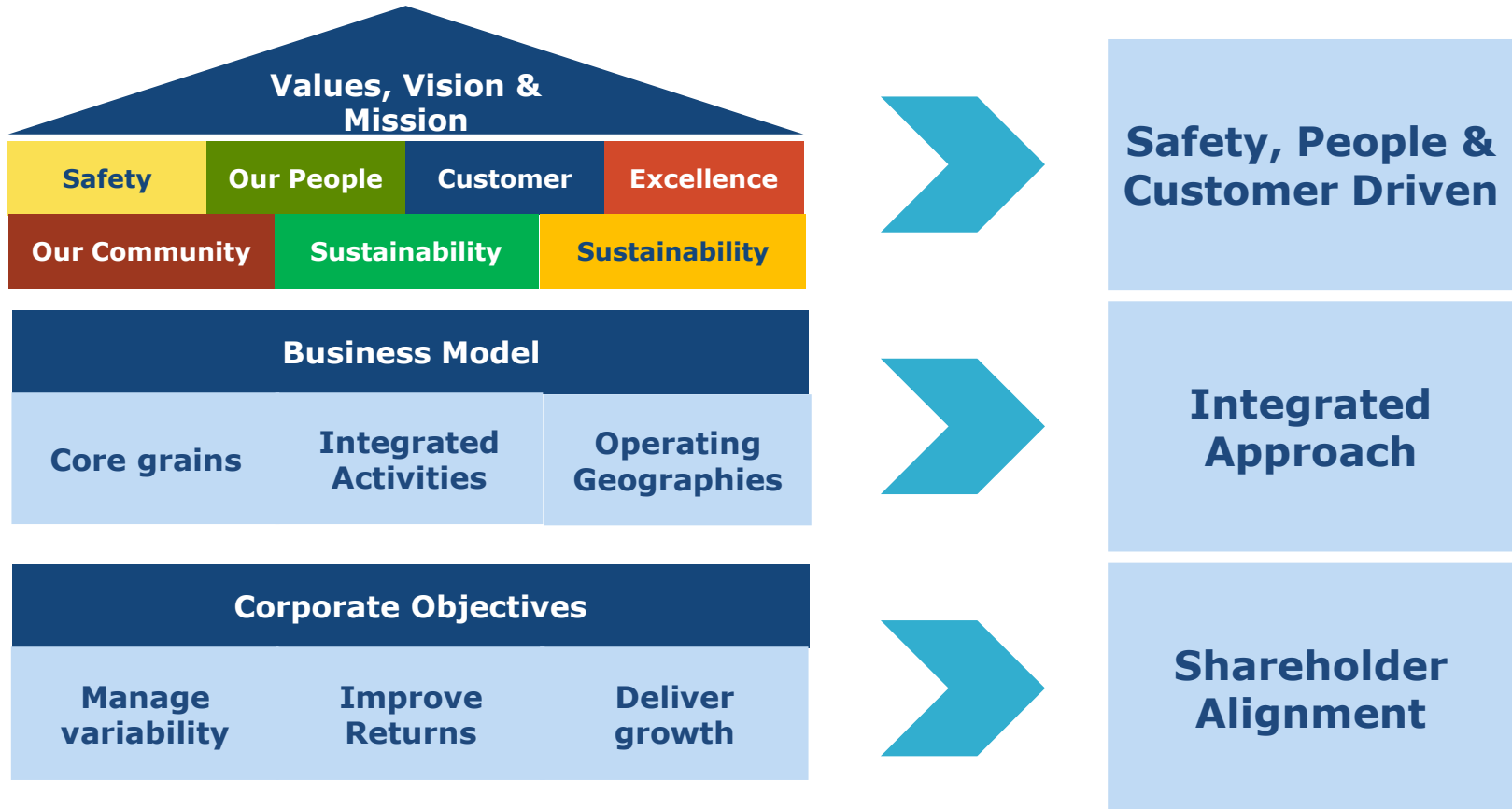
### Exports

### Imports



1. Global exports / imports – wheat, barley, canola, sorghum. 10 year average to 2014. Source: USDA (accessed May 2015).

# Our strategy → customer and people driven and aligned to create value



# Our values, vision & mission → people and customer driven



## Values

**SAFETY**



**OUR PEOPLE**



**CUSTOMERS**



**EXCELLENCE**



**SUSTAINABILITY**



**OUR COMMUNITY**



**INTEGRITY**



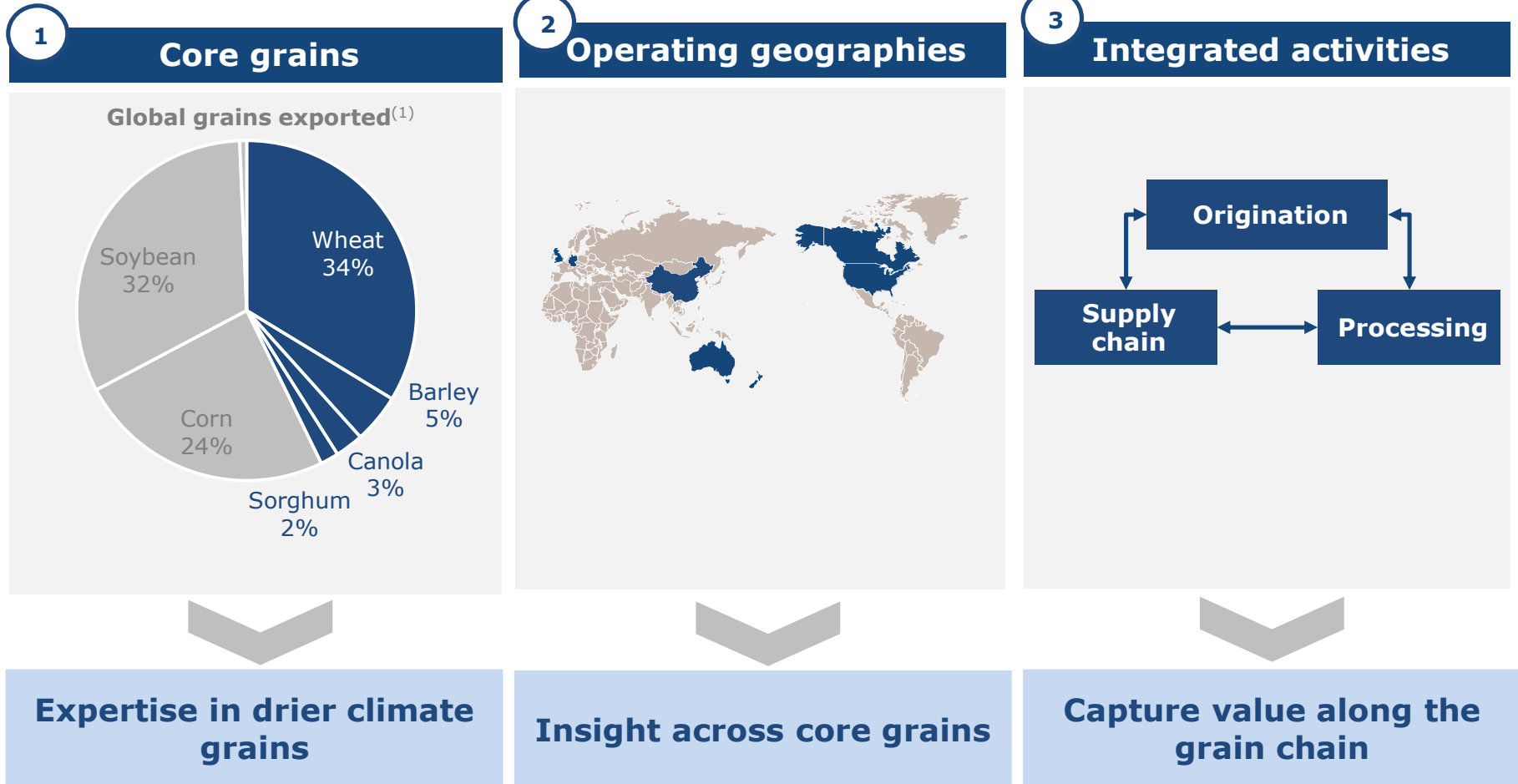
## Vision

To grow as our customers' preferred partner – driven by our passionate people and assets around the world.

## Mission

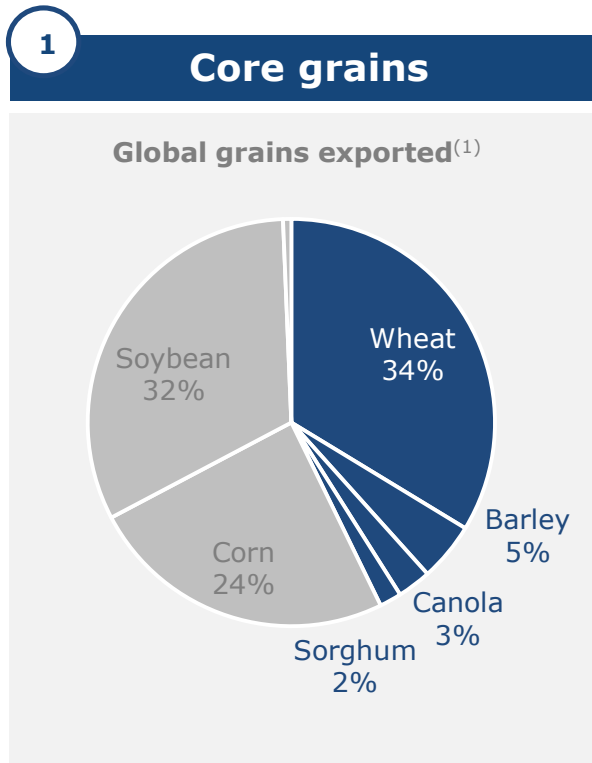
To be an international leader in food ingredients and agribusiness, creating value by connecting consumers and producers.

# Our business model → integrated approach



1. Excludes rice.

# 1. Core grains → expertise in drier climate grains



- Expertise in drier climate grains**
- Eastern Australian grain supply chain
  - Eastern Australian origination
  - Global barley processing
  - Australian wheat processing
  - Australian & NZ oilseeds processing

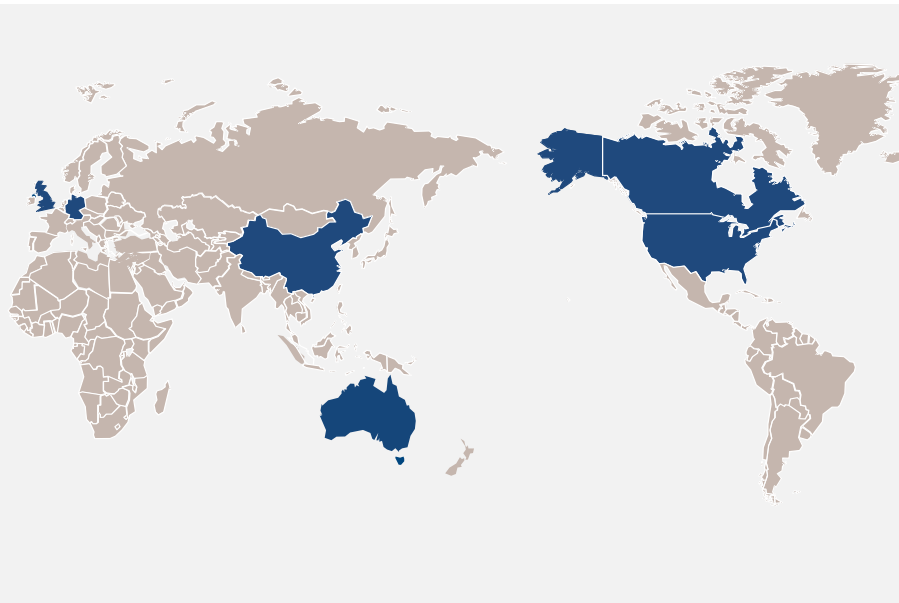
1. Excludes rice.

## 2. Operating geographies → insight across core grains

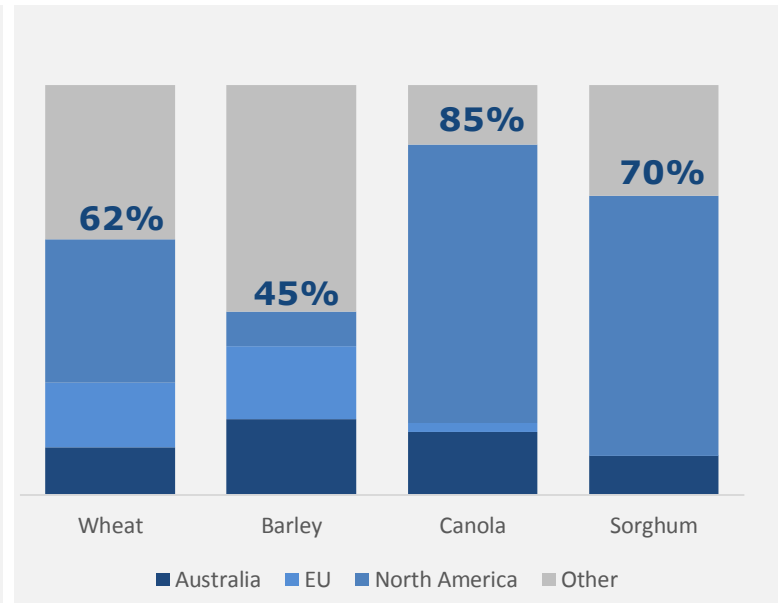


2

### Operating geographies

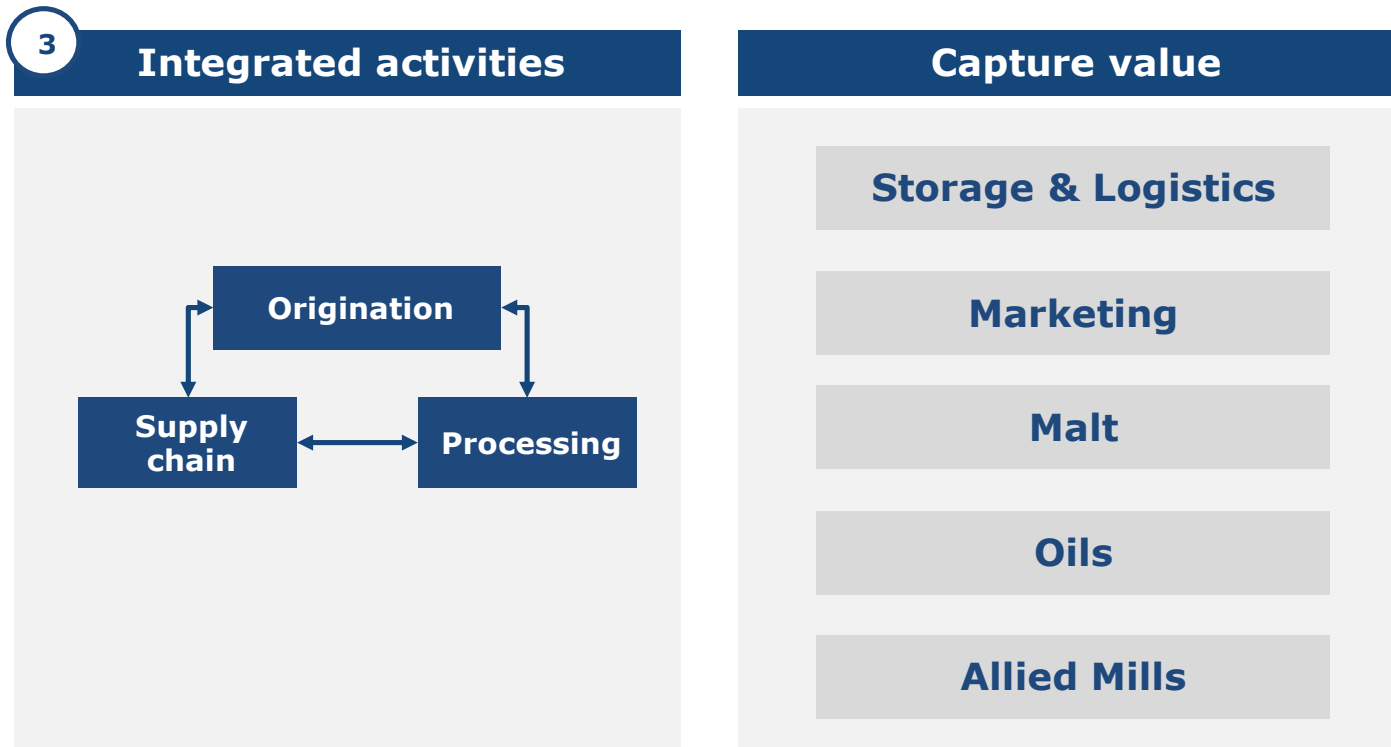


### 'Visibility' of global exports





# 3. Integrated activities → capture value along the chain

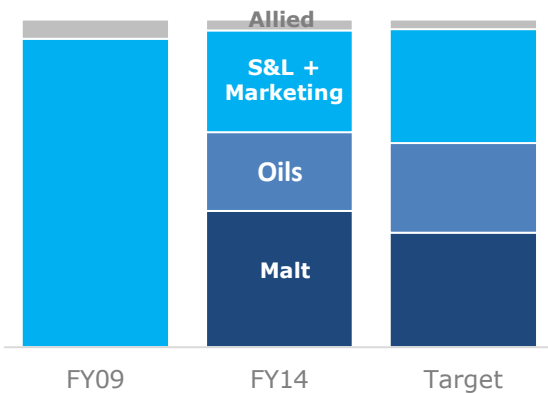


# Our corporate objectives → aligned with shareholder interests



## Manage variability

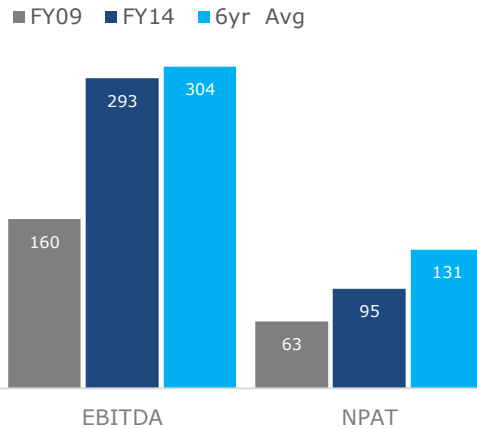
Earnings by segment<sup>(1)</sup> \$M



Growth in Oils and Malt creating a balanced portfolio

## Deliver growth

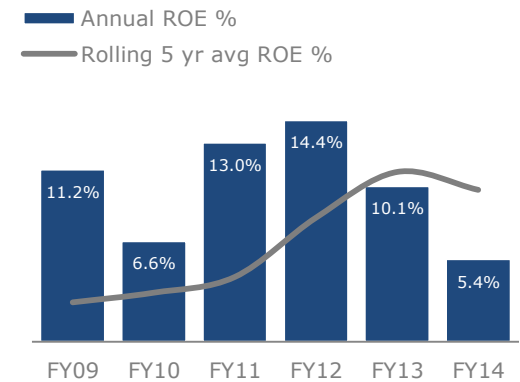
EBITDA and NPAT<sup>(2)</sup> \$M



Growth in total EBITDA and NPAT but on an EPS basis, growth relatively flat

## Improve returns

Return on Equity %

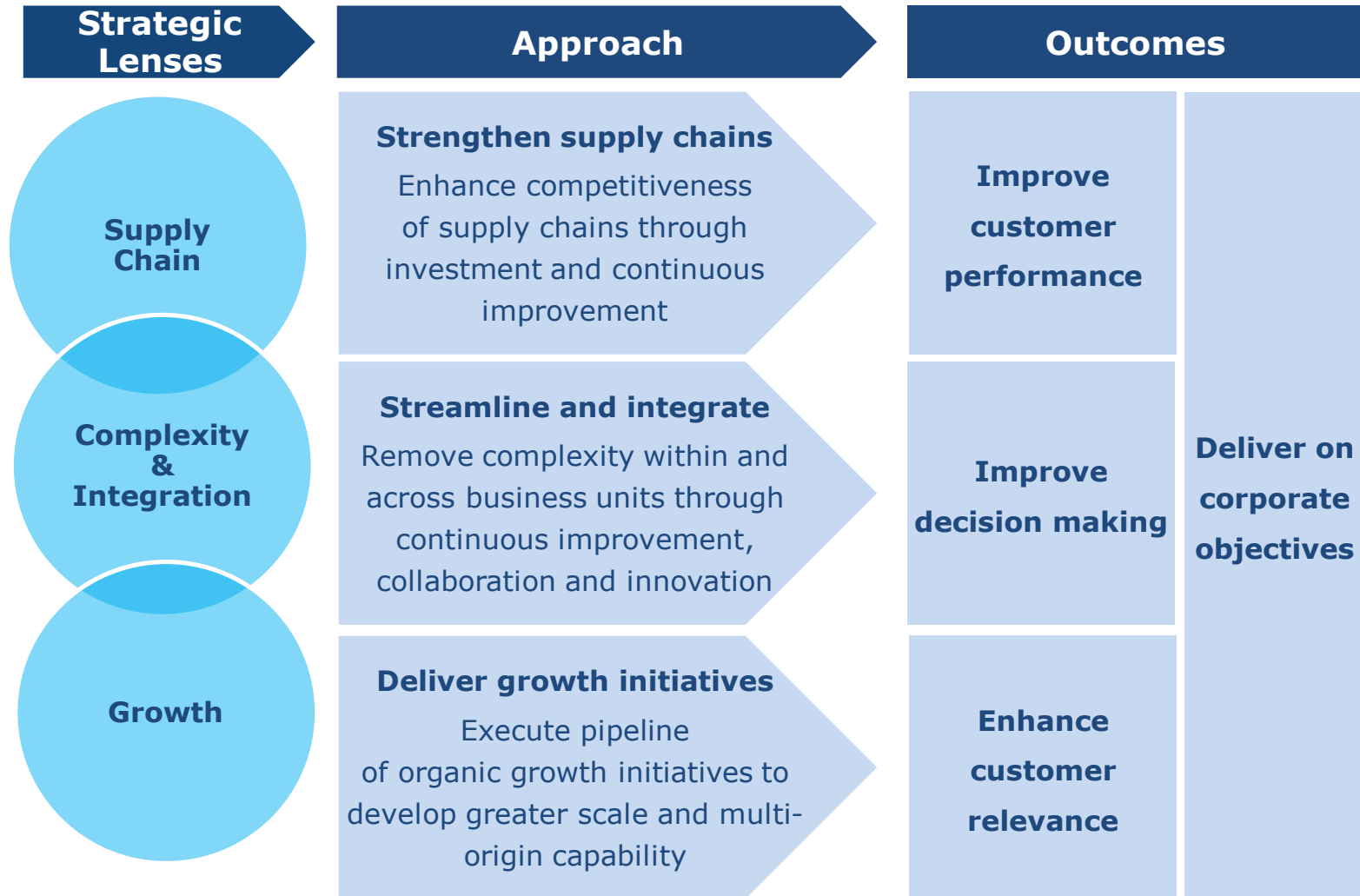


Some improvement through the cycle but greater reliability required

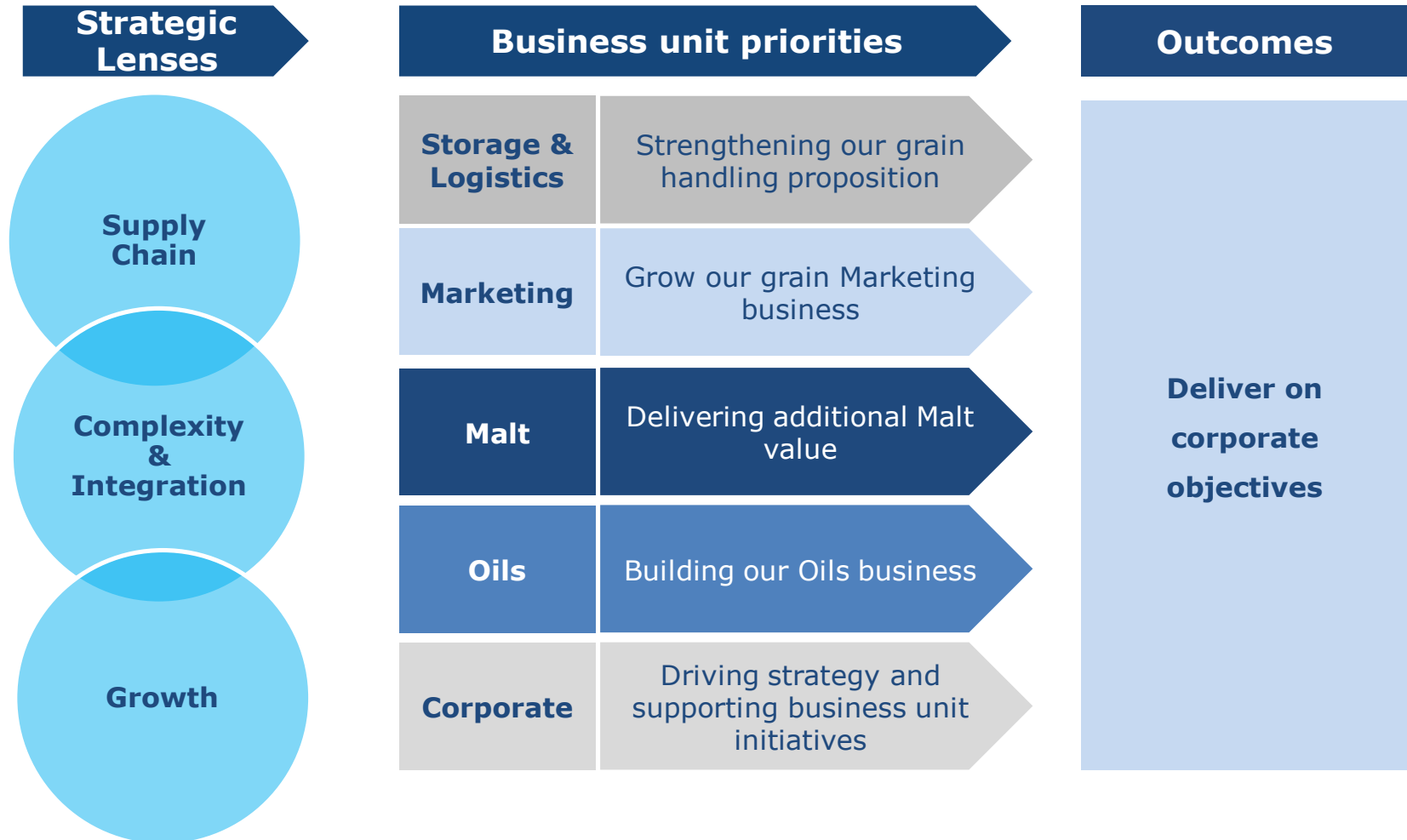
Strategic initiatives underway targeting optimisation and / or growth in all segments

1. Malt, Oils and S&L EBITDA, Marketing PBTDA Allied 60% share of NPAT. Excludes corporate costs  
 2. Underlying EBITDA and NPAT. Includes corporate costs.

# Strategic lenses → to deliver tangible outcomes



# Strategic lenses → to shape business unit priorities



# Pipeline of organic initiatives and supporting developments



Oils Numurkah Expansion	Malt Pocatello Expansion	S&L Supply Chain Investment
<ul style="list-style-type: none"><li>Announced 20 May</li><li><b>Growth:</b> capacity increase to support international customer demand for crushed oil and local customer demand for meal</li></ul>	<ul style="list-style-type: none"><li>Announced 19 May</li><li><b>Growth:</b> capacity increase to support customer demand and North American craft growth sector</li></ul>	<ul style="list-style-type: none"><li>Announced 11 May</li><li><b>Supply chain:</b> first tranche of projects targeting to reduce supply costs and attract more grain back to rail</li></ul>
S&L Port Regulation Update	Capital Management Facility Refinancing	Executive Appointment CIO
<ul style="list-style-type: none"><li>Announced 10 April</li><li><b>Complexity:</b> supporting the removal of complexity from our supply chain through exemption from sections of the ports code</li></ul>	<ul style="list-style-type: none"><li>Announced 14 May</li><li><b>Financing strategy:</b> increase capacity and extend tenure to fund business unit initiatives</li></ul>	<ul style="list-style-type: none"><li>Announced 20 May</li><li><b>Supporting strategy:</b> further integrate processes and systems within and across business units</li></ul>

# Disciplined approach to capital management



- Majority of investment underway in processing businesses → more stable earnings, less dependent on grain production in Eastern Australia
- Building a pipeline of organic opportunities
- Flexibility with the timing of capital investment for a number of the opportunities
- Net debt gearing ratio<sup>(1)</sup> expected to peak in 1H17 as majority of initiatives delivered in FY16, and coincides with seasonal peak → similar to existing gearing ratio<sup>(2)</sup>
- Net debt gearing targeted <45%

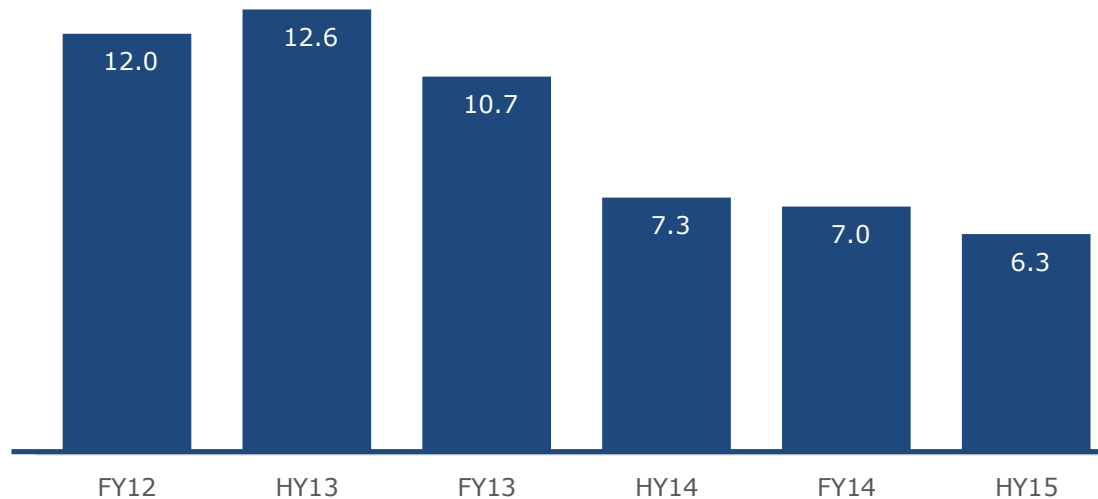
1. Quarterly rolling average.  
2. Subject to grain prices and volumes over the relevant period.

# Empowering employees to achieve safety vision



## Safety Vision: "Zero Harm – Safe for Life"

Safety Performance<sup>(1)</sup>



1. Lost Time Injury Frequency Rate ('LTIFR') calculated as the number of lost time injuries per million hours worked. Includes permanent and casual employees and GrainCorp controlled contractors.

# Strong executive leadership team, senior leaders and emerging talent



Executive Leadership Team			
<b>Mark Palmquist</b> (MD & CEO)	<b>Andrew Baker</b> (Group CIO)	<b>Alistair Bell</b> (Group CFO)	<b>Betty Ivanoff</b> (Group General Counsel & Head of Corporate Services)
<b>Greg Friberg</b> (President & CEO Malt)	<b>Neil Johns</b> (Group GM S&L)	<b>Klaus Pamminger</b> (Group GM Marketing)	<b>Sam Tainsh</b> (Group GM Oils)

## GrainCorp Leadership Group

## Emerging Leaders Program





# GrainCorp Malt

*Delivering additional Malt value*

Greg Friberg – President & CEO GrainCorp Malt



**GrainCorp**



# Malt

## A. Industry Trends

## B. Value Proposition

- Assets and capabilities
- Value chain
- Customers segments and drivers

## C. Strategic Direction & Initiatives

1. Investment in global malt operations
2. North America craft growth
3. Pocatello expansion
4. Collaboration

## Supplementary Information

# Malt industry trends



## Malt industry trends

### Traditional beer

Developed markets → sales stabilising

Developing markets → sales increasing

### Growth markets

Craft → continued growth in North America; emerging growth elsewhere

Distilling → significant malt requirement

### Brewer consolidation

Global / regional brewers consolidating

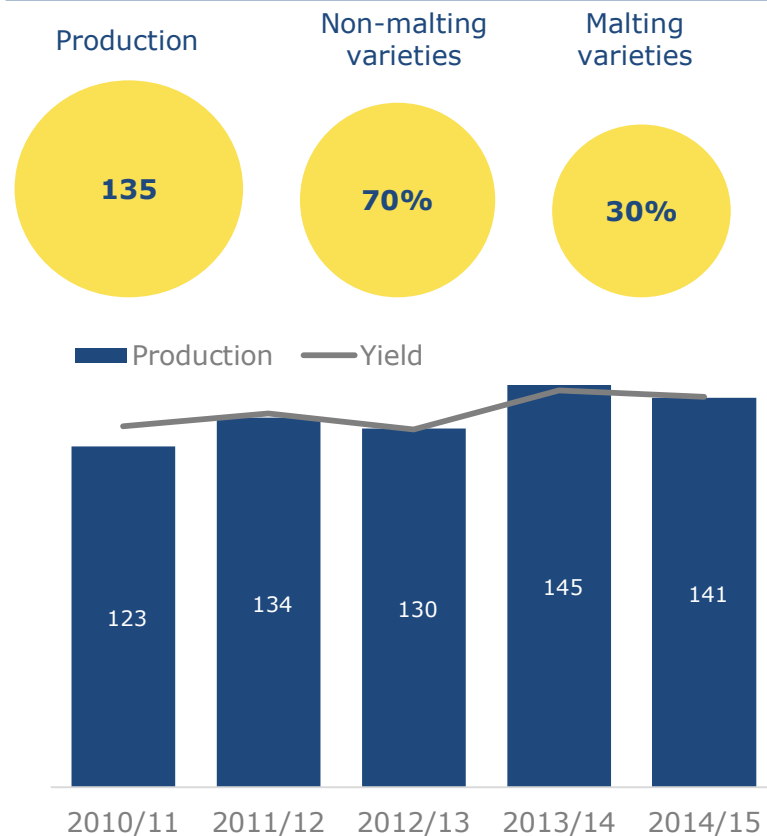
### Customer relevance

Increasingly important to align products and service offering to specific customer needs

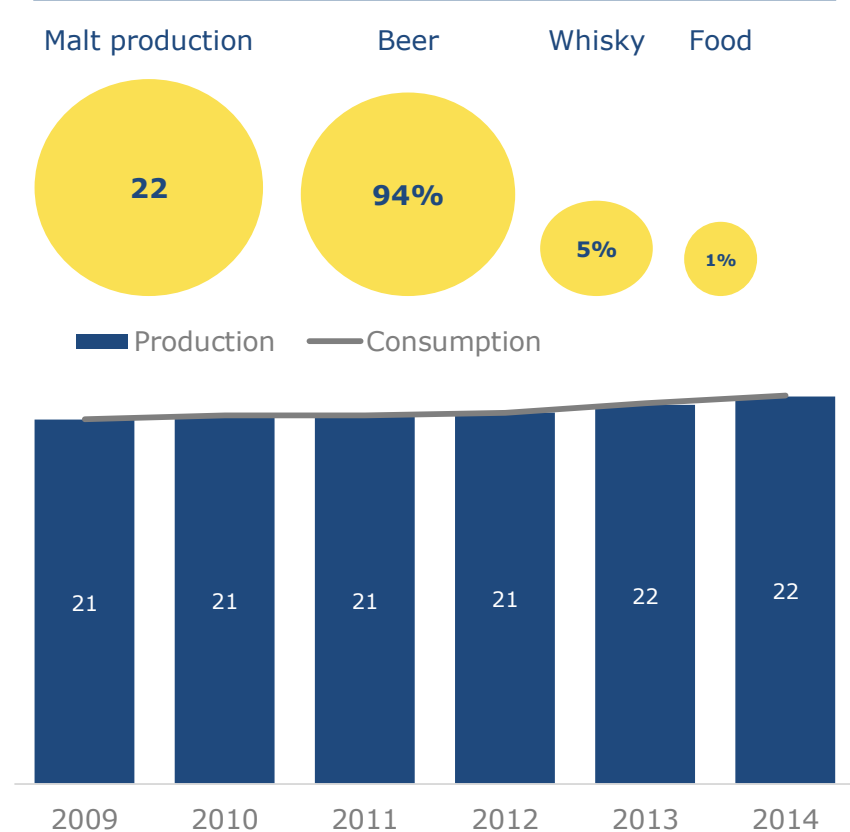
# Global barley and malt production



## Global barley production (mmt) <sup>(1)</sup>



## Global malt production and consumption (mmt) <sup>(2)</sup>

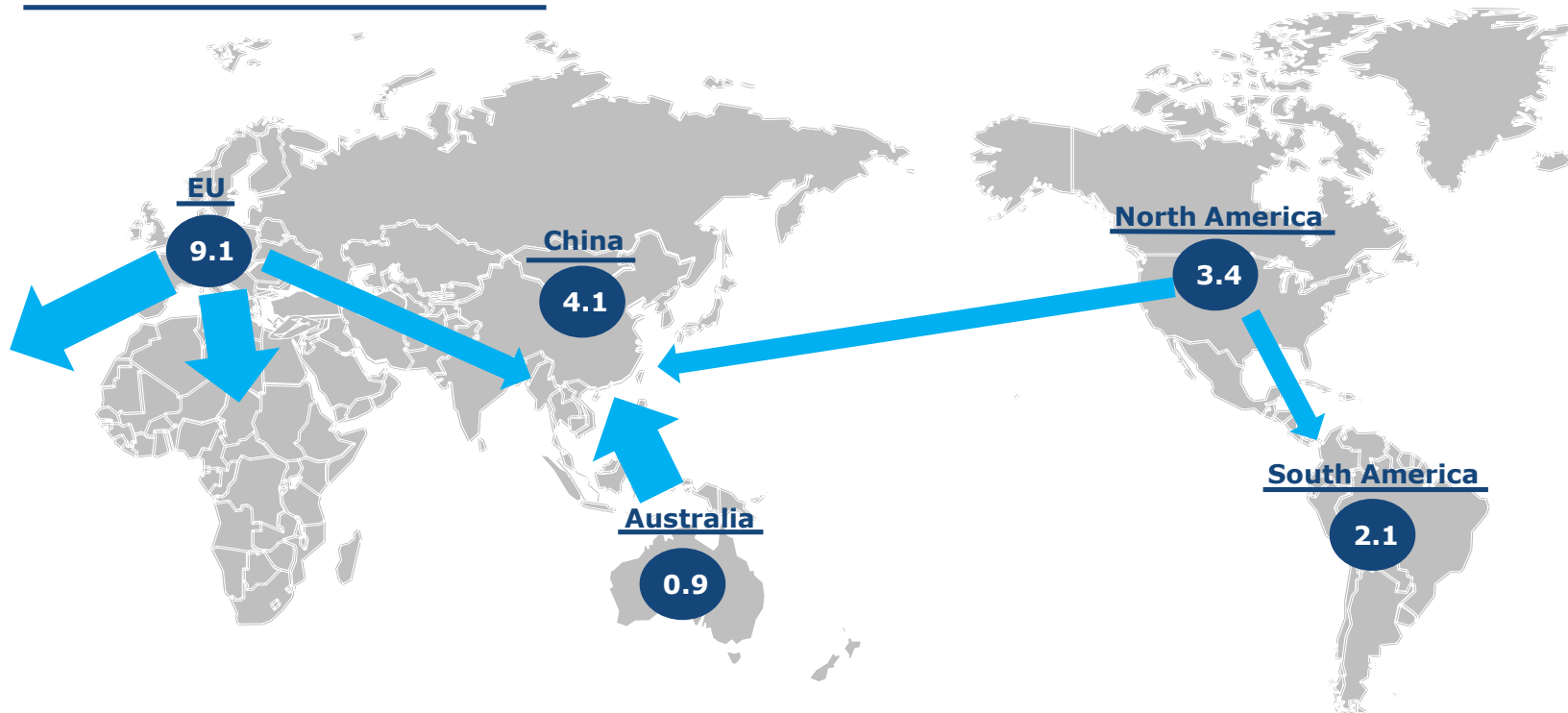


1. Five year average global barley production. Source: USDA (accessed May 2015).  
 2. Five year average malt production and consumption. Source: GrainCorp analysis; Huvet Consulting.

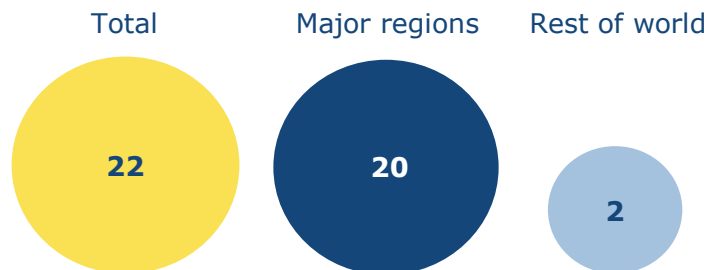
# Global malt production & exports



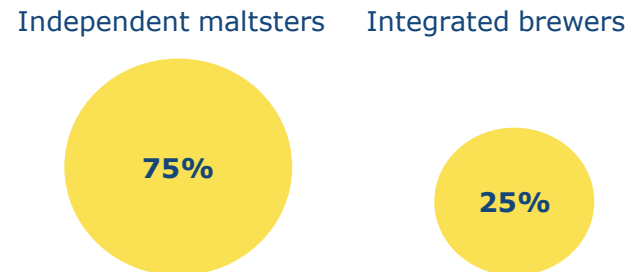
## Global malt production (mmt)



## Malt production (mmt per annum)



## Maltster volumes (approximate)



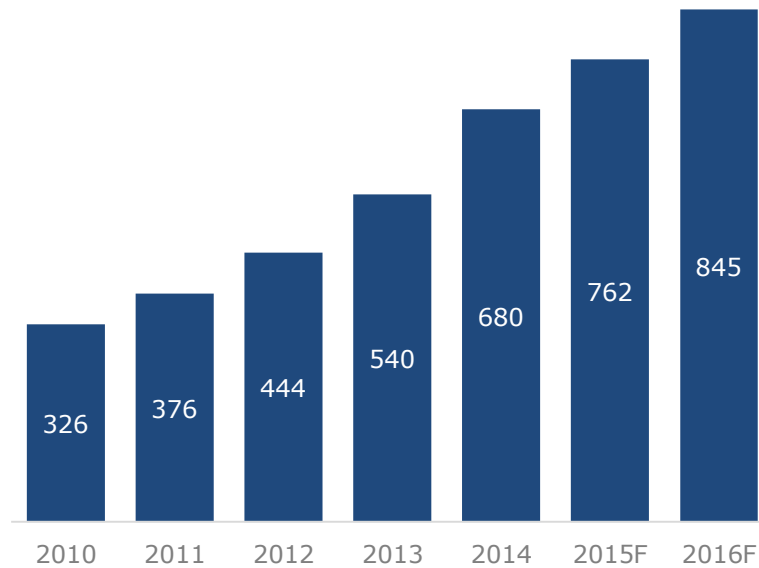
1. Estimated global malt production 2014. Source: GrainCorp analysis; Huvet Consulting.

# Growth markets



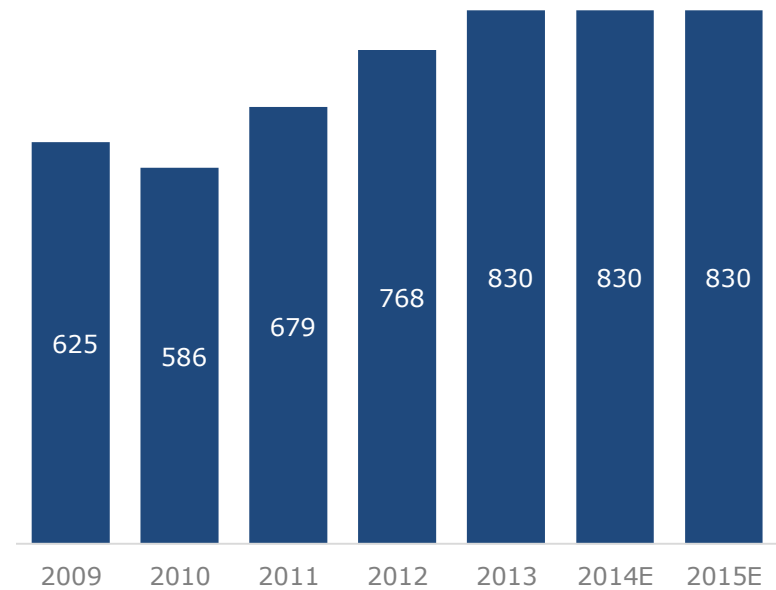
## Craft Beer <sup>(1)</sup>

North American Craft Beer - Malt Requirement (kmt)



## Whisky <sup>(2)</sup>

Scottish Whisky - Malt Requirement (kmt)



1. Source: Brewers Association

2. Source: Scotch Whisky Association Databank and Scotch Whisky Industry Review

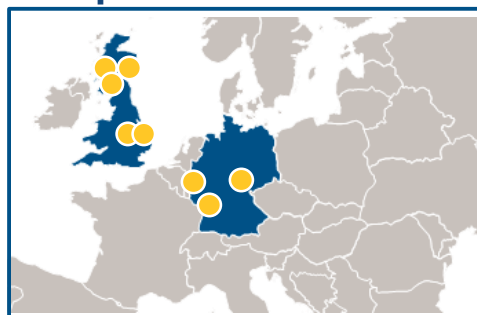
# Malt assets and capabilities



## North America



## Europe



## Australia



Region	North America	Europe	Australia	Total
Plants	<b>Canada:</b> Montreal, Thunder Bay, Calgary <b>USA:</b> Pocatello, Vancouver	<b>UK:</b> Witham, Grantham, Arbroath, Pencaitland, Inverness <b>Germany:</b> Worms, Mulheim, Clingen	Perth, Brisbane, Melbourne, Geelong	<b>17 plants</b>
Production capacity	<b>0.75mmt<sup>(1)</sup></b>	<b>0.41mmt</b>	<b>0.26mmt</b>	<b>1.42mmt</b>
Average utilisation	<b>95%+</b>	<b>UK: 95%+</b> <b>Germany: ~90%+</b>	<b>~95%</b>	<b>90%+</b>
Market share capacity	<b>~25%</b>	<b>UK: ~15-17%</b> <b>EU: ~2%</b>	<b>~30%</b>	4 <sup>th</sup> largest independent maltster globally

1. Including Pocatello expansion

# Malt is more than just a commodity business



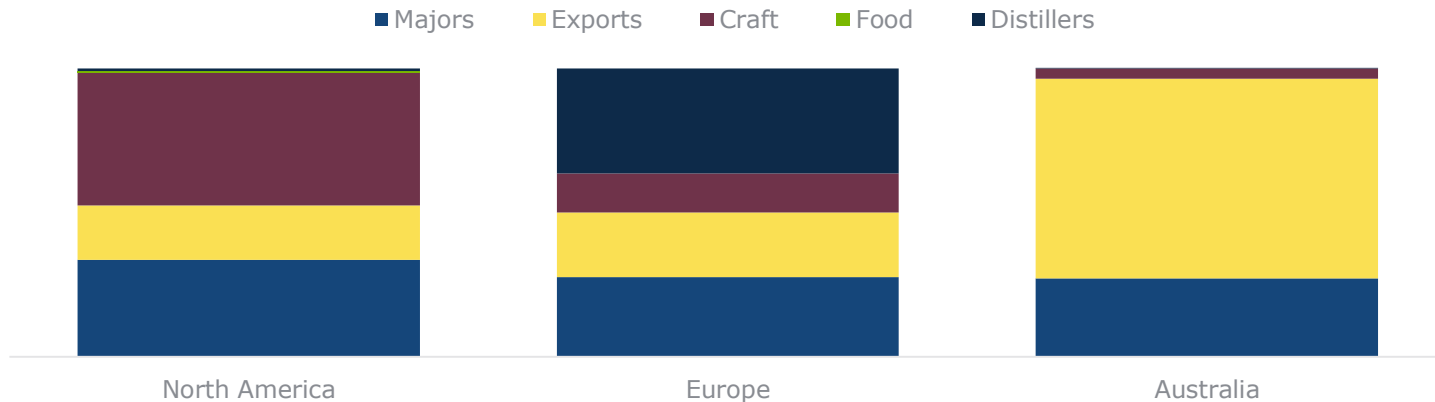


# Customer segments and drivers



Customers	Value Proposition	Drivers
Global brewers	Global offering, price & compliance	Quality malt Consistency
Regional brewers	Relationships, quality & price	Global / regional offering
Microbrewers	Relationships, offerings, quality & service	Malt quality Consistency
Distillers	Relationships, yields, price & quality	Service offering

## Customer base & sales mix (by volume)



# Malt strategic direction



## Malt Approach

**Enhance competitiveness**

**Pursue growth**

## Malt Strategic Initiatives

**1**

**Investment in global malt operations** → support and enhance customer offering

**2**

**Craft sector growth** → pursuing growth in craft in North America and other growth opportunities emerging

**3**

**Collaboration** → with global platform and marketing

# 1 Investment in global malt operations



## Focus areas

### Operations excellence

Targeting cost reduction and other efficiencies in energy, labour, waste, and water.

### Operating model

Targeting use of technology, reducing complexity and relocation of the global office.

### Customer mix

Analyse customer offerings around the world and pinpointing growth opportunities.

**~\$35M investment FY13 to FY16**

## Achievements to date

Significant number of projects completed including: Geelong kiln, water treatment; Montreal barely container unloading; Arbroath & Perth boreholes; Thunder Bay cogeneration.

Consolidation of operating platforms from ~17 to 1.

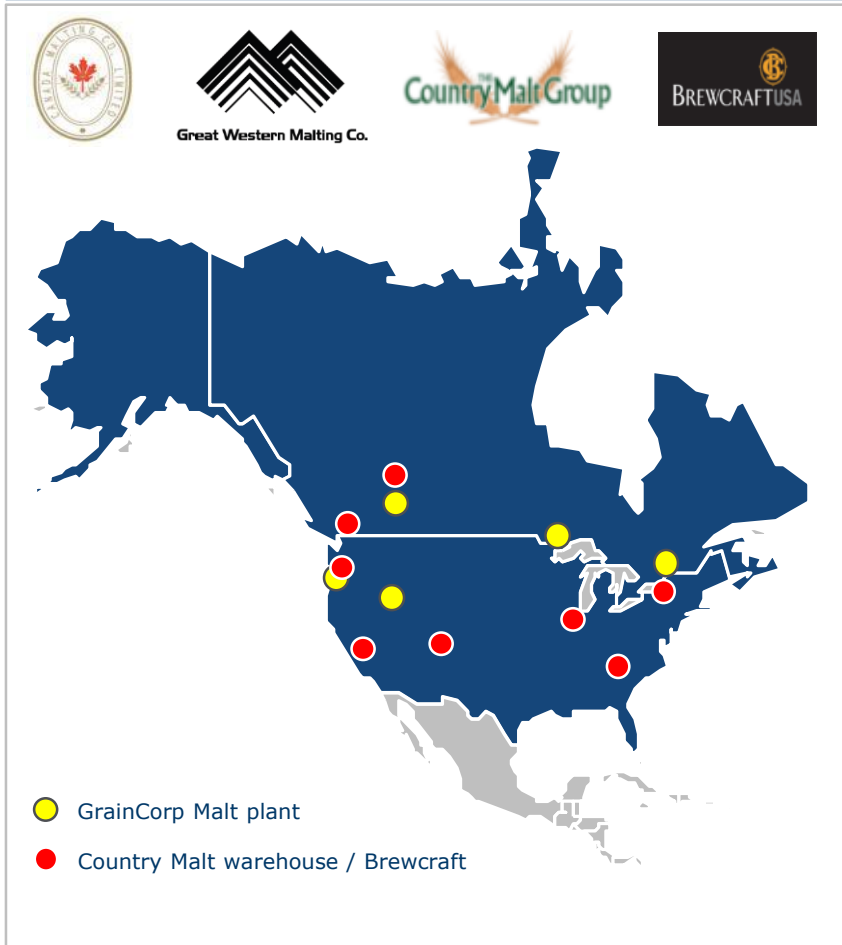
Aligned production to customer mix;  
Supplying global customers optionality;  
Supplying growing craft markets in North America and UK.

**~75% of capital invested to 1H15**

## 2 North American craft sector growth



### GrainCorp Malt footprint North America



### Craft sector growth

*Incremental investment to serve customers and evolving industry trend*

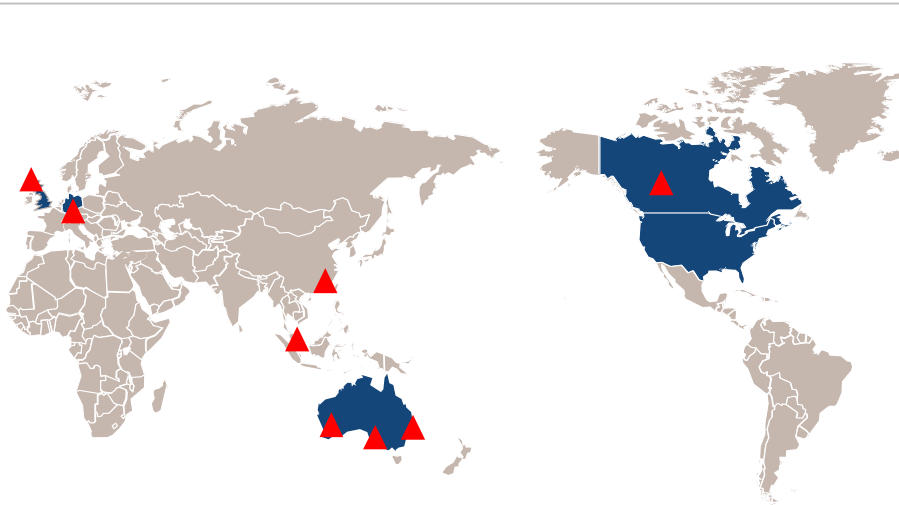
- **Craft beer sector growth (USA)**
  - ~18% sales growth 2014; avg ~12% per annum growth 2005 to 2014<sup>(1)</sup>
  - ~11% market share of beer sale volumes 2014; up from 5% in 2010 and aspirational target of 20% by 2020<sup>(1)</sup>
- **GrainCorp's service offering**
  - Quality malt
  - Product delivery
  - Ancillary products
  - Additional expertise and support
- **Emerging craft growth in South America, UK, Europe and Australia**

1. Source: Brewer's Association 2014 data on US craft brewing.

### 3 Collaboration with global platform and marketing



#### Malt & Marketing Presence



▲ GrainCorp Marketing office / presence

#### Integrated Activities → Collaboration

- Malt operations corresponding to GrainCorp Marketing presence in key barley growing regions → North America, Europe, Australia
- Integrated activities and insights
- Increasing opportunities to collaborate given global view and scale

# Pocatello expansion



## Pocatello Expansion

### Opportunity

- Increase production capacity at Pocatello by 120kmt (total plant capacity 220kmt after expansion)

### Rationale

- Reliable barley production region
- Low cost supply chain
- Improve production efficiency on existing capacity
- Engaged workforce
- Supportive community

## Customer support & Positioning

### Customer support

- Expansion backed by support from a number of existing customer contracts and continued demand for malt from North American craft beer sector

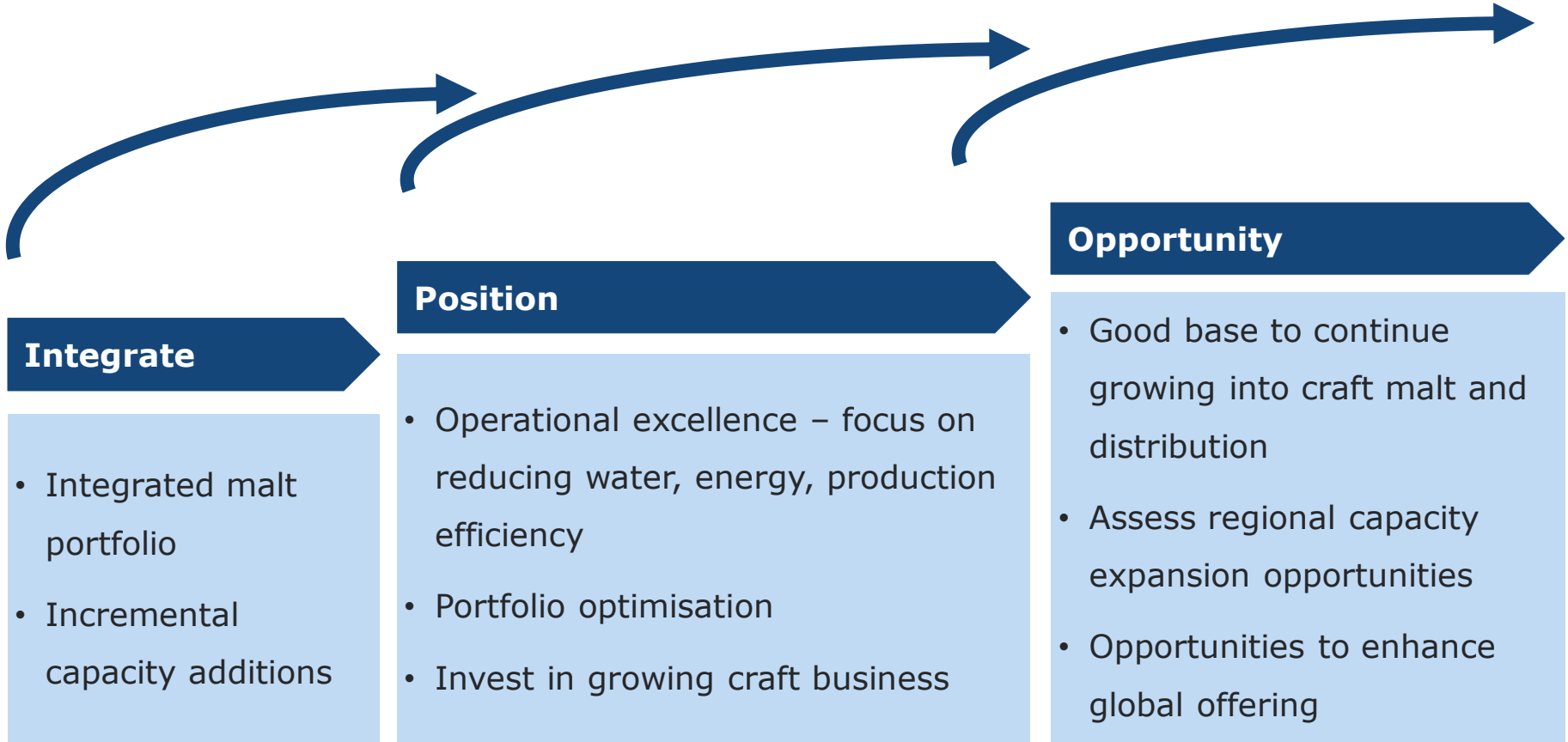
### Positioning

- Extremely high capacity utilisation in USA
- Well positioned to further support craft growth market

**~\$95M investment**

**Return above GrainCorp hurdle rate of 12% IRR**

# Malt journey





## **Malt Supplementary Information**

### **Barley growing regions**

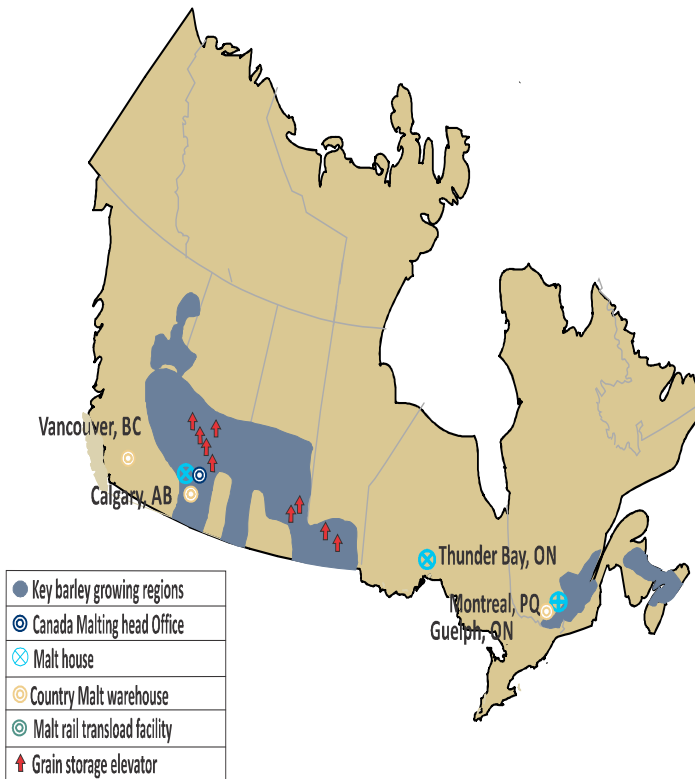
- North America
- Europe
- Australia



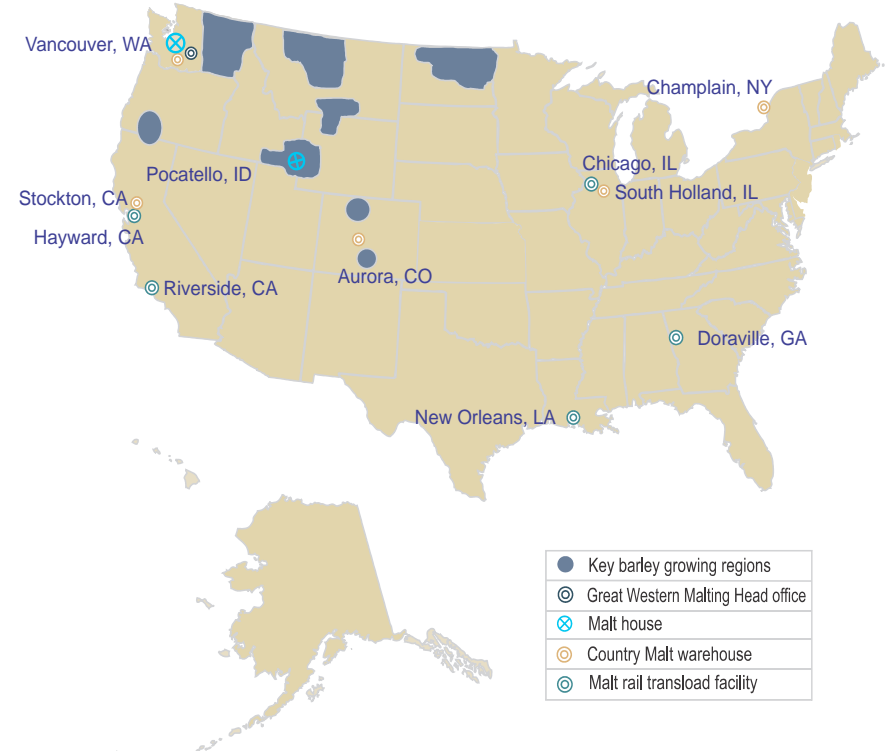
# Barley growing regions North America



## Canada



## USA



# Barley growing regions Europe



## UK



## Germany



# Barley growing regions Australia

## Australia

---



# GrainCorp Storage & Logistics

*Strengthening our grain handling proposition*

Neil Johns – Group General Manager S&L



GrainCorp



# Storage & Logistics

## A. Industry Trends

## B. Value Proposition

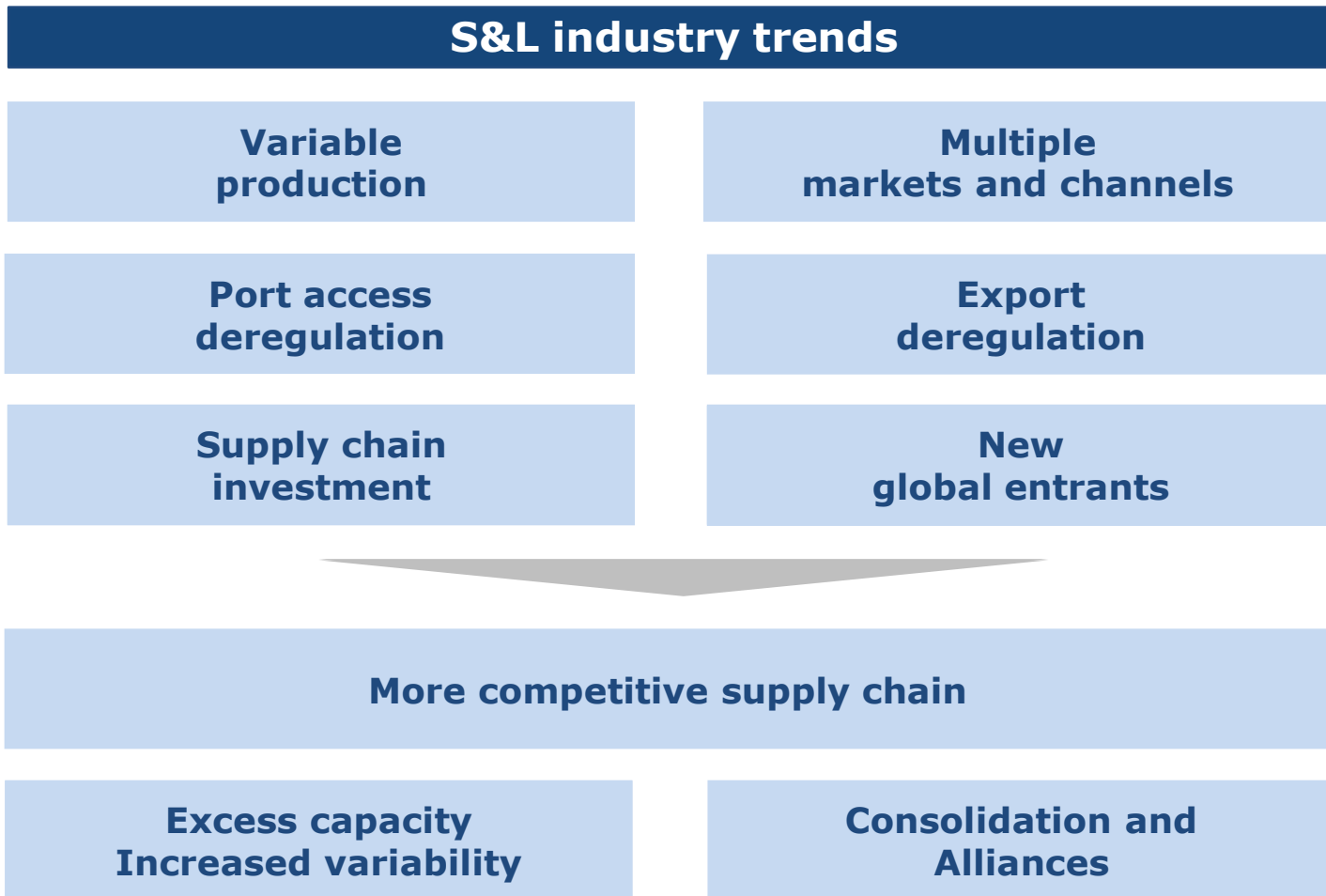
- Customer proposition
- Grain supply chain

## C. Strategic Direction & Initiatives

1. Lower supply chain cost
2. Lower operating cost
3. Loyal grain growers
4. Loyal grain buyers
5. Containers and non-grain

## Supplementary Information

# S&L industry trends

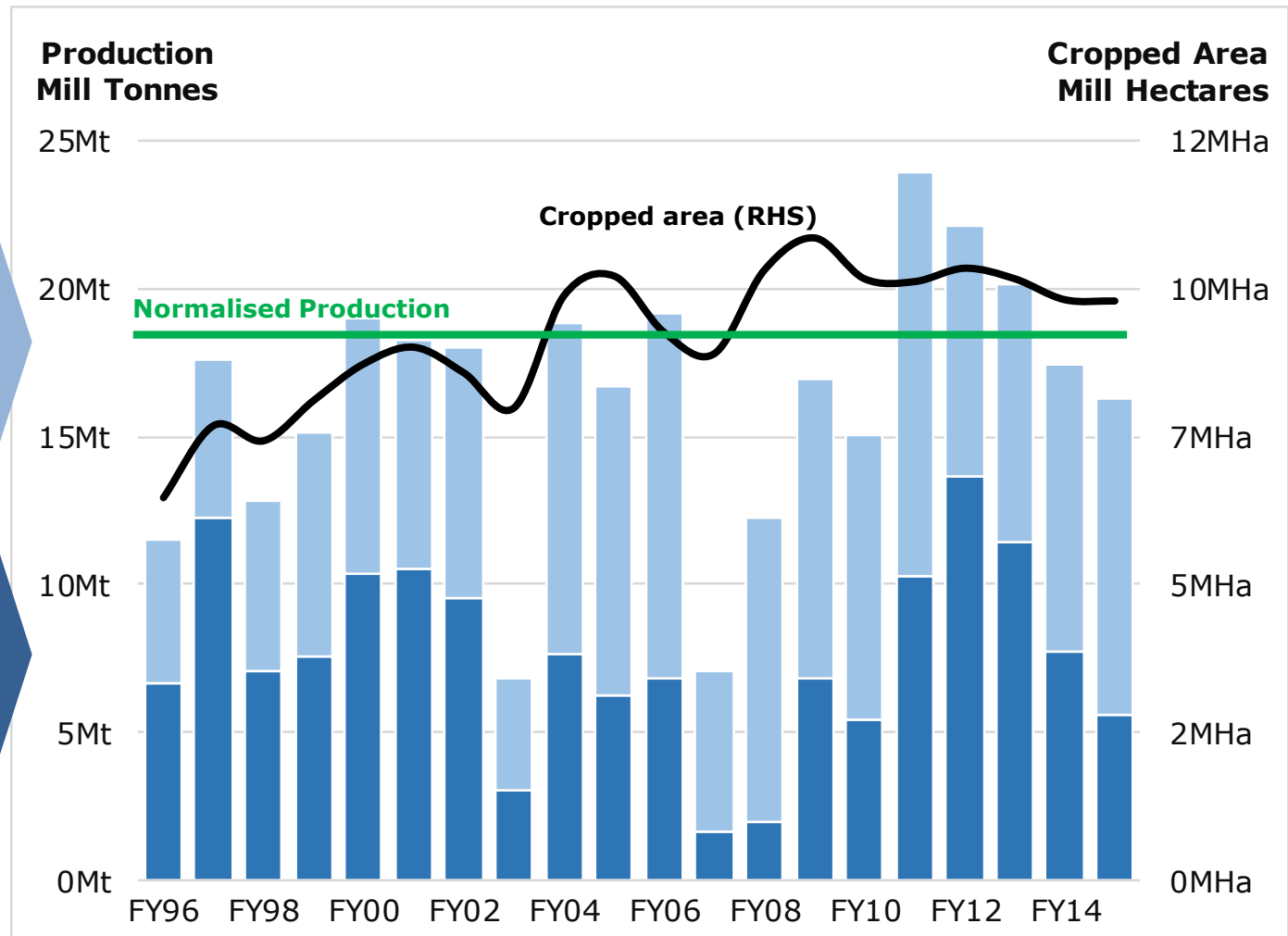


# Eastern Australian grain landscape

## 1. Variability



Eastern Australia Production and Exports for major grains

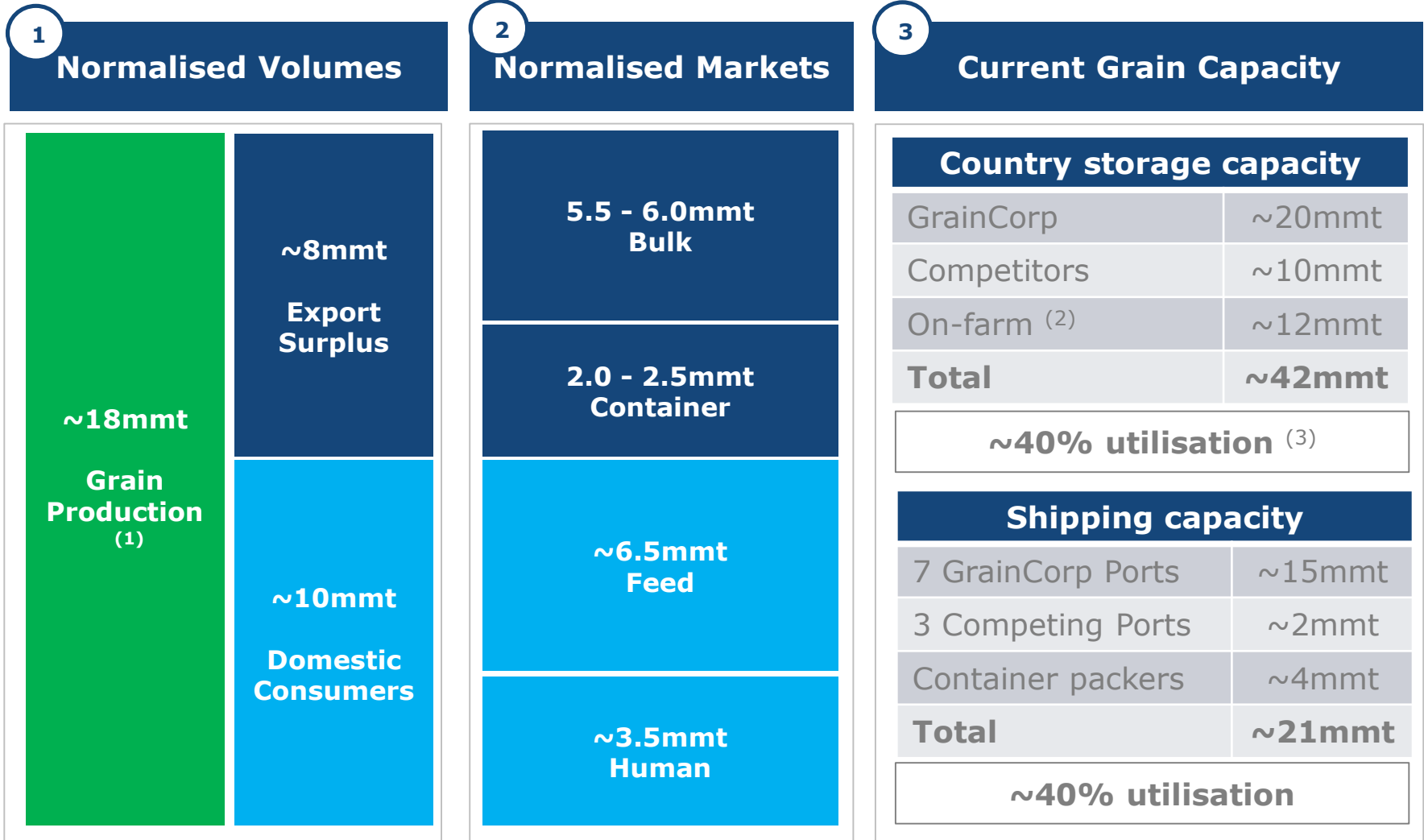


Production increasing with crop area and yield gains

Exports driven by production and carry-over

# Eastern Australian grain landscape

## 2. Multiple Market & Channels

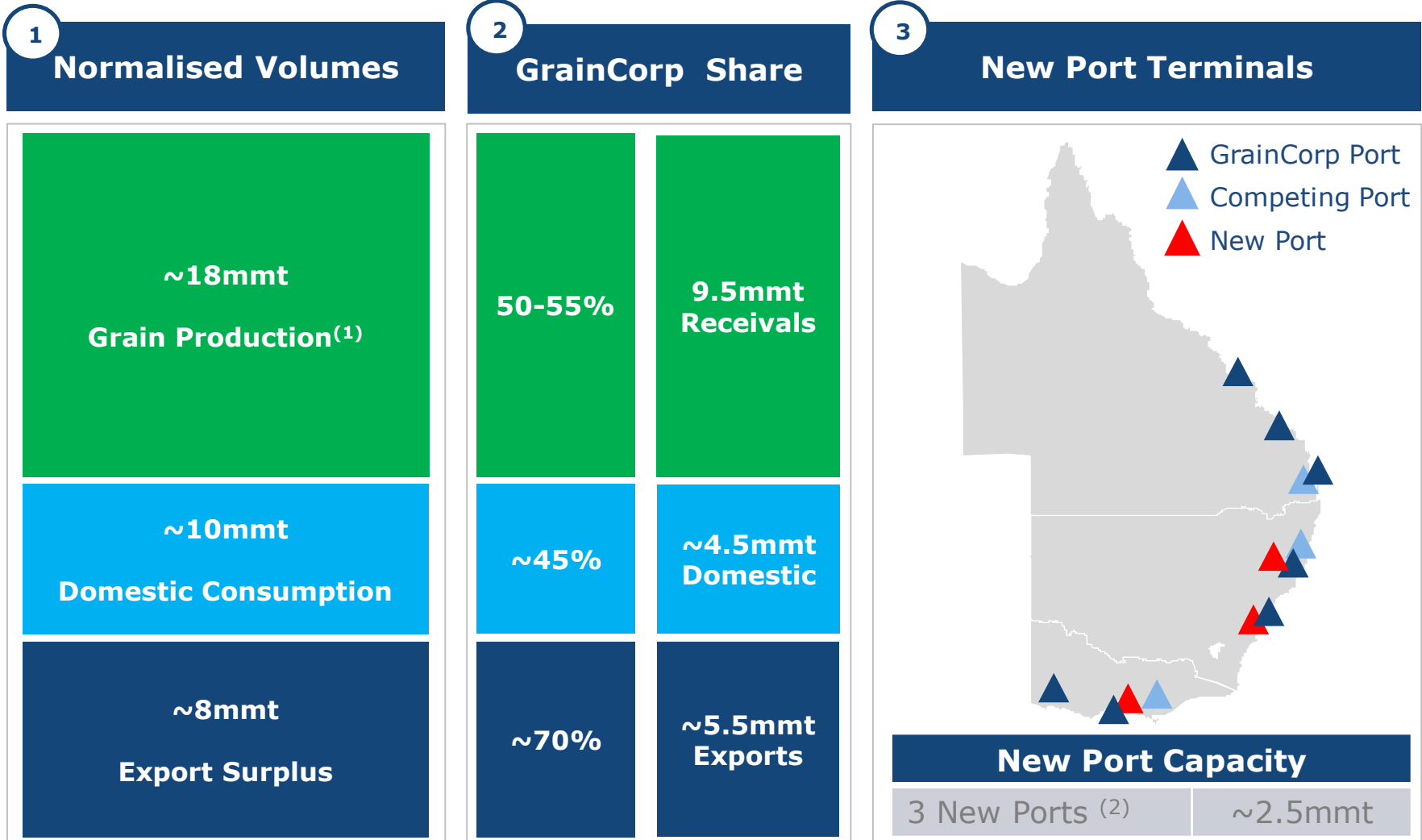


1. Major grain: Wheat, barley, canola, sorghum production Queensland, New South Wales, Victoria. Assuming 25 year moving average yield (1.8mt/ha) and average area planted (10.0 million hectares)
2. AGEIC estimate of permanent on farm storage, excludes temporary storage (eg silo bags)
3. Based only on major grains (wheat, barley, canola and sorghum)



# Eastern Australian grain landscape

## 3. Excess capacity



1. Wheat, barley, canola, sorghum production Queensland, New South Wales, Victoria. Assuming 25 year moving average yield (1.8mt/ha) and average area planted (10.0 million hectares).  
 2. New ports commissioned recently, under construction or planned (at Newcastle, Port Kembla and Geelong)

# S&L Grain Supply Chain Customer Proposition



**Bringing growers and buyers together**

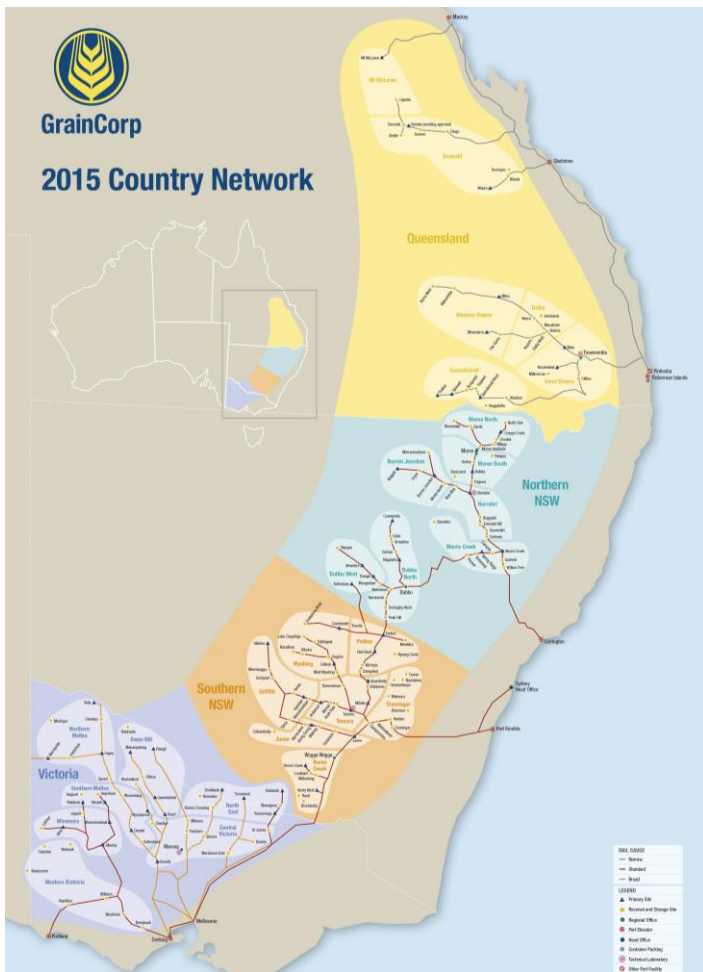
Customers		Drivers	Value Proposition
~8,000	Private Growers	Grain prices Turnaround time Optionality	Network scale  Integrated supply chain  Market place  Assurance
	Corporate Growers		
>25	Domestic Consumers	Supply chain cost Flexibility Reliability	
>25	Merchants and Brokers		
>15	Exporters		

# S&L Grain Supply Chain

## 1. Network scale



### Eastern Australian network



### Assets & Capabilities

#### Assets

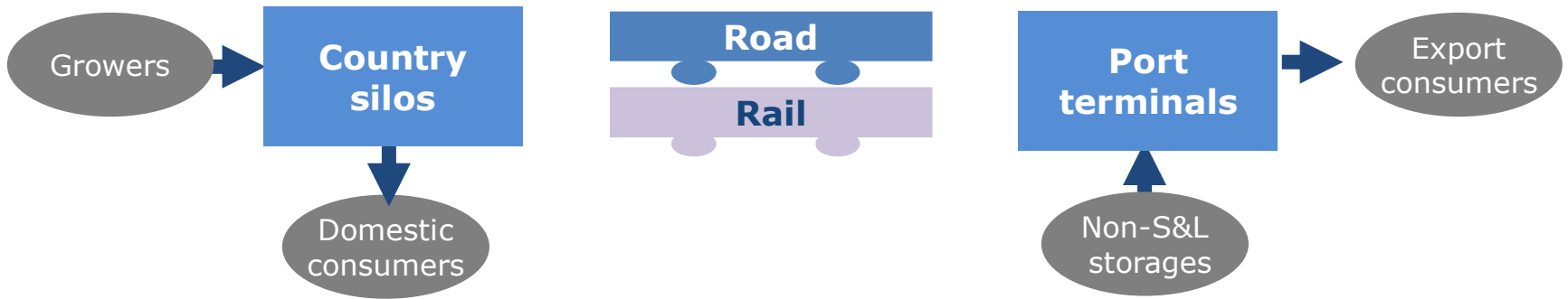
- **Country Sites:** ~175 country sites with ~20mmt of storage capacity
- **Port Terminals:** 7 bulk ports with ~15mmt elevation capacity
- **Container Packing:** 2 packers with ~0.7mmt packing capacity
- **Rail:** Manage 12+ trains with ~4mmt capacity, including 4 company owned trains

#### Capabilities

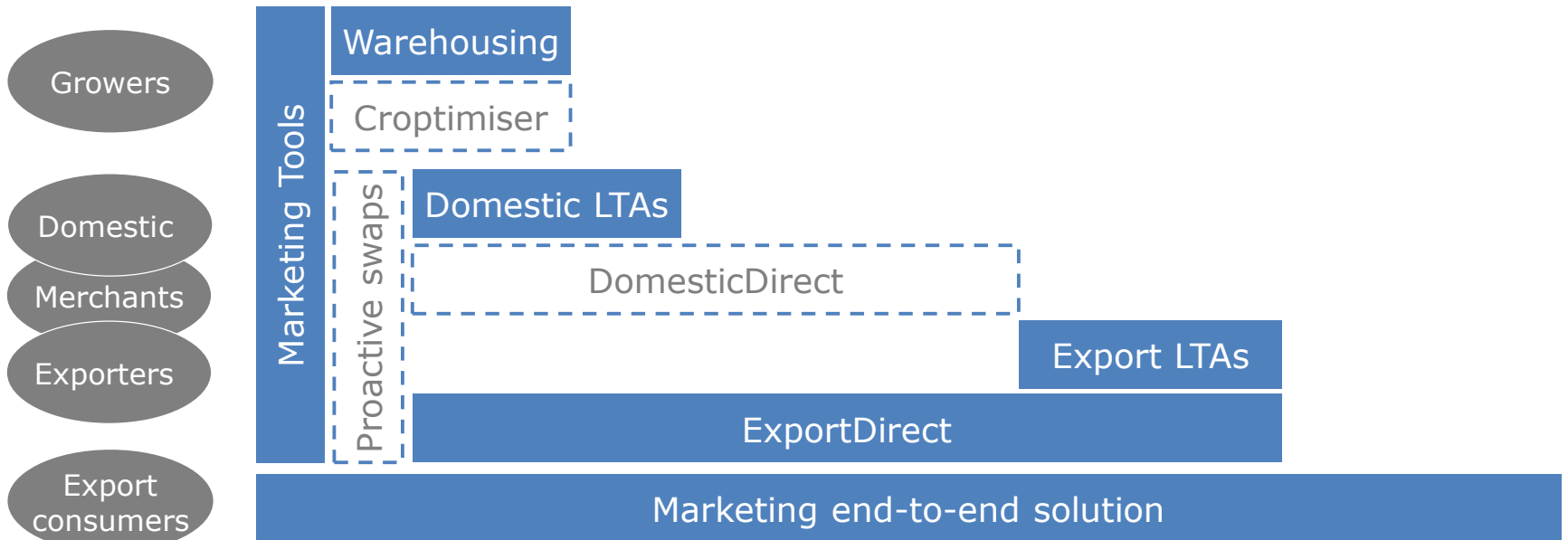
- Network not easily replicated → replacement value substantially greater than book value
  - Largest in eastern Australian grain
- Network delivers value add → access to both domestic and export markets
  - Up to 100 grain buyers competing at silos

# S&L Grain Supply Chain

## 2. Integrated supply chain



### S&L provide integrated services to growers and buyers



# S&L strategic direction



## Storage & Logistics Approach

### Network Scale

#### Competitive supply chain

→ Defend volume through lower cost

### Integrated Supply Chain

#### Compete as a supply chain

→ Attract volume through differentiated services

## Storage & Logistics Strategic Initiatives

1

**Lower supply chain cost**

2

**Lower operating cost**

3

**Loyal grain growers**

4

**Loyal grain buyers**

5

**Container packing and Non-grain businesses**

# 1 Lower Supply Chain Cost → Transforming rail capability



## Project Regeneration

***\$200M to improve rail load capability***

### 1. Objectives

- Reduce rail cost by \$5 per tonne
- Return 1 million tonnes back to rail
- Improve reliability

### 2. Overview of strategic initiatives

- ~50 Primary Silos to service:
  - Point to point unit trains
  - Fast cycling trains
- Investment to load trains in 4 hours:
  - New rail loaders
  - Upgrade existing rail loaders
  - Longer rail sidings

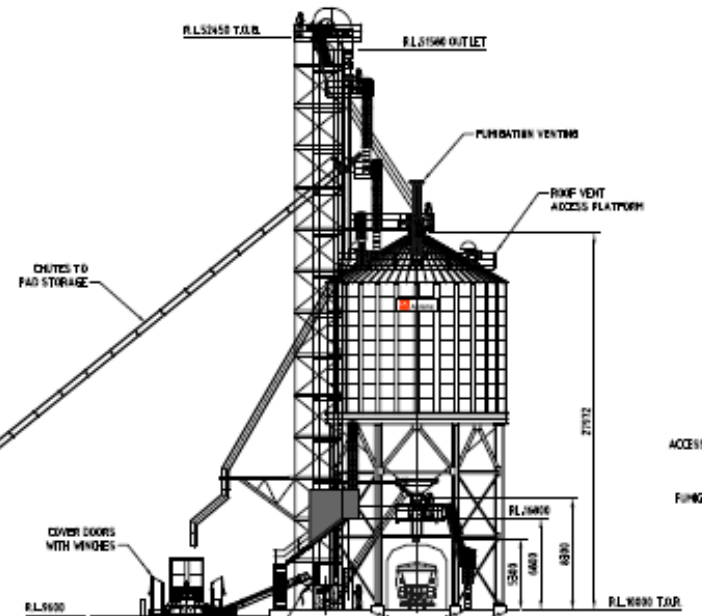
## Achievements to date

***\$60M first tranche works commenced***

### 1. Works for 2015 harvest announced

- 4 sites (2 new sites) with new loaders
- 8 silos upgraded loaders / rail sidings

### 2. Gov't co-investment in rail sidings



## 2 Lower Operating Cost → Managing variability



### Reduce fixed costs and complexity

#### *New processes and systems*

##### 1. Objective

- Lower fixed support costs
- Variabilise operating costs

##### 2. Overview of strategic initiatives

- Effective operating units
  - 4 x 4 aligned Country and Ports
  - Empowered frontline leadership
- Optimise outloading and movements
  - “Proactive Swaps”
  - Time-slotting
- New and integrated systems
  - Labour management
  - Order and transport management

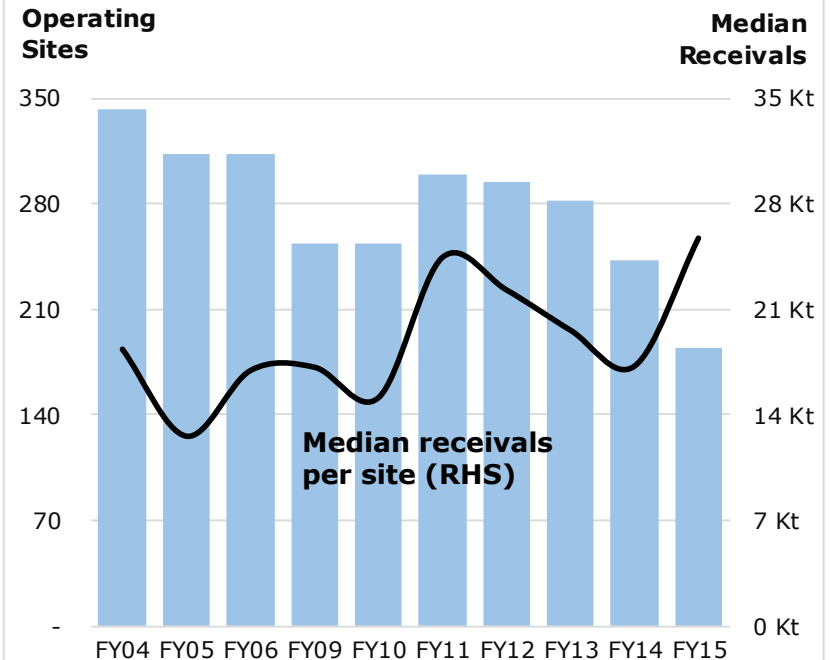
### Achievements to date

#### *Lower unit operating cost*

##### 1. Less permanent staff

- 17% reduction in past 2 years

##### 2. Improved productivity



# 3 Loyal grain growers → Market place at every silo



## New products and services

### *New products and tools*

#### 1. Objective

- Choice of buyers for growers
- Effective accumulation for buyers

#### 2. Overview of strategic initiatives

- Site turn-around time
  - 5 more super stackers (to 34)
  - Faster in site movement with automated data capture
  - New bunkers at Primary Silos
- New marketing / delivery tools
  - On-line sale of grain
  - "Croptimiser" to optimise grade

## Achievements to date

### *Take-up of new accumulation products*

#### 1. Growers engaged on-line

- 22,000 downloaded silo price app
- 6,000 registered on GrainTransact

#### 2. Bring growers & buyers together at the silo

- >1 million hits silo price app
- 85% of grain delivered into warehousing
- 35% grain sold using our Marketing Tools





## 4 Loyal grain buyers → Convenience and flexibility



### New products and services

#### *Align buyers to our supply chain*

##### 1. Objective

- Bundled services
- Long term relationships

##### 2. Overview of strategic initiatives

- Timely delivery focus:
  - Country outloading - DIFOTQ
  - Port loading – Days Complete
- “DomesticDirect” – bundled road service for domestic consumers
- Code Exemption at Port to support:
  - Tailored services
  - Flexible LTAs
  - Efficient port operations

### Achievements to date

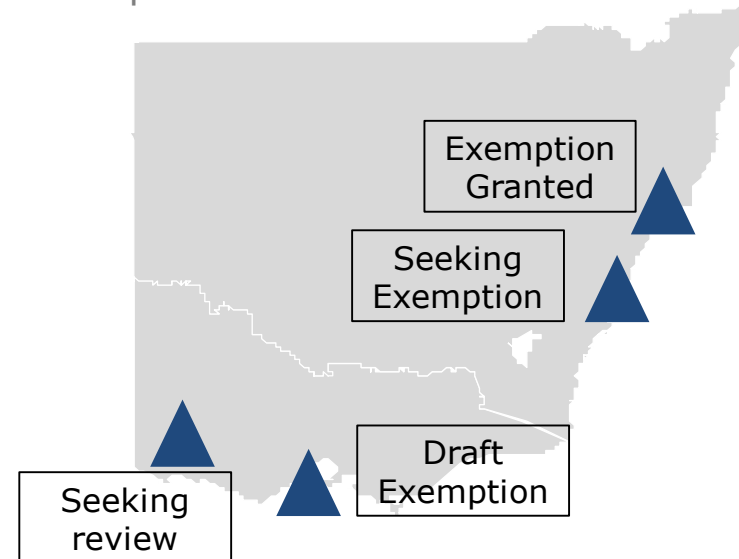
#### *Reduced port regulation*

##### 1. Improved services for exporters

- 2014: ~80% exported under LTAs
- 2015: ~70% under “ExportDirect”

##### 2. Progress on Port Code exemptions

- 2 ports secured and 2 under review



# 5 Container & Non-grain businesses → Diversify port earnings



## Complementary port activities

### *Base and more stable port earnings*

#### 1. Objective

- Grow complementary agri-products
- Grow container packing volumes

#### 2. Overview of strategic initiatives

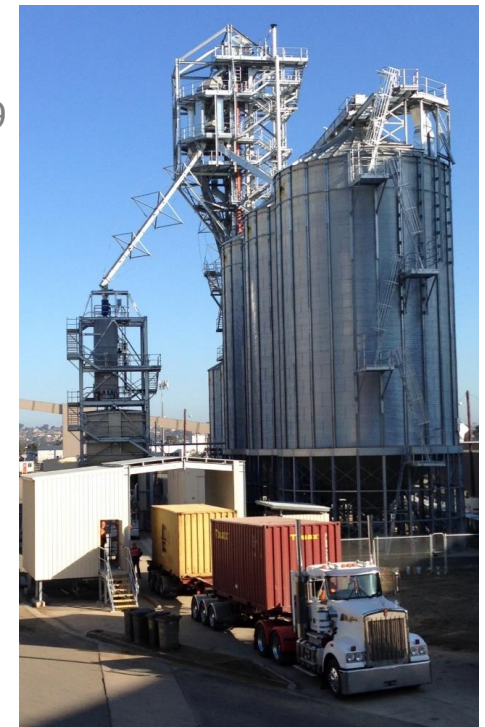
Leverage our assets and supply chain in:

- Containers – new packing capacity
- Woodchips – increased capacity
- Fertiliser – expanded footprint
- Protein meals – expanded footprint
- Cottonseed – increased capacity
- Other products – eg sugar

## Achievements to date

### *Significant volume growth achieved*

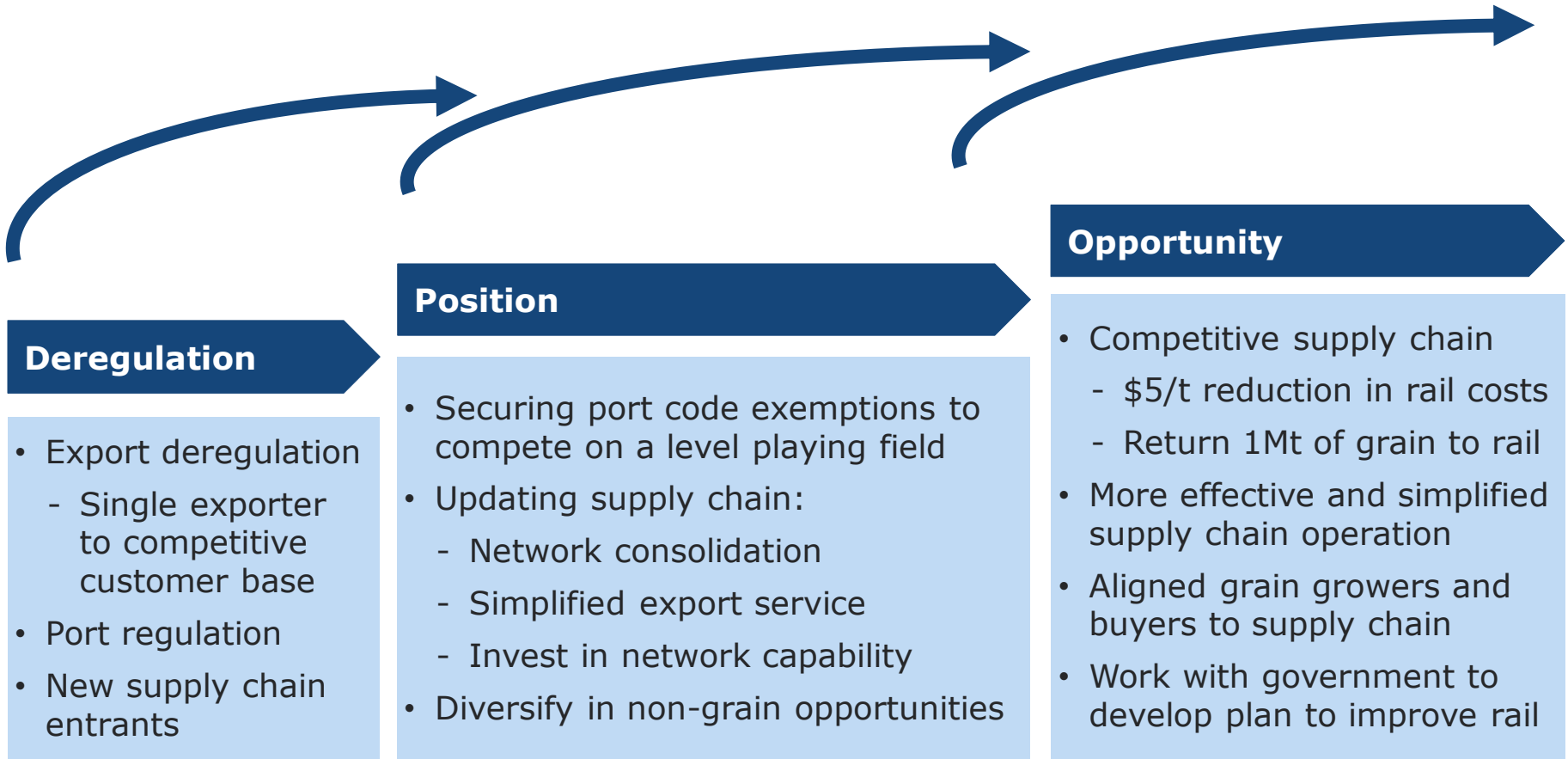
- New Geelong packer opened in 2015
- Containers increased by 100% from FY09 to ~450Kt pa
- Non-grain increased by 50% from FY09 to ~2.4Mt pa



# 5 Container & Non-grain businesses → Geelong case study for S&L



# S&L journey

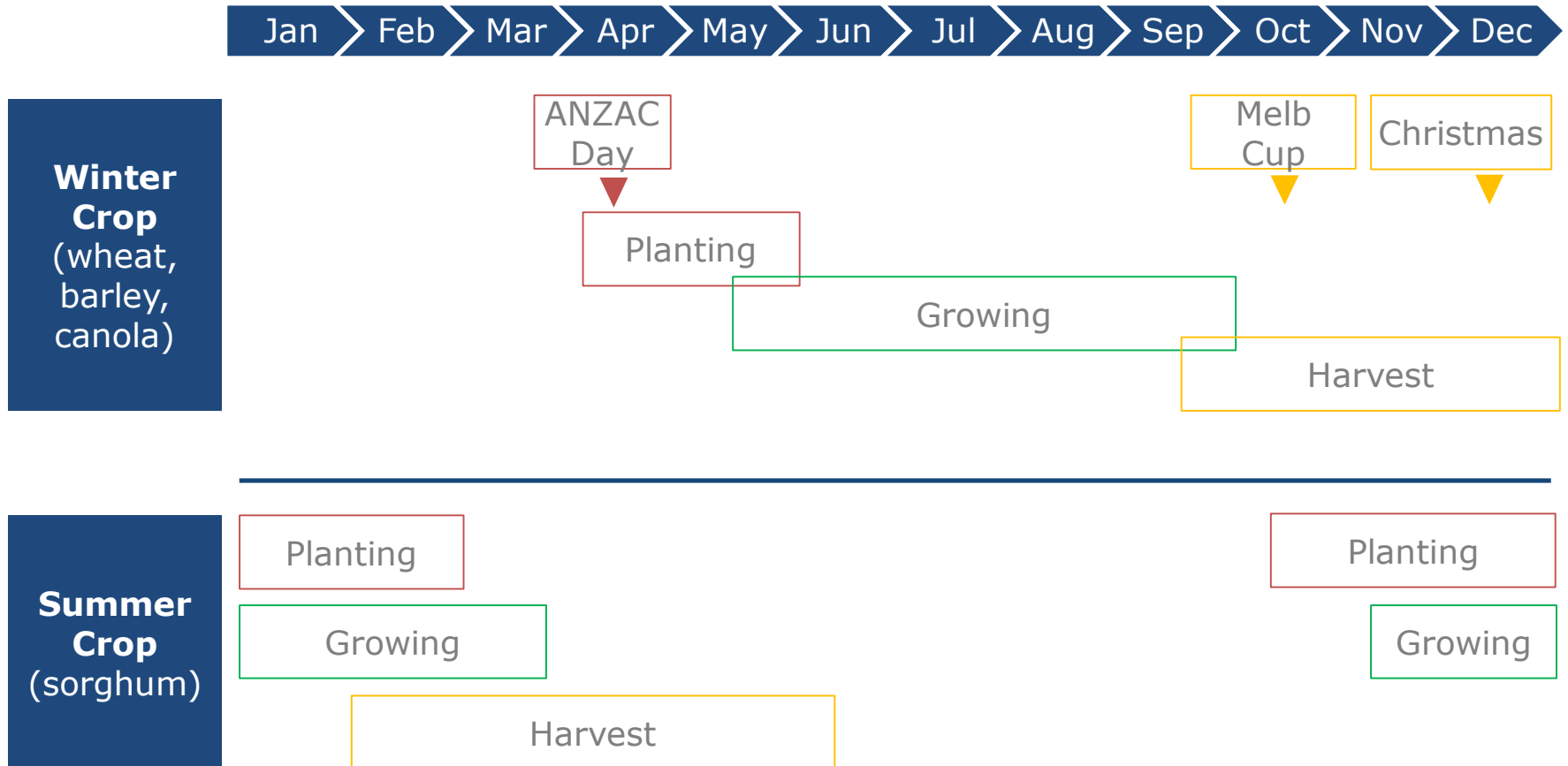




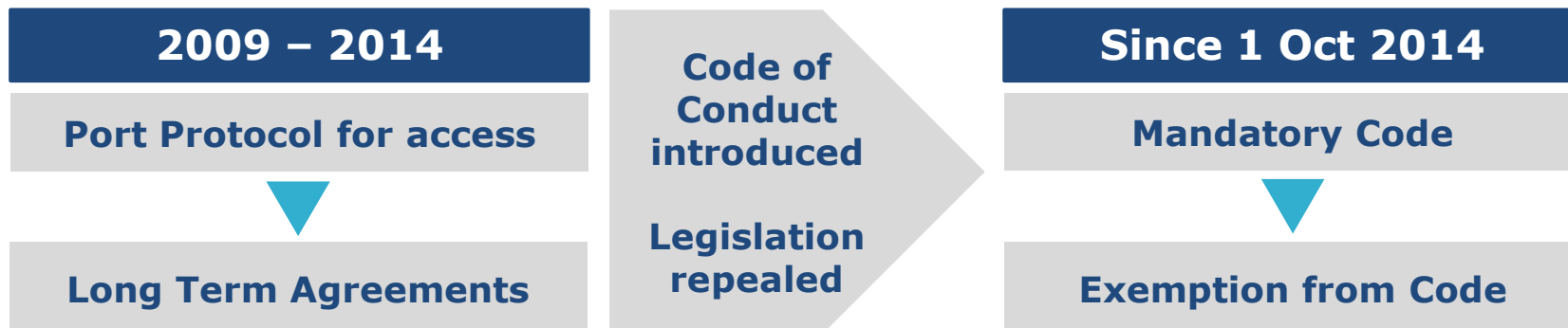
## Storage & Logistics Supplementary Information

- Eastern Australia crop cycle
- Port access regulation evolution

# Eastern Australian crop cycle



# Port access regulation evolution



## Benefits of Ports Code of Conduct

- 1. Improved customer service**
  - Tailored long term contracts
  - Flexible services
- 2. Terminal operators treated equally**
- 3. Operational flexibility**
  - Maximise port utilisation
  - Reduce ship delays and demurrage costs

## Status of ACCC exemptions

Terminal	Status
Carrington	Exemption granted Oct 2014
Geelong	Draft exemption April 2015
Portland	Exemption not granted (subject to review)
Pt Kembla	Exemption sought

# GrainCorp Marketing

*Grow our grain Marketing business*

Klaus Pamminger – Group General Manager Marketing



GrainCorp





# Marketing

## A. Industry Trends

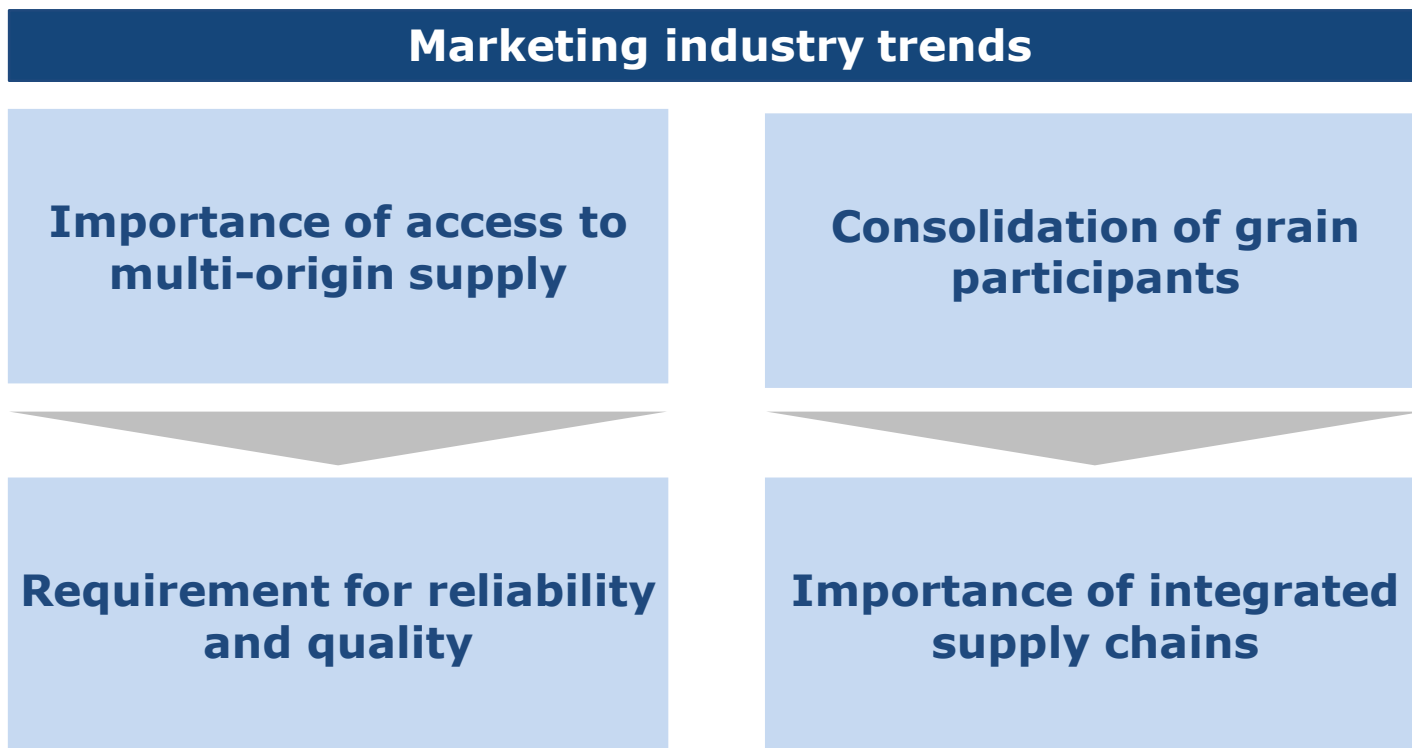
## B. Value Proposition

- Marketing presence and capabilities
- Marketing value proposition

## C. Strategic Direction & Initiatives

1. Expand origination capability
2. Deeper customer relationships
3. Global operating model & collaboration

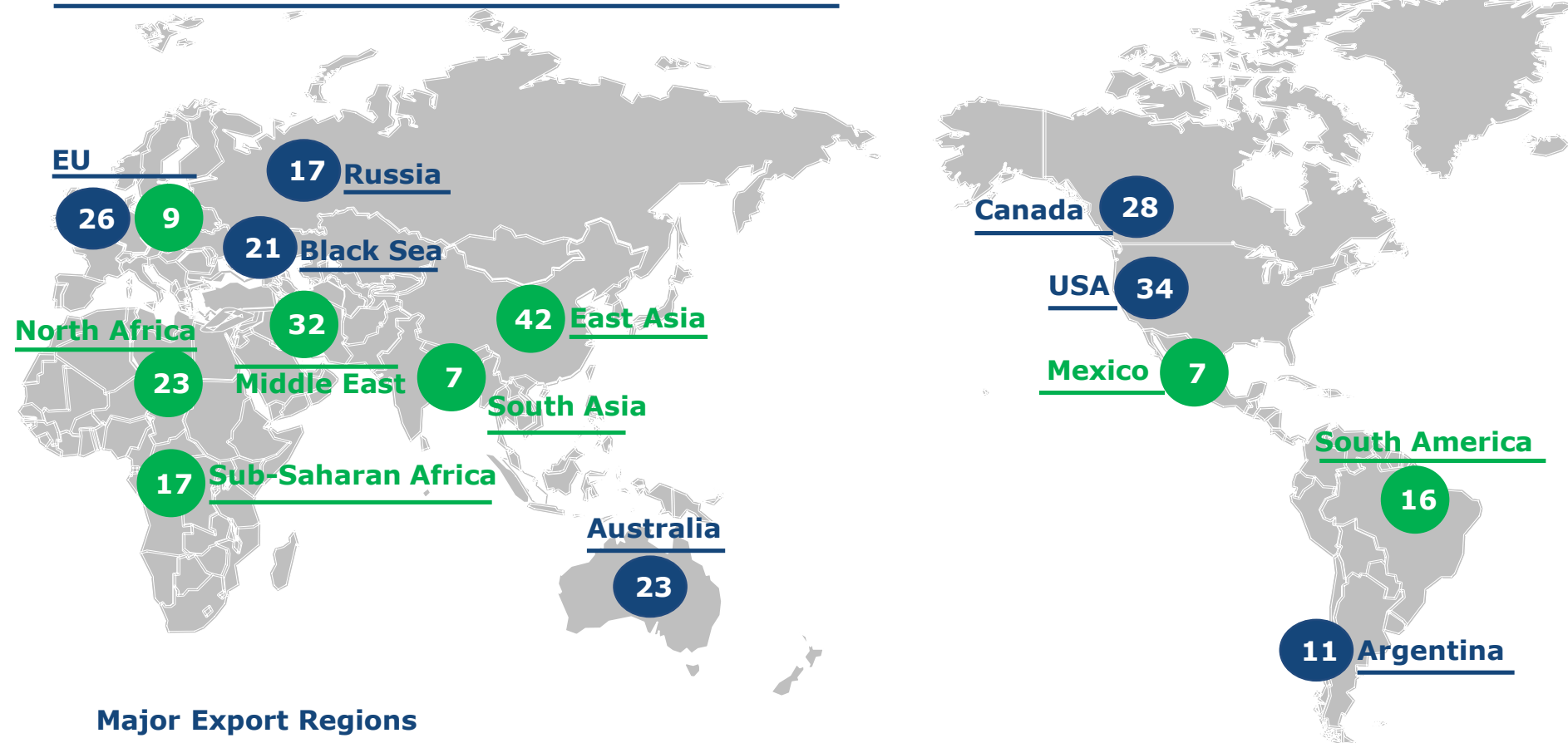
# Marketing industry trends



# International origination and destination



Wheat, barley, canola, sorghum (mmt) (1)



Major Export Regions

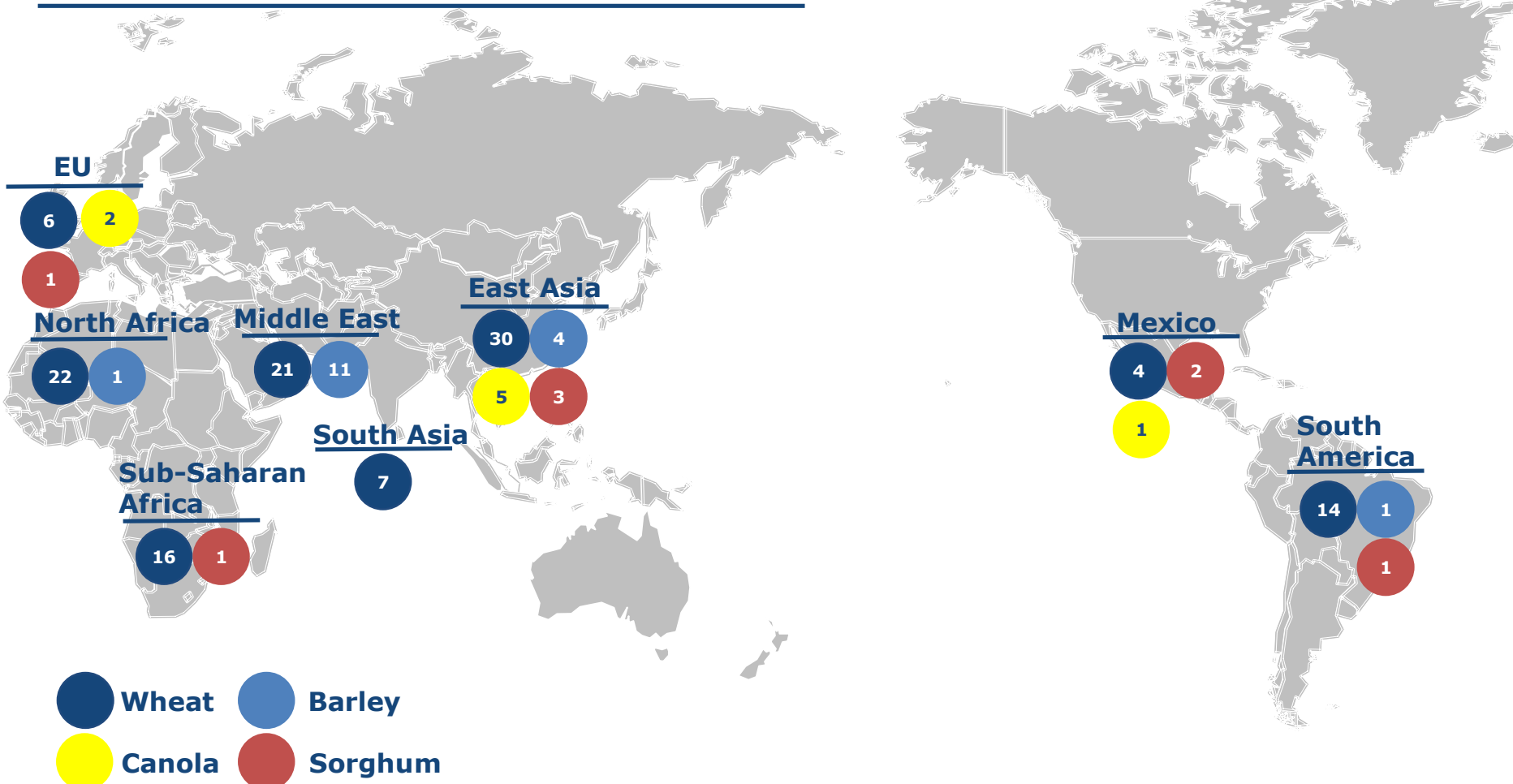
Major Import Regions

1. Global exports / imports – wheat, barley, canola, sorghum. 10 year average to 2014. Source: USDA (accessed May 2015).

# Core grains → destinations



Wheat, barley, canola, sorghum (mmt per annum<sup>1</sup>)

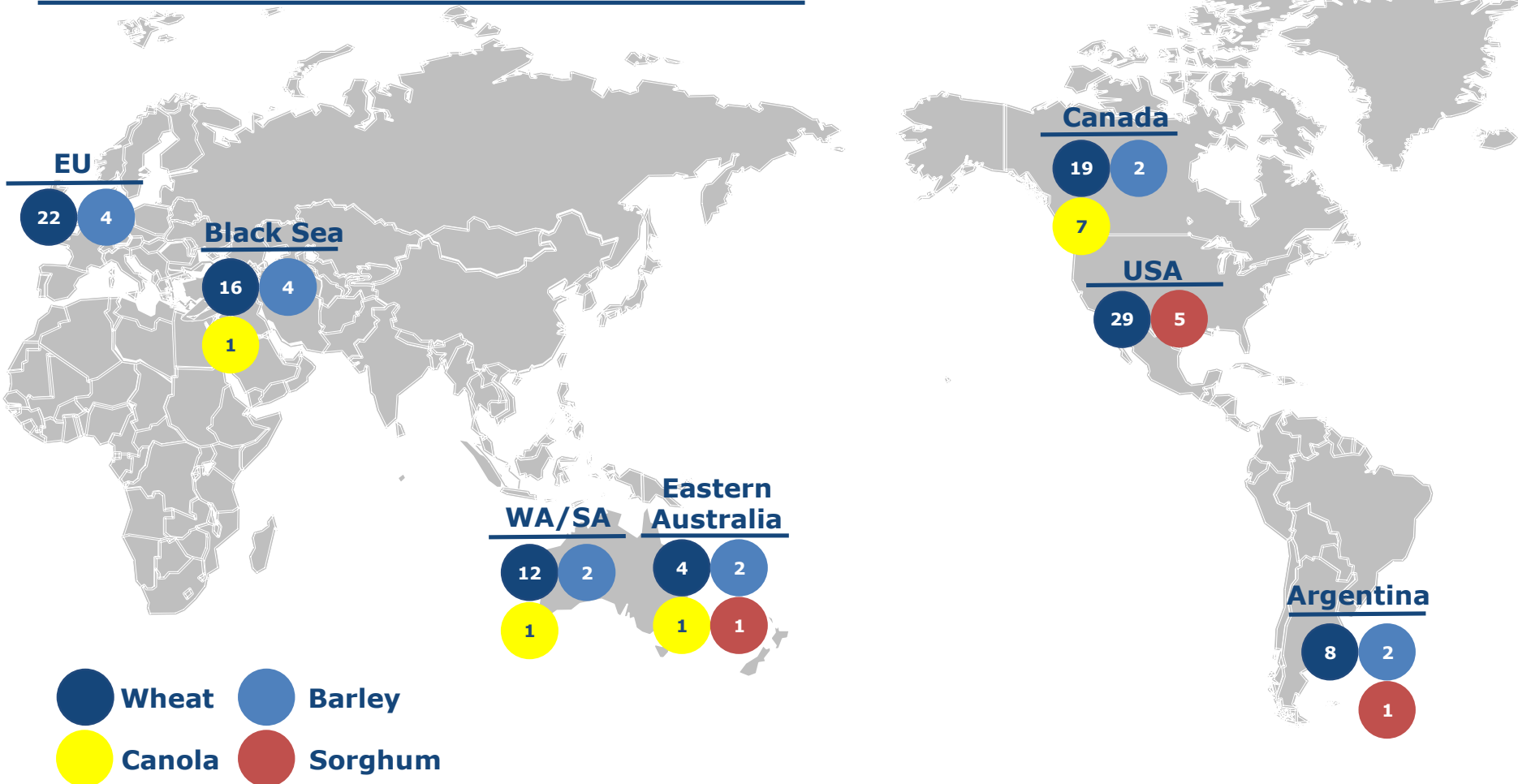


1. Global exports / imports – wheat, barley, canola, sorghum. 10 year average to 2014. Source: USDA (accessed May 2015).

# Core grains → origination



Wheat, barley, canola, sorghum (mmt per annum<sup>1</sup>)



1. Global exports / imports – wheat, barley, canola, sorghum. 10 year average to 2014. Source: USDA (accessed May 2015).

# Marketing presence & capabilities



## Marketing Presence



▲ GrainCorp Marketing office / presence

## Marketing Capabilities

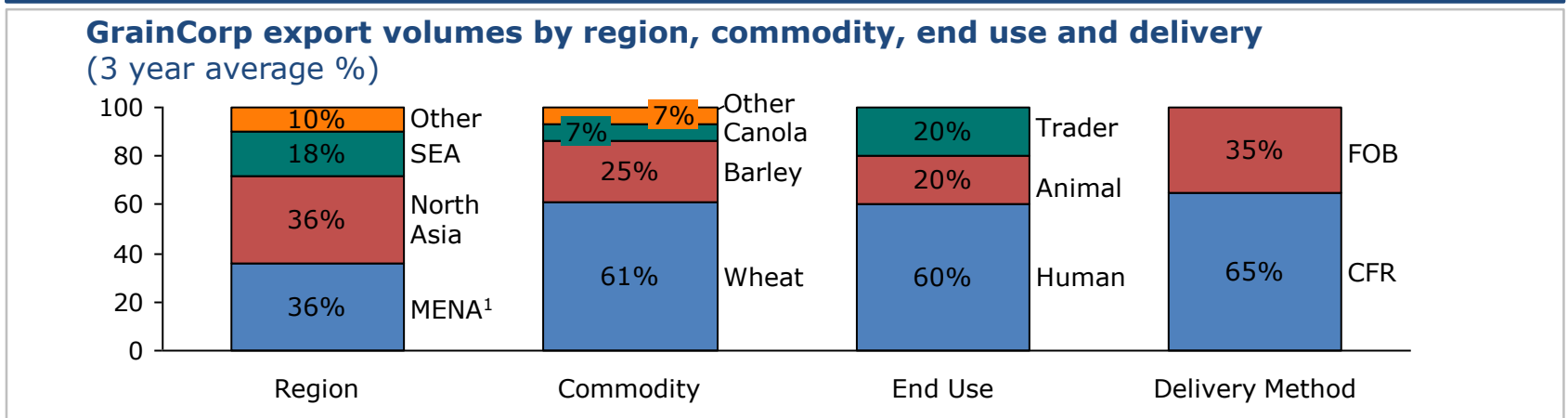
- Global intelligence
- Access to supply
- Customer relevance
- Risk management
- Technical Expertise

# Customer segments, drivers and value proposition



Customers	Drivers	Value Proposition
Domestic consumers	Reliability and consistency of supply	Supply chain access Expertise in dry grains
International consumers	Ease of doing business	International presence & Independent alternative

## Customer base & sales mix



1. Middle East & North Africa

# Marketing strategic direction



## Marketing Approach

### Expand origination capability

→ pursue opportunities in WA/SA and internationally

### Leverage strengths

→ Eastern Australian grain origination, international offices and cross-BU collaboration

## Marketing Strategic Initiatives

1

**Expand origination capability**

2

**Develop deeper customer relationships**

3

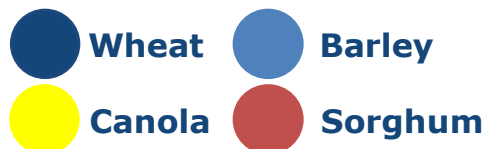
**Leverage Global Operating Model & Collaboration**



# 1 Expand origination capability → the opportunity

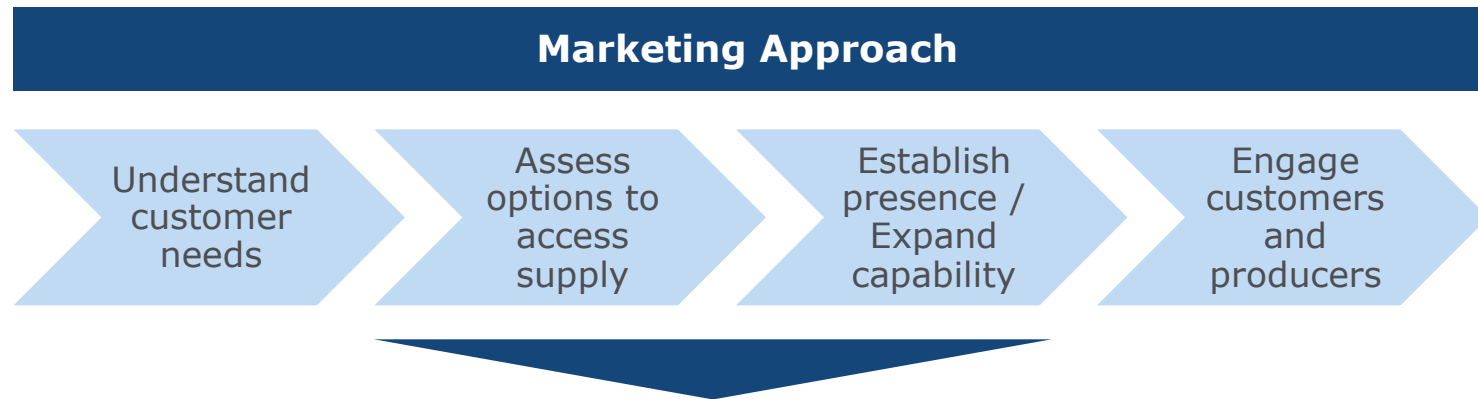


Region	Eastern Australia	WA/SA	North America	Europe	Other
Exports (mmt) <sup>(1)</sup>	Wheat: 4, Barley: 2 Canola: 1, Sorghum: 1	Wheat: 12, Barley: 2 Canola: 1	Wheat: 48, Barley: 2 Canola: 7, Sorghum: 5	Wheat: 22, Barley: 4	Wheat: 24, Barley: 6 Canola: 1, Sorghum: 1
Objective	Maintain strong presence	Increase origination capability			
Approach	Leverage access to supply chain	Participate in port LTAs and direct grower engagement	Leverage on increasing international presence and Malt's local presence → develop new opportunities		Explore new opportunities



1. 10 year average exports per annum 10 year average to 2014. Source: USDA (accessed May 2015). Combined exports for North America (Canada and USA) and combined exports for "Other" (Black Sea and Argentina).

# 1 Expand origination capability → the approach



## Approach

### "Asset light"

**Definition:** partnerships; joint ventures; long term supply agreements

**Example:** Strathmore case study

### "Asset heavy"

**Definition:** integrated supply chain ownership / development

**Example:** Eastern Australia supply chain

## 2 Develop deeper customer relationships



### 3 Leverage global operating model and collaboration



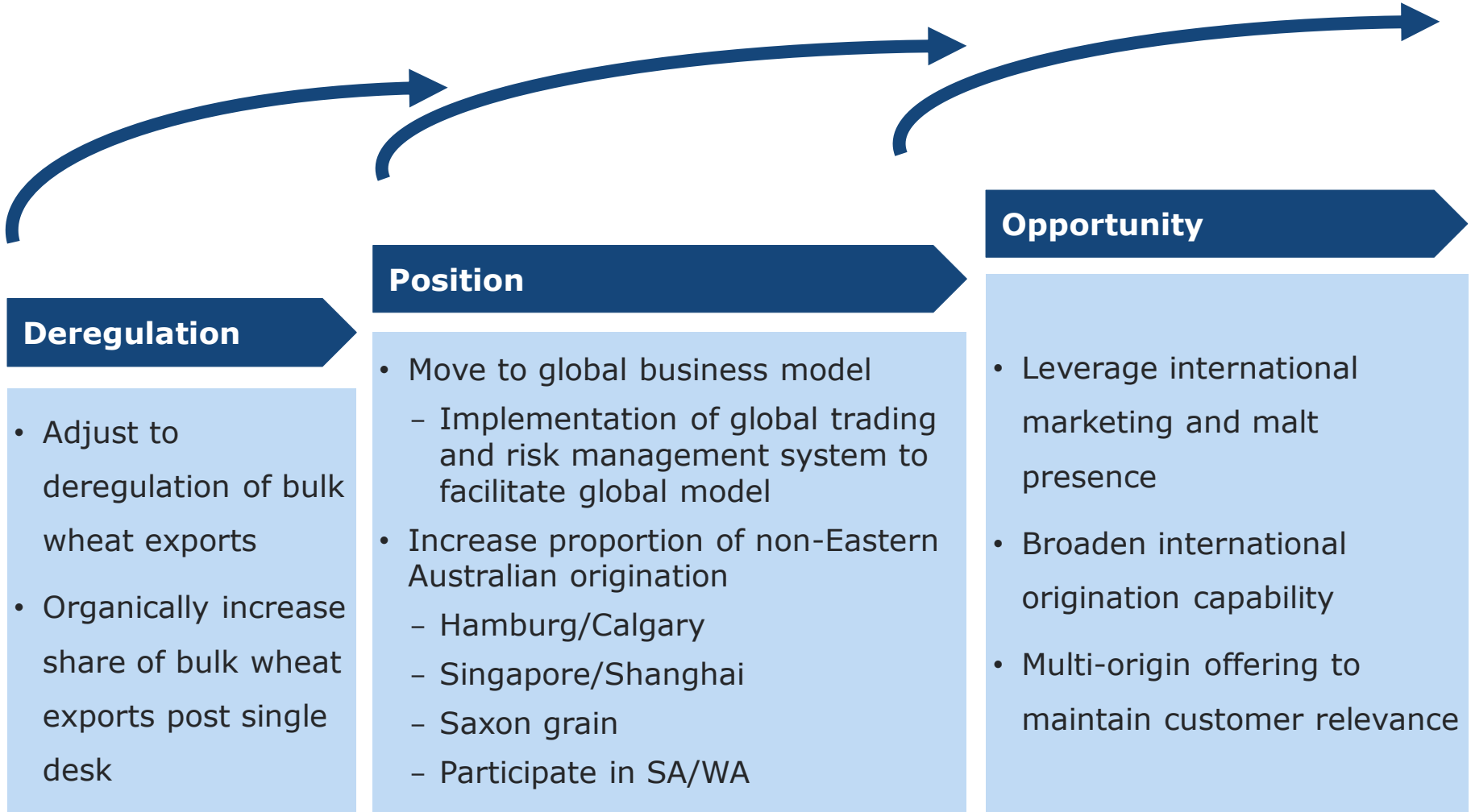
#### Global Operating Model & enabling technology

- **Presence:** International presence established
- **Positions:** Global positions by commodity approach implemented
- **Risk Management:** Global risk and trading platform implemented
- **Technology:** Focus on continuous improvement through innovation

#### Collaboration

- **S&L:** leverage strong Eastern Australian supply chain
- **Malt:** leverage position as major global processor of barley; leverage global presence & expertise
- **Oils:** leverage significant insights into canola, feeds and other oilseed products; knowledge sharing

# Marketing journey





# GrainCorp Oils

*Building our Oils business*

Sam Tainsh – Group General Manager GrainCorp Oils



**GrainCorp**



# Oils

## **A. Industry Trends**

## **B. Value Proposition**

- Assets and capabilities
- Value chains
- Business drivers

## **C. Strategic Direction & Initiatives**

1. Network optimisation
2. Crush expansion
3. Bulk liquid terminals expansion
4. Innovation

# Oils industry trends



## Oils industry trends

### Demand Growth

→ increasing demand for fats and oils

### Health focus

→ increasing demand for "healthier" oils and related products

### Canola oil consumption

→ increase per capita

### Australian production

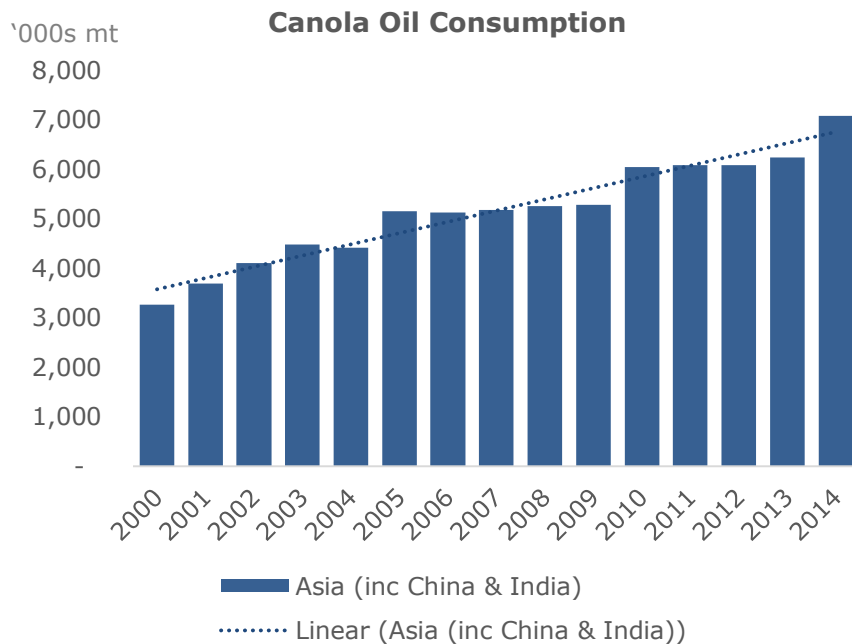
→ Increase in canola grown and crushed



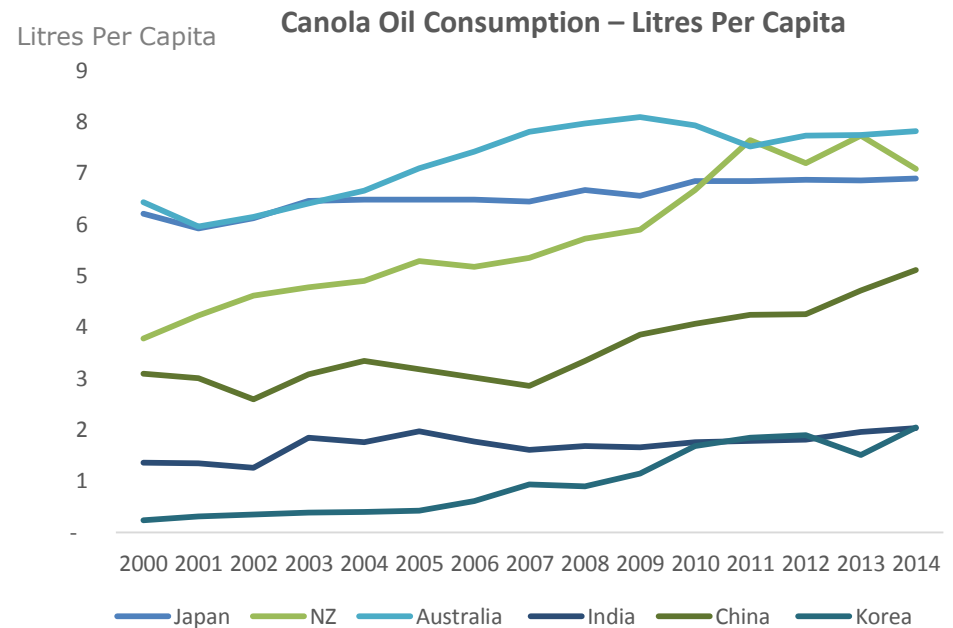
# Industry trends in canola oil demand and consumption



## Canola oil consumption - Asian demand (1)



## Canola oil consumption – important growth countries (2)

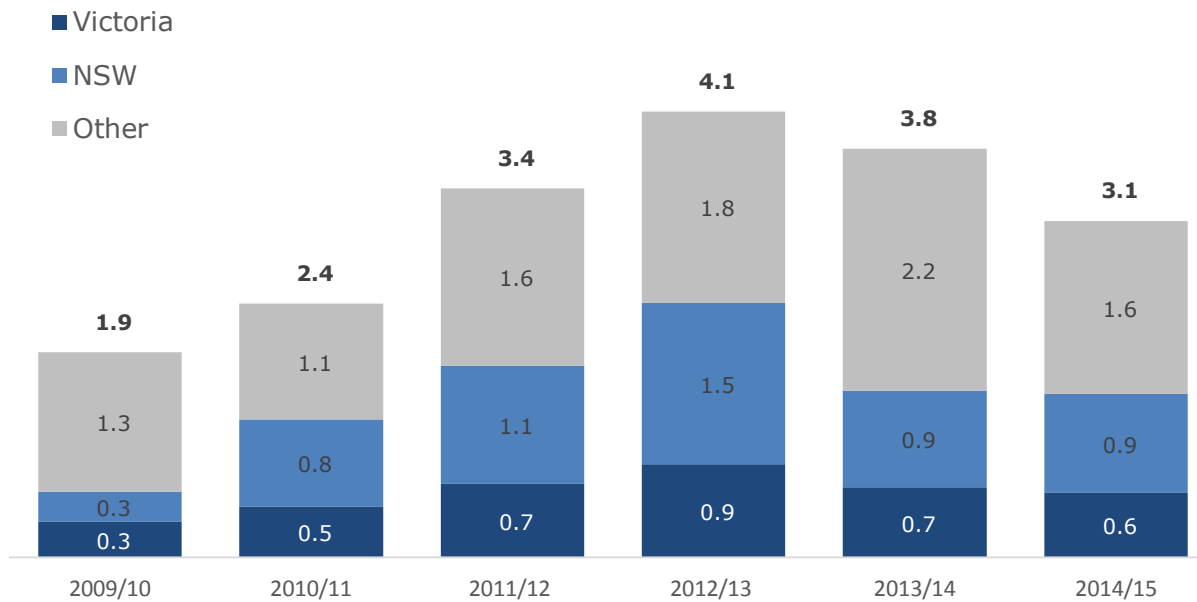


1. Source: USDA accessed April 2015  
 2. Source: USDA accessed April 2015

# Australian oilseed production and canola crushing



## Australian canola production<sup>(1)</sup>

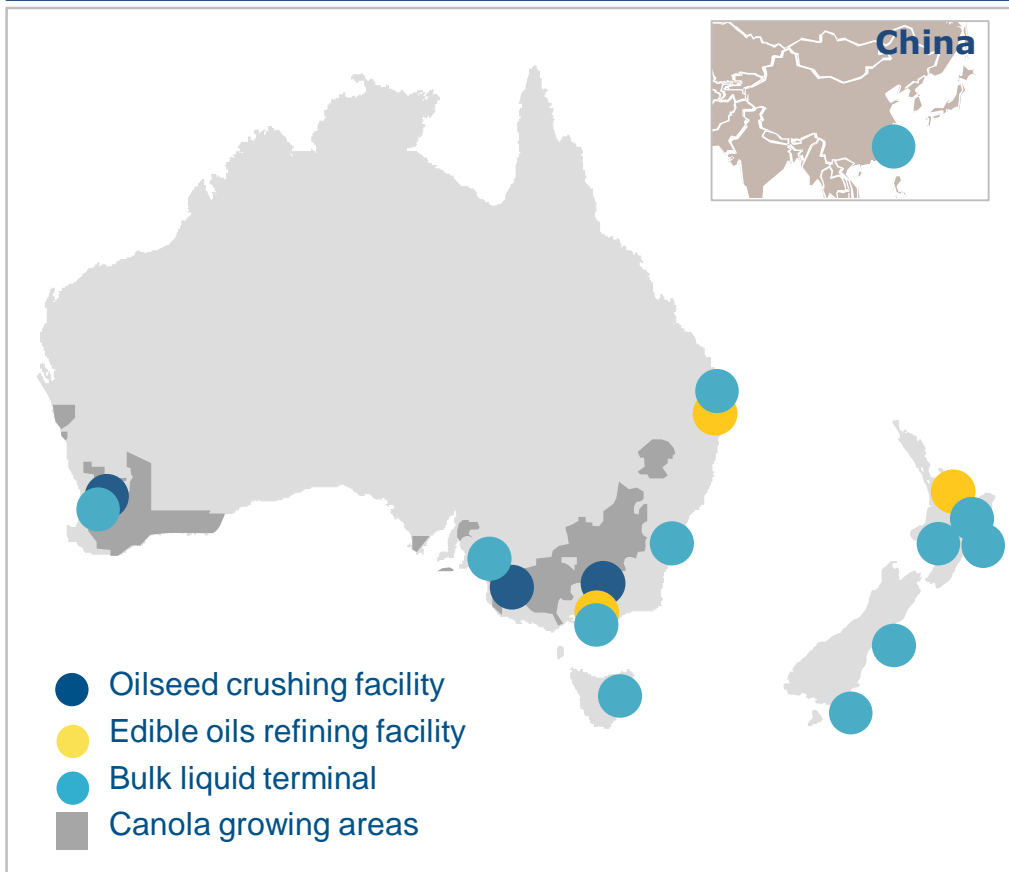


1. Five year average canola production. Source: ABARES (accessed May 2015)

# Oils assets and capabilities



## Oils Assets



## Assets & Capabilities

### Assets

- **Crushing:** 3 plants; ~415kt capacity
- **Refining:** 3 plants (going to 2); ~315kt capacity
- **Port Terminals:** 14 bulk liquid terminals with ~295k m<sup>3</sup>
- **Complementary businesses:** Feeds, Auscol

### Capabilities

- Storage
- Transport
- Commodity management

# Oils value chain → activities, products, drivers, customers



●————— Edible oils —————●

Bulk Liquid  
Terminals

<b>Products and services</b>	Crushed oil (~40%) Meal (~60%)	Basic & complex fats and oils products Packaged products	Bulk Liquid Terminals: oils and fats; fuels and chemicals
<b>Customers</b>	Edible oil refiners Dairy and poultry producers	Food manufacturers Bakeries Quick service restaurants	Oil & tallow exporters Oils, Fuels & Chemical importers
<b>Earnings drivers</b>	<ul style="list-style-type: none"> <li>Capacity utilisation</li> <li>Gross margin and commodity management</li> <li>Crush process cost</li> </ul>	<ul style="list-style-type: none"> <li>Capacity utilisation</li> <li>Gross margin and commodity management</li> <li>Refining process cost</li> <li>Product mix</li> </ul>	<ul style="list-style-type: none"> <li>Capacity utilisation</li> <li>Storage rate</li> <li>Storage cost</li> <li>Product mix</li> </ul>

# Oils strategic direction



## Oils Approach

### Investment in growth and supply chain integration

→ Enhance capabilities, lower supply chain cost

### Product development

→ Partner with customers, more value add products

## Oils Strategic Initiatives

1

**Network optimisation** → Investment to boost the competitiveness of locally produced food ingredients

2

**Crush expansion** → Increase edible oils crushing capacity to service growing international food demand and local meal demand

3

**Capacity expansion** → Expanding bulk liquid terminal portfolio to accommodate additional requirements of industrial customers

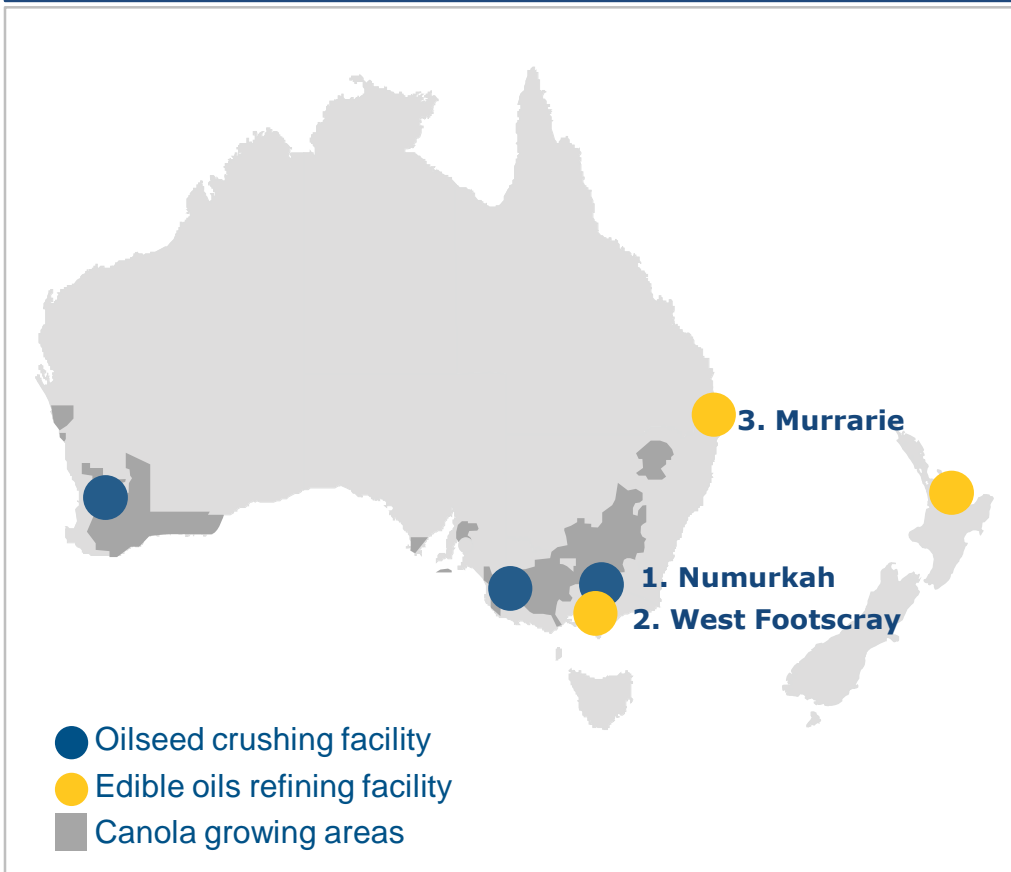
4

**Innovation** → positioning for further growth

# 1 Network optimisation



## Edible oils crushing and refining network



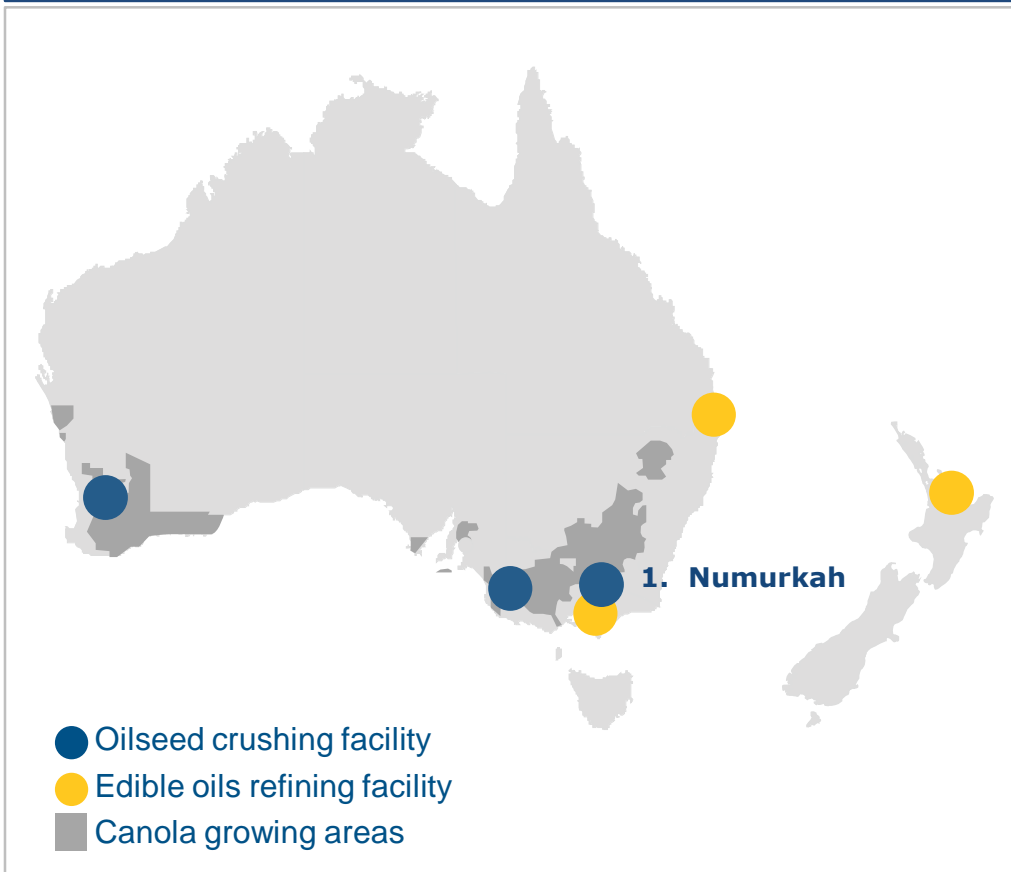
## ~\$125M investment

- 1. Numurkah:** expansion and upgrade; capabilities expanded to include vegetable oil processing
- 2. West Footscray:** expansion and upgrade; capabilities expanded to include retail spreads, complex oil blends (eg infant formula), bakery fats and shortenings
- 3. Murrarie:** Relocate capacity to Numurkah and West Footscray; facility closure in 2016

## 2 Crush expansion



### Edible oils crushing and refining network



### ~\$50M investment

#### Numurkah expansion

- Expansion of crush capacity from 240kt to 330kt
- Conversion of oil extraction process from expeller to solvent

#### Customer demand

- Increasing canola oil exports demand to Asia
- Canola meal for local poultry and dairy industries

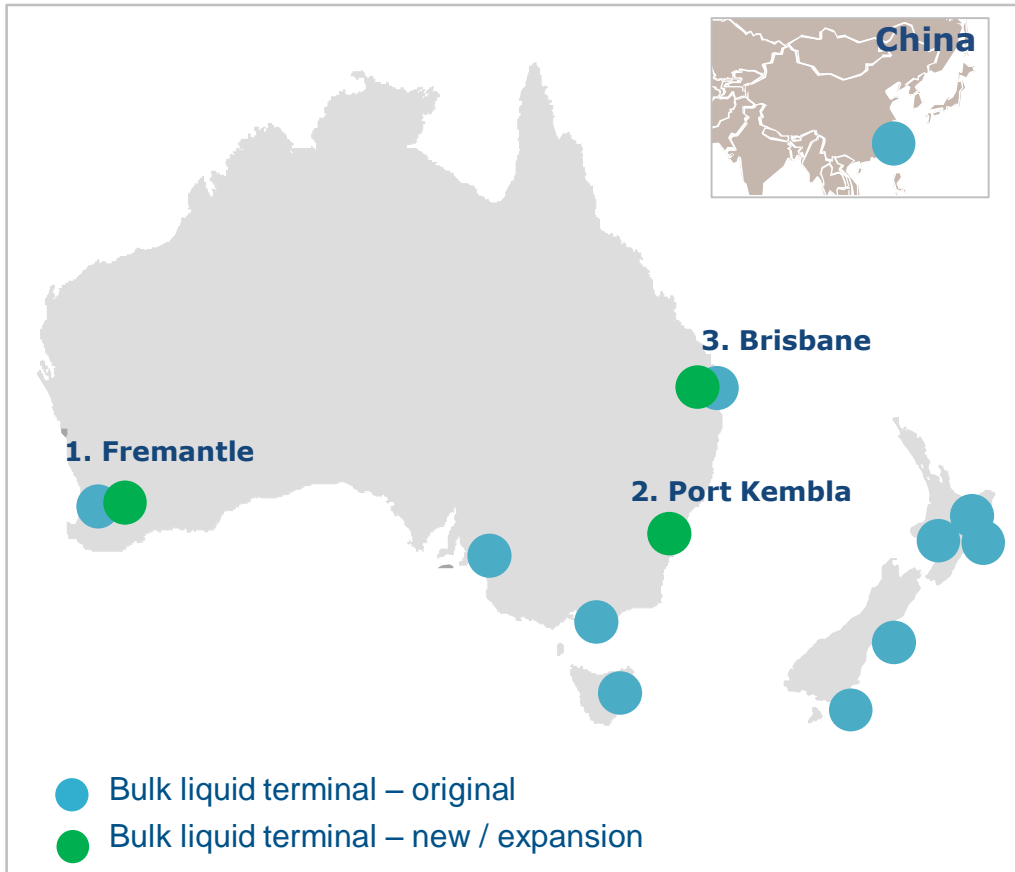
#### Alignment with industry trends

- Demand for healthier oils

# 3 Bulk liquid terminals capacity expansion



## Bulk liquid terminals



## ~\$70M investment

*Targeted investment to accommodate additional requirements of industrial customers*

- 1. Fremantle:** completed on time and budget; servicing chemical, mining sectors
- 2. Port Kembla:** completed on time and budget; servicing chemical sector; collaboration with S&L
- 3. Brisbane:** on track; servicing fuel sector and supporting existing customer flexibility



## 4 Innovation to drive further growth



### Crushing – Meal for dairy and poultry

#### Meal production

- Numurkah currently produces meal predominantly servicing dairy market

#### Opportunity

- Numurkah expansion to deliver additional meal
- Conversion from expeller to solvent process allows access to the higher value poultry market & broadens customer base

#### GrainCorp position

- Existing capability and supply chain
- Existing poultry customer base (grain)

### Foods – Infant formula

#### Infant formula

- Infant formula is 27% vegetable oil
- The oil helps mimic the nutritional profile of breast milk
- Complex blend

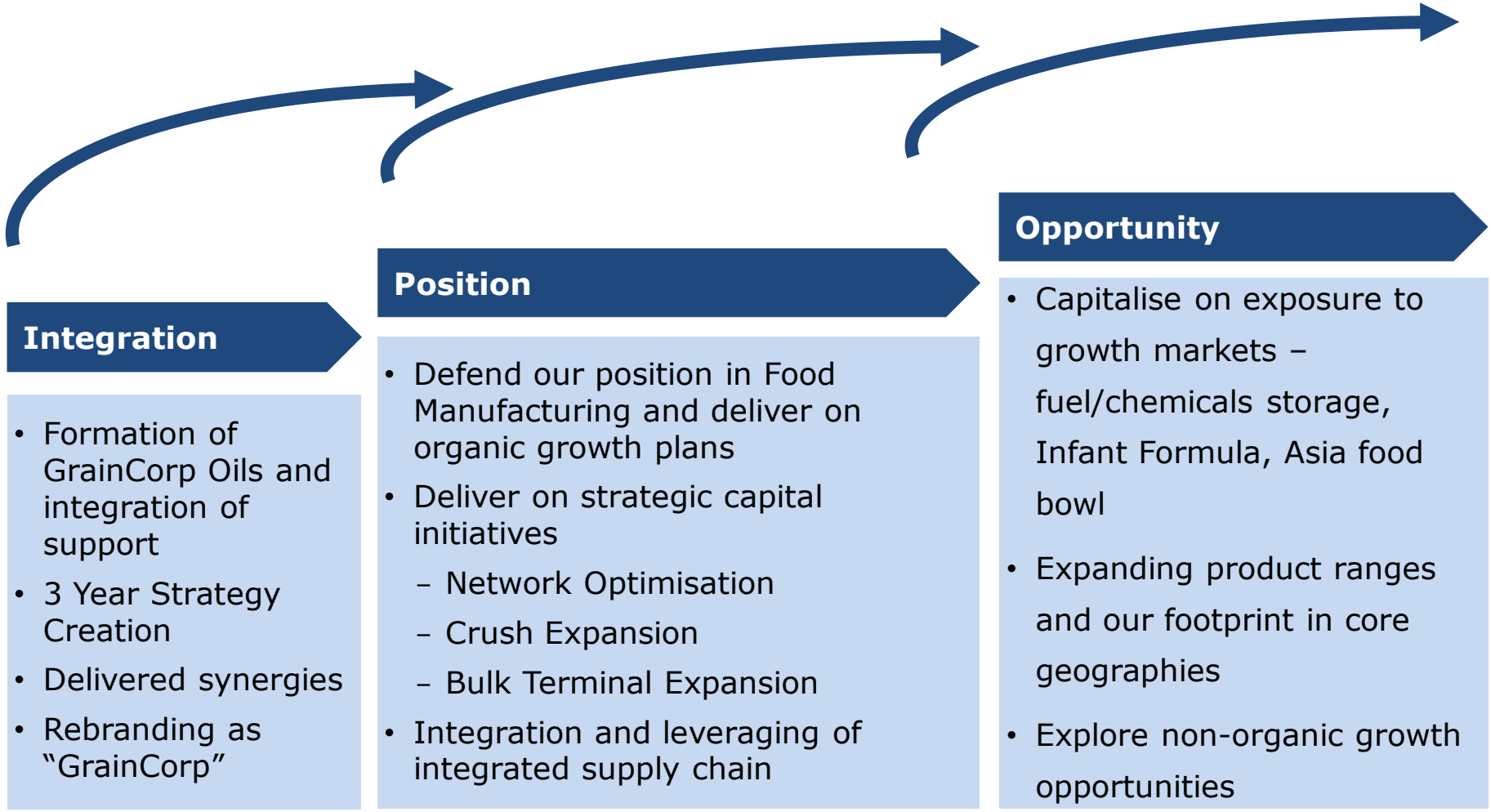
#### Opportunity

- Demand growth, especially in Asia

#### GrainCorp position

- Existing capability to produce complex blends required for infant formula
- Strong existing customer base to advance the opportunity

# Oils journey



## Integration

- Formation of GrainCorp Oils and integration of support
- 3 Year Strategy Creation
- Delivered synergies
- Rebranding as "GrainCorp"

## Position

- Defend our position in Food Manufacturing and deliver on organic growth plans
- Deliver on strategic capital initiatives
  - Network Optimisation
  - Crush Expansion
  - Bulk Terminal Expansion
- Integration and leveraging of integrated supply chain

## Opportunity

- Capitalise on exposure to growth markets – fuel/chemicals storage, Infant Formula, Asia food bowl
- Expanding product ranges and our footprint in core geographies
- Explore non-organic growth opportunities

# Capital Management

*Financial strategies supporting corporate objectives*

Alistair Bell – Group Chief Financial Officer



GrainCorp



# Capital Management

## A. Earnings Growth and Diversification

## B. Capital Investment

- Strategic growth initiatives and profile

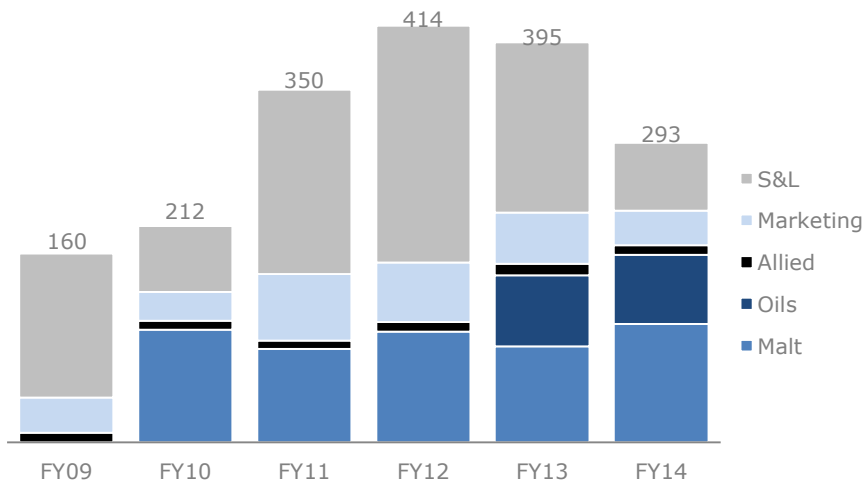
## C. Debt Profile

- Debt profile matching growth initiatives

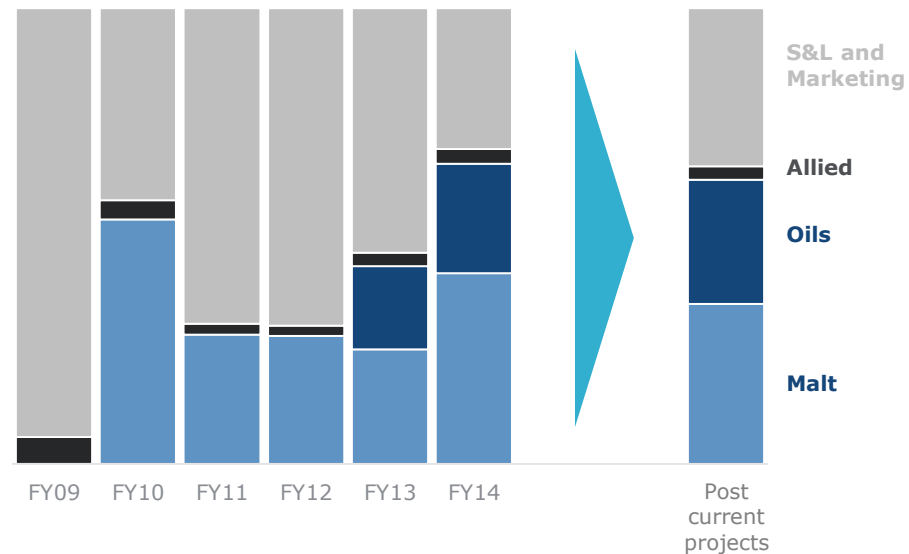
# Earnings profile benefiting from diversification



Earnings profile<sup>(1)</sup> \$M



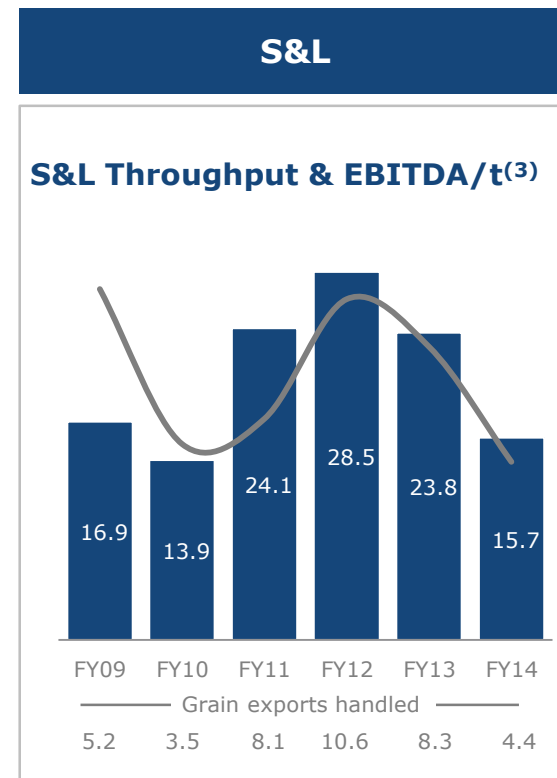
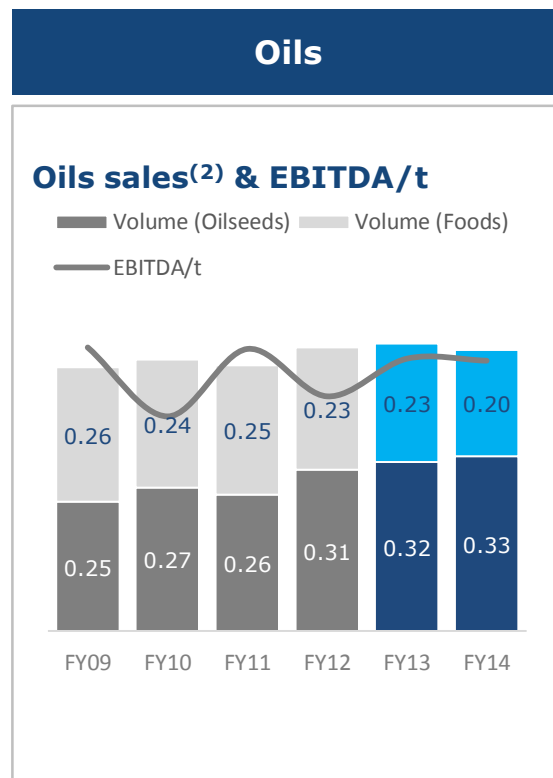
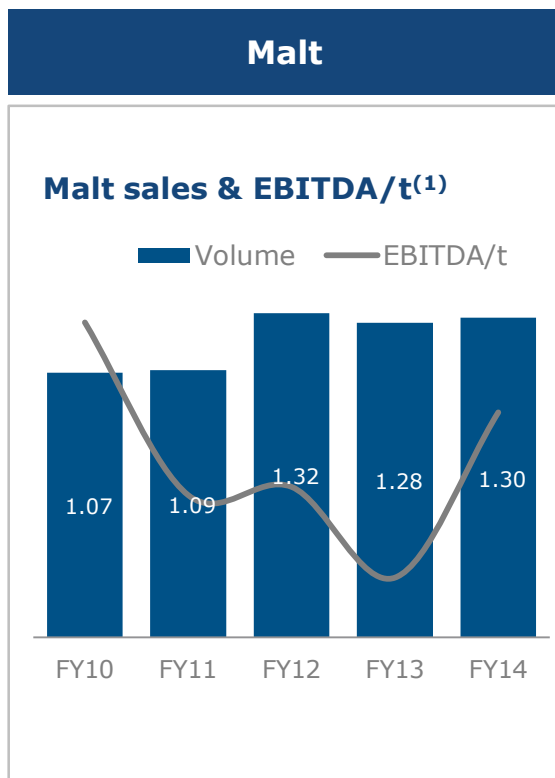
Earnings composition<sup>(2)</sup>



**Objective: Improve ROE through the cycle**

1. Before significant items. EBITDA reflects inclusion of Malt from FY10 and Oils from FY13. Allied 60% share of NPAT.  
 2. EBITDA excludes corporate costs. Allied 60% share NPAT and Marketing PBTDA.

# Business unit performance

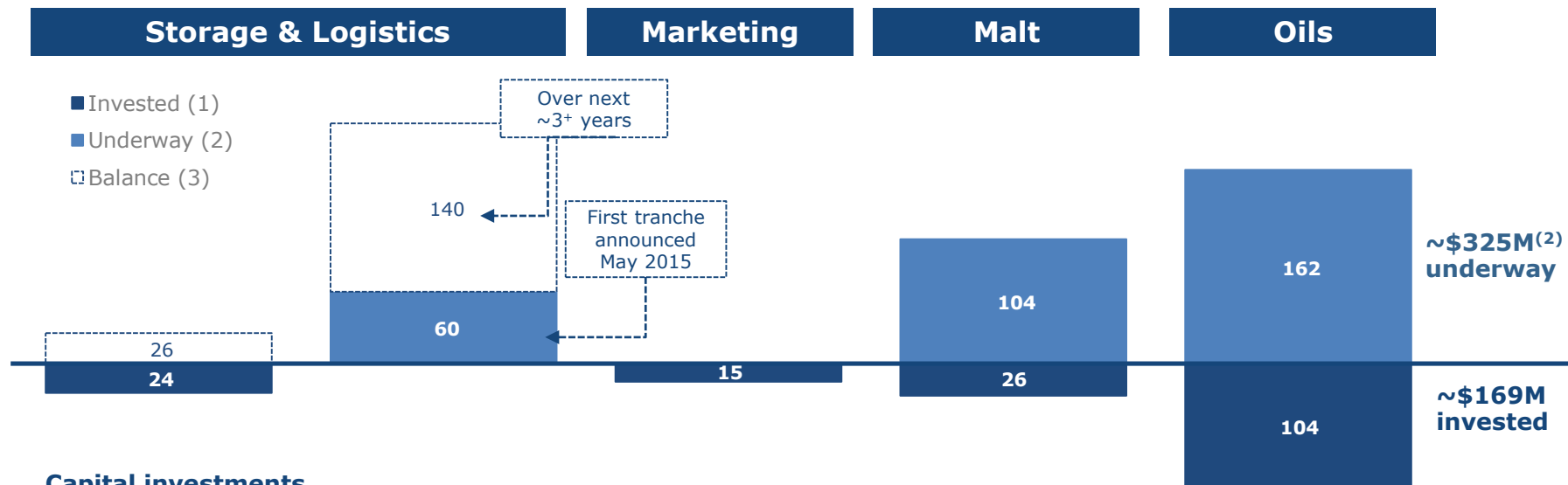


1. Excluding Port of Vancouver compensation receipts.

2. Sales volumes for GrainCorp Oilseeds (crushed oil and meal) and GrainCorp Foods (refined oil products). FY09 to FY12 includes GrainCorp Oilseeds' sales volumes for each 12 months ended 31 March and GrainCorp Foods' sales volumes for each 12 months ended 30 June.

3. S&L EBITDA / throughput tonne.

# Capital investment for growth in reliable earnings



## Capital investments

### S&L

- Customer service
- Non-grain opportunities

### S&L

- Network revitalisation → rail loading infrastructure and capacity expansions (13 sites)

### Marketing

- Global trading and risk management platform

### Malt

- Operations excellence (energy, water, waste, labour)
- Global model & customer segmentation
- Pocatello expansion (2H17)

### Oils

- Integration completed
- Footprint optimization (2H16)
- Terminals (Fremantle, Port Kembla completed; Pinkenba early 2016)
- Numurkah expansion – oil & meal (FY17)

**Hurdle rate of >12% IRR<sup>(4)</sup>**

1. Growth capex invested FY13 to HY15.
2. Growth capex projects announced and underway.
3. Growth capex announced but projects not yet underway.
4. Ungeared, after tax.

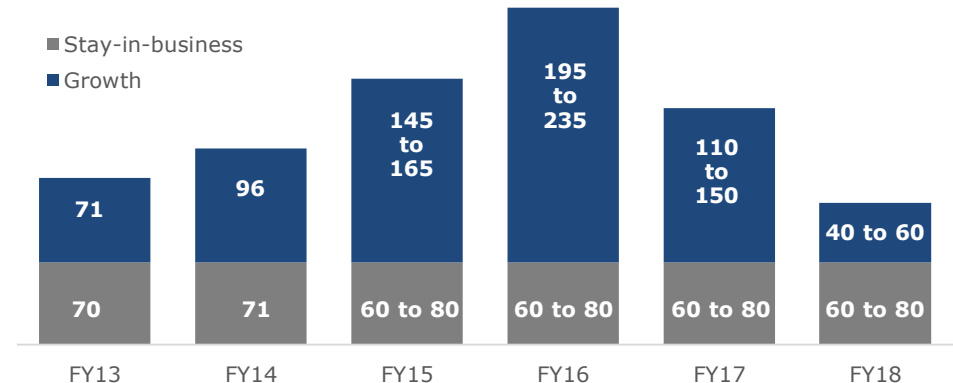
# Strategic initiatives implementation and associated capex



Business Unit	Project	FY13	FY14	FY15	FY16	FY17	FY18
Oils	Integration						
	Capacity relocation						
	Fremantle terminal expansion						
	Port Kembla terminal development						
	Pinkenba terminal development						
	Numurkah crush expansion						
Malt	Operations excellence						
	Pocatello malt plant expansion						
S&L	Customer service						
	Network revitalisation						
Marketing	Trading & risk management platform						

Planning  
Development  
Operational

## Capex<sup>(1)</sup> \$M



1. Includes S&L network revitalisation.



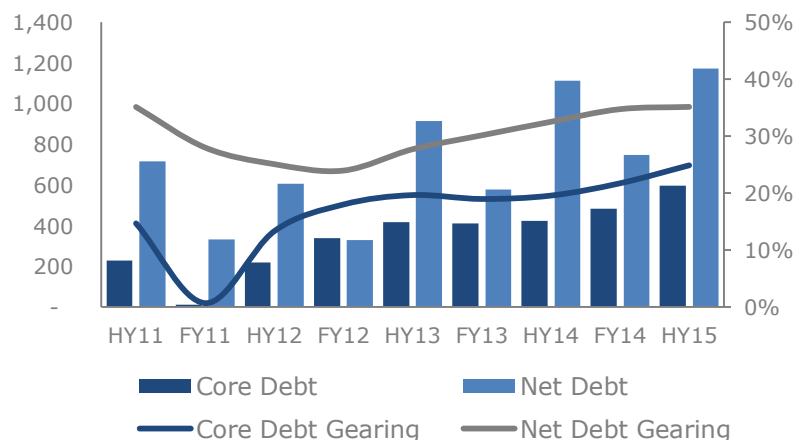
# Balance sheet & dividends



## Core Debt & Net Debt

- HY15 core debt at \$595M and Net Debt \$1,170M
- Core debt gearing at ~25% and Net debt gearing at ~37% (rolling quarterly average)
- Net debt gearing expected to peak in 1H17 → remaining below target of 45%
- Increased debt capacity and extended maturity to average 5.3 years (4.5 – 7 years)

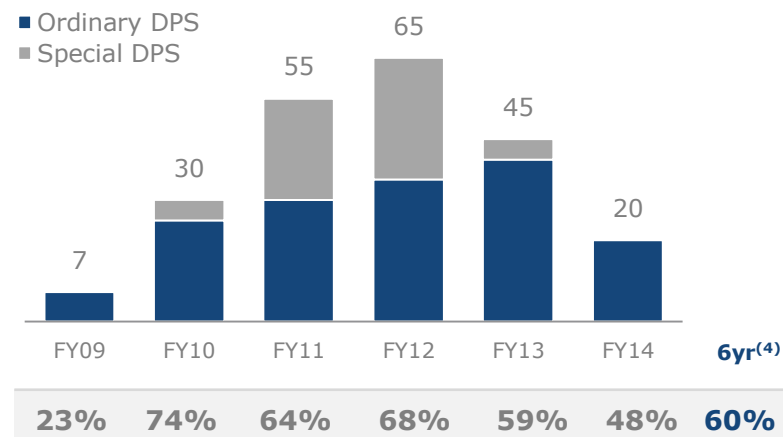
### Core Debt<sup>(1)</sup> and Net Debt<sup>(2)</sup>



## Dividends

- Dividend policy: payout 40 – 60% NPAT through the business cycle
- Targeting to pay an ordinary dividend each year
- Flex via special dividends

### Total dividends (DPS<sup>3</sup>) and Payout Ratio



1. Core debt is total debt less cash less Commodities Inventory (Marketing, Oilseeds). Core gearing = Core Debt / (Core Debt + Equity)  
 2. Net Debt is total debt less cash. Net Debt Gearing = Net debt / (Net Debt + Net Assets) as quarterly rolling average.  
 3. DPS is dividends per share shown in cents.  
 4. Payout ratio based on NPAT before significant items. Six year weighted payout ratio before significant items.

# Good balance in debt, liquidity, maturity and structure



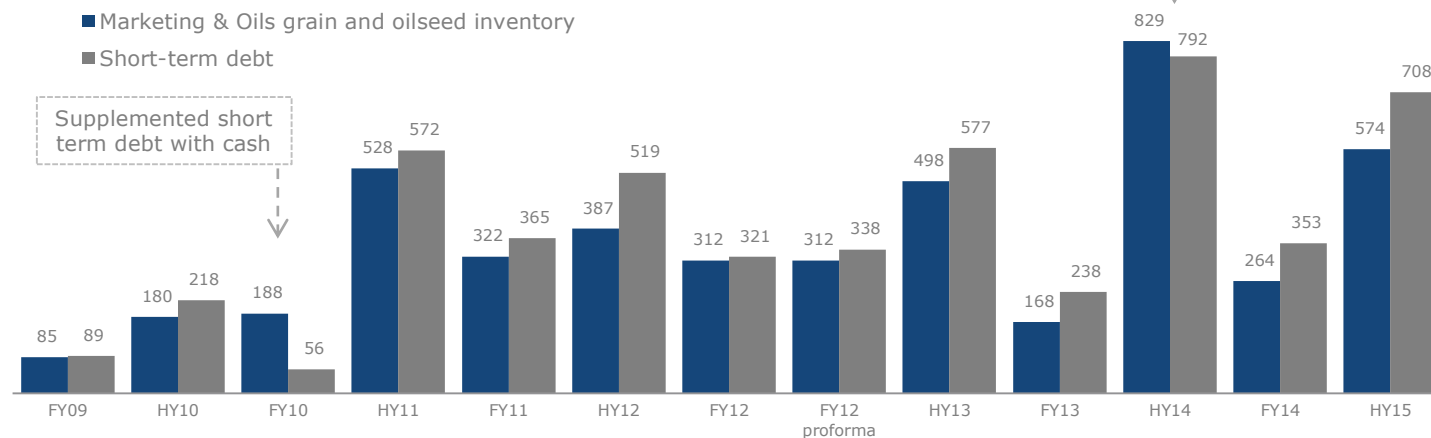
	Use and Position	Strategy Implications
Short term debt	<ul style="list-style-type: none"> <li>• <b>Use:</b> Marketing’s grain trading activities, Malt and Oilseeds activities, working capital requirements</li> <li>• <b>Position:</b> \$1,185M limit and \$708M drawn<sup>(1)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Marketing:</b> flexible facilities to fund international grain trading activities and manage customer exposure</li> <li>• <b>Oilseeds:</b> specific inventory facilities for seasonal fluctuations</li> <li>• <b>Malt:</b> barley facilities underway (expect to reclassify into commodity inventory funding at year end)</li> </ul>
Term debt	<ul style="list-style-type: none"> <li>• <b>Use:</b> Corporate planning (growth &amp; investments)</li> <li>• <b>Position:</b> \$856M limit and \$678M drawn<sup>(1)</sup>, net debt gearing of 37%</li> <li>• Maturing 4.5 to 7 years – average tenure of 5.3 years</li> <li>• Term debt bank covenants: Interest Cover Ratio, Gearing Ratio, Net Tangible Assets test</li> <li>• Unsecured multi-currency bilateral structure</li> </ul>	<ul style="list-style-type: none"> <li>• Targeting net debt gearing &lt;45% (rolling quarterly average) – maintains headroom and expect peak in 1H17 (similar to current levels)<sup>(2)</sup></li> <li>• Core debt represents long term planning – post build phase</li> <li>• Financial capacity to accommodate organic initiatives</li> <li>• Maintain a good credit profile</li> </ul>
Cash	<ul style="list-style-type: none"> <li>• <b>Use:</b> dividends and growth</li> <li>• <b>Position:</b> \$227M cash<sup>(1)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Targeting to pay a dividend each year <sup>(3)</sup> – flex via special dividends</li> <li>• Reliable dividend payer</li> <li>• Support strategic initiatives</li> </ul>

1. As at 31 March 2015.  
 2. Subject to grain prices and volumes over the relevant period.  
 3. Dividend policy – Pay 40-60% of Net Profit After Tax through the business cycle.

# Commodities inventory funded with specific commodity inventory facilities



## Commodities inventory \$M



### Marketing and Oilseed funding strategy

- Marketing's grain trading activities and Oils' oilseed and tallow positions are predominantly funded with specific short term commodity inventory debt facilities:
  - Match debt with asset life
  - Fluctuates with seasonal grain purchases and underlying soft commodity prices
- Establishing similar facilities for Malt's barley → expect to treat in similar manner

### Treatment

- Marketing's performance measured as PBTDA → interest treated as part of cost of goods sold
- Commodity inventory funding recognised as Operating Cash Flow → match funding purpose and seasonal working capital

1. Commodities inventory excludes Malt barley and Malt inventory held for processing activities. Variance between commodities inventory and short-term debt reconciles with "Short-term debt less Marketing and Oils inventories".

# Wrap Up and Questions

Mark Palmquist – Managing Director & Chief Executive Officer



GrainCorp

# Wrap Up and Questions



- 1** Global view → macro themes driving industry trends
- 2** Greater diversification and building scale
- 3** Disciplined approach to capital management
- 4** Strategy execution and delivery of initiatives
- 5** Focus on values driving performance → Safety, People, Customers

Wiradiuri Warrior

# Site Tours

Travelling  
Through Country  
by Boomanla Wil



GrainCorp

# 2015 Investor Day

## Delivering the value in Grain

20 May 2015



GrainCorp

