15 November 2018

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

**GRAINCORP LIMITED: GNC**

**INVESTOR PRESENTATION**

**FINANCIAL YEAR ENDED 30 SEPTEMBER 2018**

Please find attached the Investor Presentation relating to the financial year ended 30 September 2018.

GrainCorp will be holding a briefing for investors and analysts commencing at 10:00am (Sydney time) to present the FY18 Results.

The briefing will be webcast live and can be accessed from the following link: https://webcast.openbriefing.com/4807/.

An archived version will also be available later in the day.

Yours faithfully,

**GrainCorp Limited**

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# FY18 results

**15 November 2018**

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# 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.

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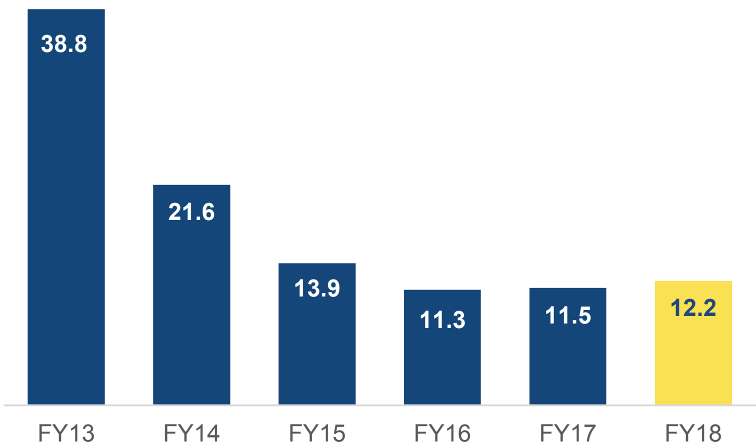
# Agenda

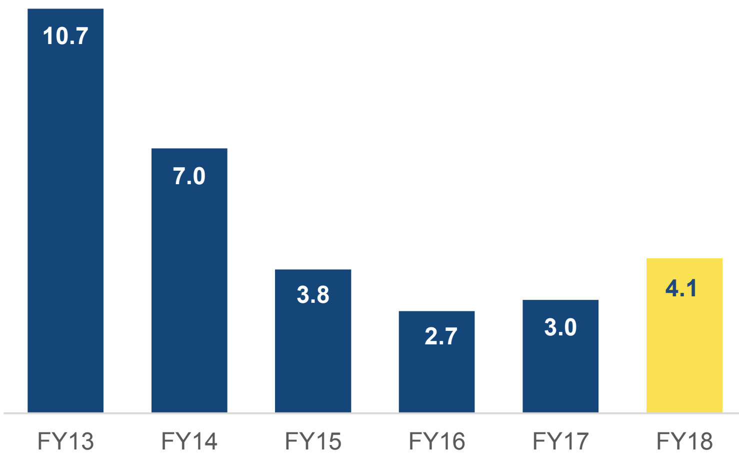
- Results overview
- Segment performance
- Balance sheet & capex
- FY19 outlook

# Commitment to safety is fundamental

## RECORDABLE INJURY FREQUENCY RATE[(1)]




## LOST TIME INJURY FREQUENCY RATE[(2)]




- GrainCorp's RIFR and LTIFR both increased in FY18, which is an unsatisfactory outcome.
- GrainCorp is committed to improving its safety performance through numerous initiatives as part of the **Group Safety, Health and Environment Strategy Towards 2020** framework.

1. Recordable Injury Frequency Rate (RIFR) is calculated as the number of injuries per million hours worked. Includes lost time injuries, medical injuries and restricted work injuries. Includes permanent and casual employees and GrainCorp controlled contractors.
2. Lost Time Injury Frequency Rate (LTIFR) is calculated as the number of lost time injuries per million hours worked. Includes permanent and casual employees and GrainCorp controlled contractors.

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# FY18: solid Malt performance; Group earnings down due to significantly smaller eastern Australian crop

| $M | FY18 | FY17 |
|---|---|---|
| Underlying EBITDA[1] | 269 | 390 |
| Underlying NPAT[2] | 71 | 142 |
| Statutory NPAT[3] | 71 | 125 |
| Dividend (cents per share) – 100% franked | 16 | 30 |

- **Overview:** Malt performed solidly, with strong contributions from Bulk Liquid Terminals and Grains' international grain trading book. Reduction in Group earnings due to a ~40% drop in east coast Australian (ECA) grain production and lower grain exports, following a near record harvest in FY17, and lower oilseed crush margin.
- **Malt:** high capacity utilisation with full second-half contribution from expanded plant in Pocatello, Idaho. Continued strong demand from craft beer and distilling customers.
- **Grains:** significantly smaller ECA crop with large decline in grain exports. Take-or-pay rail contracts a challenge with lower volumes. Formation of Grains has helped to achieve a higher share of domestic grain trade. Result includes integration costs.
- **Oils:** continued good performance by Bulk Liquid Terminals and Feeds and improvement in Foods resulting from continuous improvement program. However weak oilseed crush margins due to ECA drought impacting oilseed supply and quality. Result includes restructuring costs.

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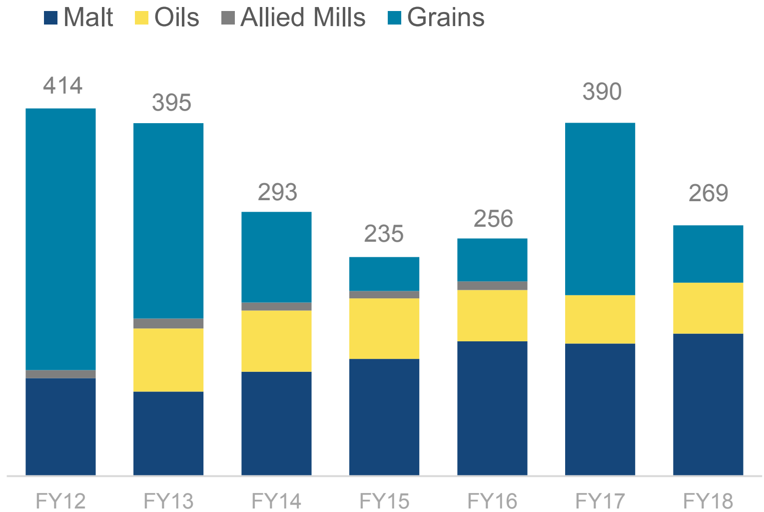
1. EBITDA is a non-IFRS measure representing earnings before interest, tax, depreciation and amortisation, before significant items.
2. Net profit after tax and before significant items.
3. Net profit after tax and after significant items.

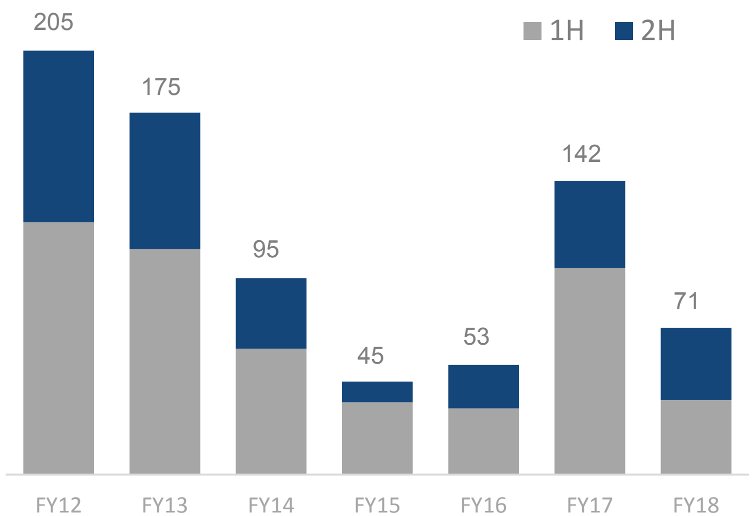
# Earnings profile demonstrates strength of diversification

### UNDERLYING EBITDA[1,2] ($M)




| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **1H** | 235 | 227 | 166 | 136 | 134 | 236 | 119 |
| **2H** | 179 | 168 | 127 | 99 | 122 | 154 | 150 |

### UNDERLYING NPAT[1] ($M)




| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **1H** | 122 | 109 | 61 | 35 | 32 | 100 | 36 |
| **2H** | 83 | 66 | 34 | 10 | 21 | 42 | 35 |

1. Totals represent EBITDA and NPAT before significant items. Inclusion of Oils from FY13. Inclusion of Allied Mills (NPAT) from FY12-16.
2. Bar chart reflects business unit proportions of EBITDA (excludes corporate costs).

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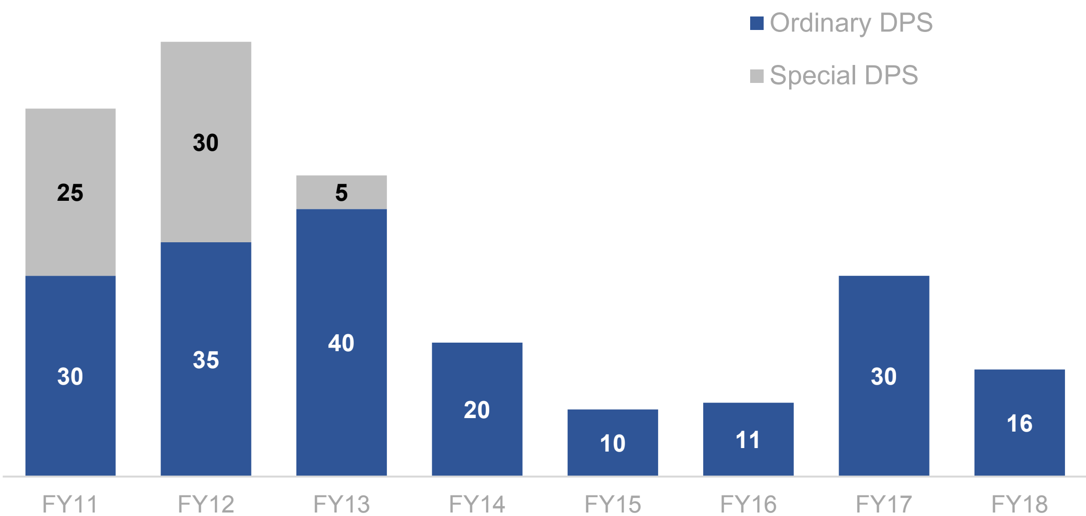
# Dividends

**DIVIDENDS PER SHARE (DPS)[1]**




| | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | 8yr avg[3] |
|---|---|---|---|---|---|---|---|---|---|
| Payout ratio[2] | 64% | 68% | 59% | 48% | 51% | 48% | 48% | 52% | **58%** |

- **FY18 final dividend:** fully franked final dividend of 8 cents per share.
- **FY18 total dividend**: total FY18 dividend of 16 cents per share.
- **Payout ratio:** 52% of NPAT[2].
- **Dividend policy:** Payout 40-60% of full year NPAT[2] through the business cycle; targeting to pay an ordinary dividend each year.

**FY18 - final dividend dates**

- Record date: 29 Nov 2018
- Payment date: 13 Dec 2018

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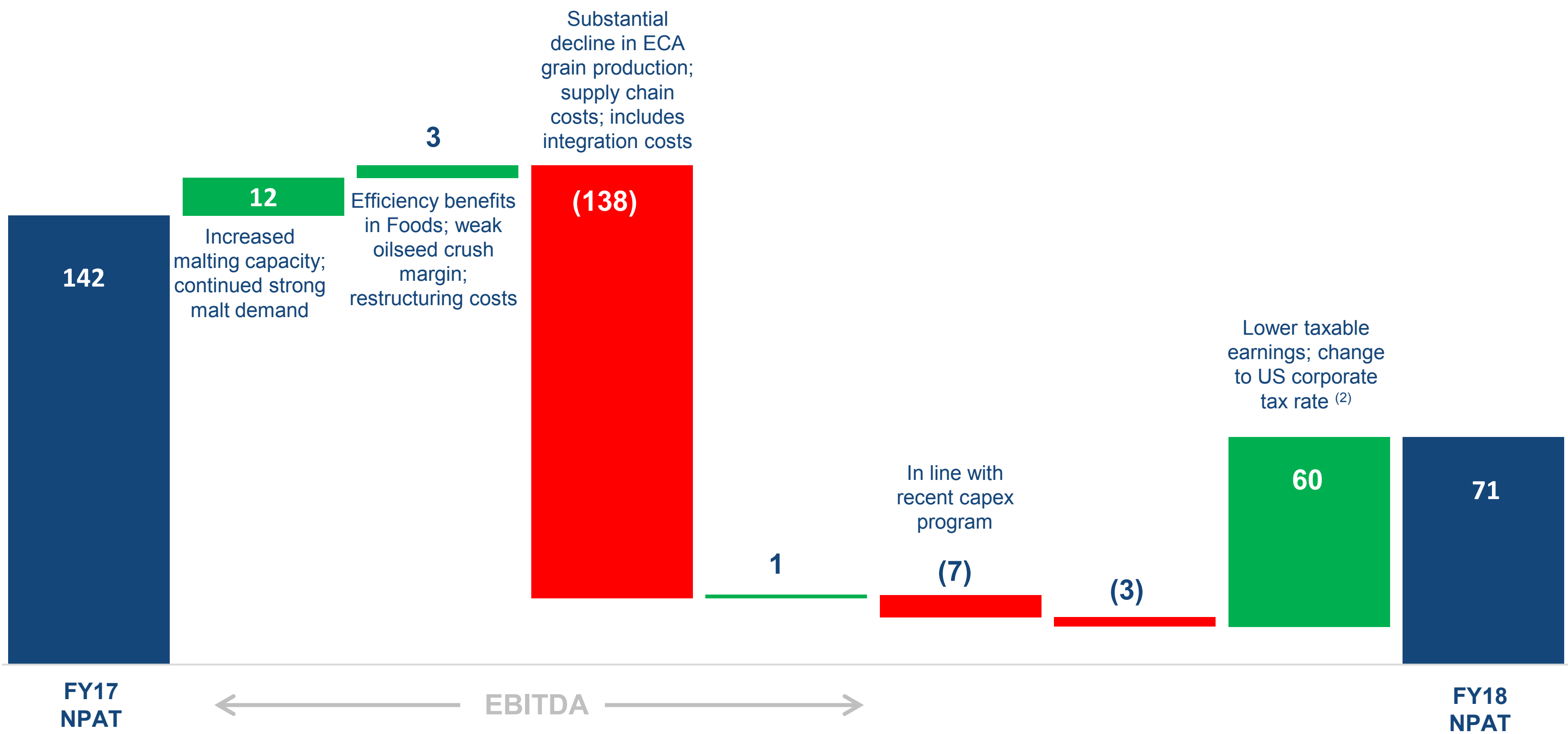
1. DPS - dividends per share shown in cents.
2. Payout ratio based on underlying NPAT.
3. Eight year weighted payout ratio before significant items.

# Decline in earnings driven by Grains

## FY17 - FY18 EARNINGS BRIDGE[1] ($M)




| | Malt | Oils | Grains | Corporate | D&A[3] | Net Interest | Tax | NPAT[1] |
|---|---|---|---|---|---|---|---|---|
| **FY18 ($M)** | **170** | **61** | **68** | **(31)** | **(153)** | **(42)** | **(3)** | **71** |
| FY17 ($M) | 158 | 58 | 206 | (32) | (146) | (39) | (63) | 142 |

1. Excludes significant items.
2. Includes the ongoing tax benefit from the recent change in US corporate tax rate, and an initial $19 million tax benefit.
3. Depreciation & Amortisation.

# Segment performance

# Financial summary

| $M | Revenue | | EBITDA | |
|---|---|---|---|---|
| | FY18 | FY17 | FY18 | FY17 [(1)] |
| Malt | 1,152 | 1,106 | 170 | 158 |
| Oils | 969 | 946 | 61 | 58 |
| Grains | 2,242 | 2,622 | 68 | 206 |
| Corporate | - | - | (31) | (32) |
| Eliminations and other | (110) | (97) | - | - |
| **Total** | **4,253** | **4,576** | **269** | **390** |

1. Before significant items.

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# Malt: good result, solid customer demand

| $M | FY18 | FY17[1] |
|---|---|---|
| Revenue | 1,152 | 1,106 |
| EBITDA | 170 | 158 |
| EBIT | 115 | 108 |
| Capex | 46 | 92 |

- Continued to operate at high utilisation.
- Full second-half contribution from expanded plant at Pocatello, Idaho (total capacity 220,000mt).
- Continued strong demand for malt and brewing ingredients / products from craft beer and distilling customers.
- US craft beer industry: 5% growth in US craft beer sales volumes in 2017[2].
- Result includes increased energy costs in Australia (~$4 million).
- Burnley, Victoria malting plant (capacity 23,000mt) decommissioned and sold in Q4.

**Capacity expansion - Scotland:**

- In October 2018, announced £51 million (A$94 million) investment to expand malting capacity in Scotland by 79,000 tonnes.
- The project (due for completion by CY2021) involves upgrading Bairds Malt's existing Arbroath facility and building a new malting plant at its Inverness site.
- The expansion supports growth in distilling production in Scotland and will be supported through long-term malt supply agreements.

1. Before significant items.
2. Brewers Association.

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# Oils: strong liquid terminals result, weak oilseed crush margins

| $M | FY18 | FY17[(1)] |
|---|---|---|
| Revenue | 969 | 946 |
| EBITDA | 61 | 58 |
| EBIT | 28 | 24 |
| Capex | 46 | 47 |

- **Liquid Terminals**: high utilisation, driven by consistent customer demand across a range of product segments.
- **Oilseeds**: lower crush contribution due to reduced canola supply and quality resulting from ECA drought.
- Completed oilseed crush expansion at Numurkah, Victoria in September 2018, increasing capacity by ~40% to 1,000 tonnes per day.
- **Foods**: stable demand; reduction in costs, continued operational efficiency improvements being achieved.
- **Feeds**: improved performance due to strong demand for supplementary animal feed both in Australia (due to ECA drought) and New Zealand.
- Result includes increased energy costs in Australia (~$4.5 million) and ~$2 million in restructuring costs.

1. Before significant items.

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# Grains: decline in ECA production and export volumes

| $M | FY18 | FY17[1] |
|---|---|---|
| Revenue | 2,242 | 2,622 |
| EBITDA | 68 | 206 |
| EBIT | 5 | 145 |
| Capex | 46 | 122 |

| Volumes (mmt) [2] | FY18 | FY17 |
|---|---|---|
| ECA grain production[3] | 16.6 | 28.2 |
| Total grain sales[4] | 6.9 | 8.3 |
| ECA grain receivals[5] | 7.2 | 15.0 |
| ECA grain exports | 2.7 | 7.2 |
| ECA grain trans-shipments (through GrainCorp ports) | 0.5 | - |
| ECA non-grain handled | 2.9 | 2.8 |

- Significantly smaller east coast Australia (ECA) crop, following near-record harvest in FY17; lower exportable surplus.
- ~145 silos operated during ECA harvest (FY17: ~160 sites). Continued to flex the network and control the cost base.
- Reversed the export supply chain to meet strong domestic demand - ~0.5mmt in ECA grain transshipments.
- Integration of storage & handling and trading businesses progressing well; achieved higher share of domestic grain trade.
- ~$20 million negative impact from supply chain issues; take-or-pay rail contracts expire end of FY19.
- Result includes ~$3 million in integration costs.
- International growth strategy progressing well:
  - second (of four) GrainsConnect Canada sites commissioned in June 2018, two under construction;
  - asset-light Ukraine presence established in June 2018; first grain shipment October 2018.

1. Before significant items.
2. mmt = million metric tonnes.
3. Average of ABARES' and ACF's eastern Australian grain production estimates: wheat, barley, canola, chickpeas and sorghum.
4. Total trading sales.
5. Up-country + direct-to-port.

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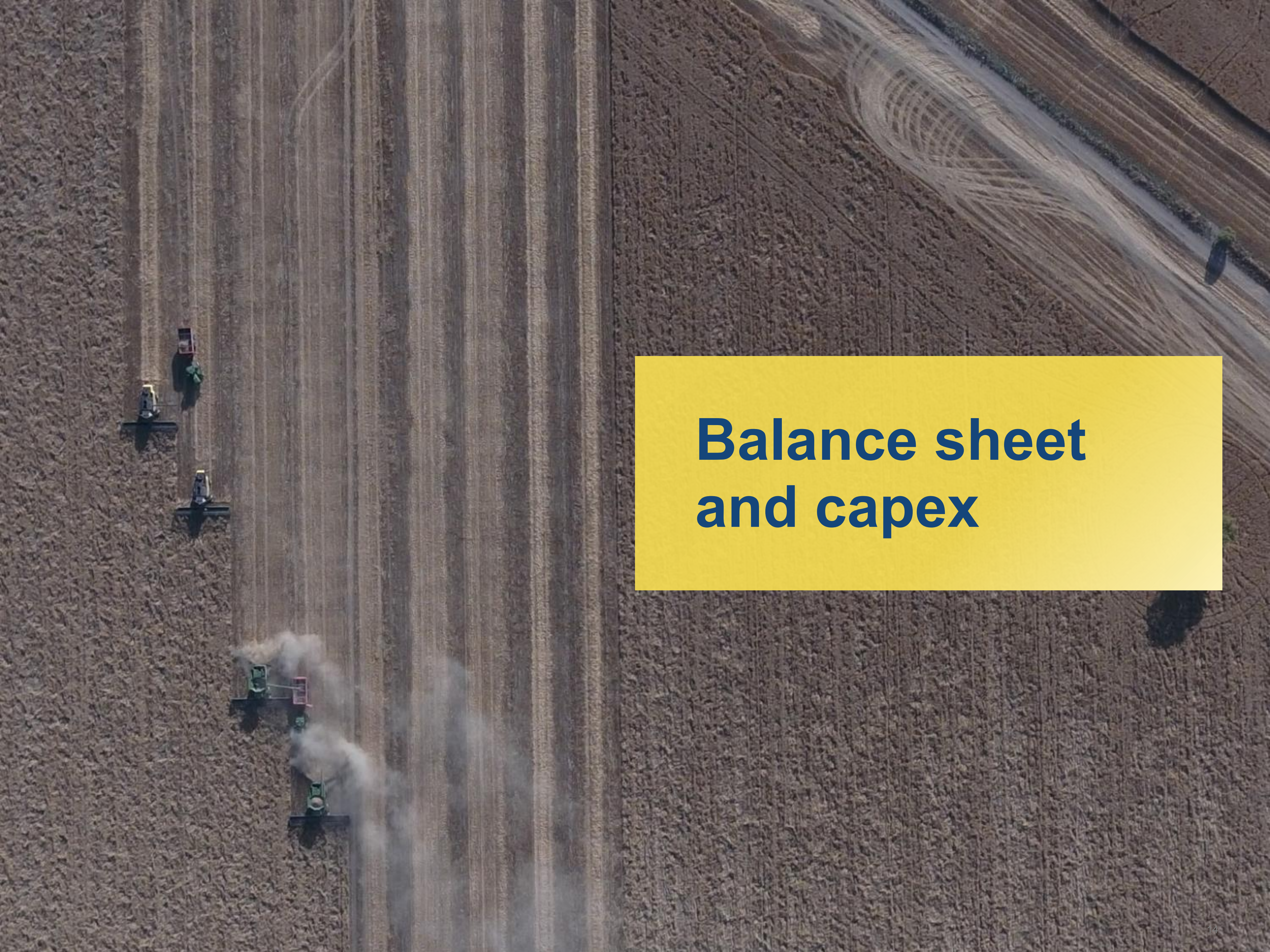
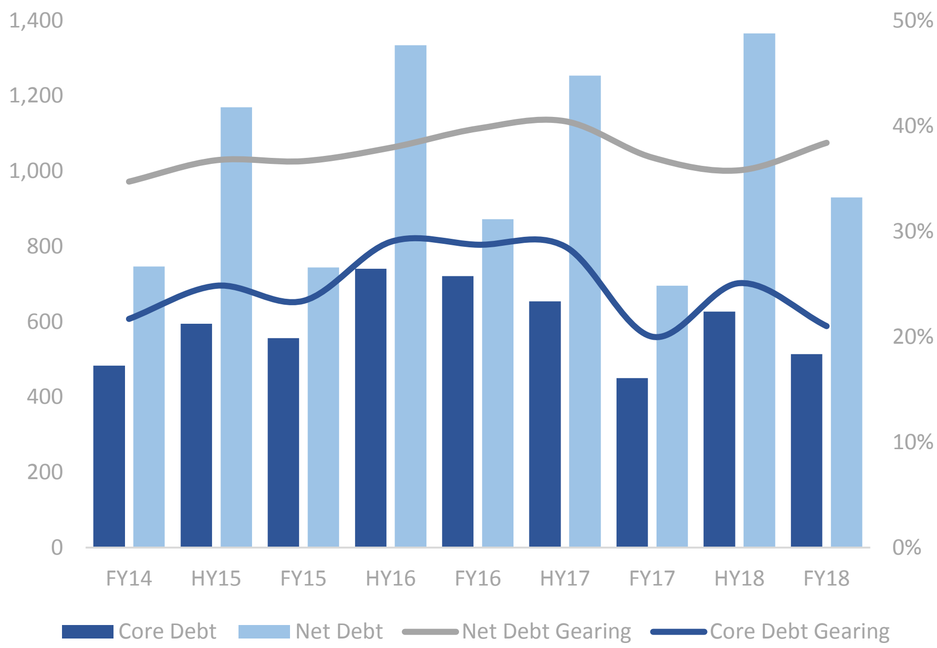


# Balance sheet and capex

# Smaller ECA crop reducing cash flow, impacting net debt gearing

## CORE DEBT[1] AND NET DEBT[2]




- Core debt at $514M[3] and net debt at $930M[3].
- Core debt gearing[4] at ~21% and net debt gearing[5] at ~38%. Net debt gearing higher due to higher inventory levels.
- Range of maturities on term debt from November 2019 to April 2022, with average term debt of 2 years[3].
- Barley inventory facilities for Malt; ~$200 million included in core debt.
- Even with reduced earnings, the business remained free-cash-flow positive for the full year.

1. Core debt = total debt less cash less commodity inventory (Grains - trading, Oils).
2. Net debt = total debt less cash.
3. At 30 September 2018.
4. Core debt gearing = core debt / (core debt + equity).
5. Net debt gearing = net debt / (net debt + equity) as quarterly rolling average.

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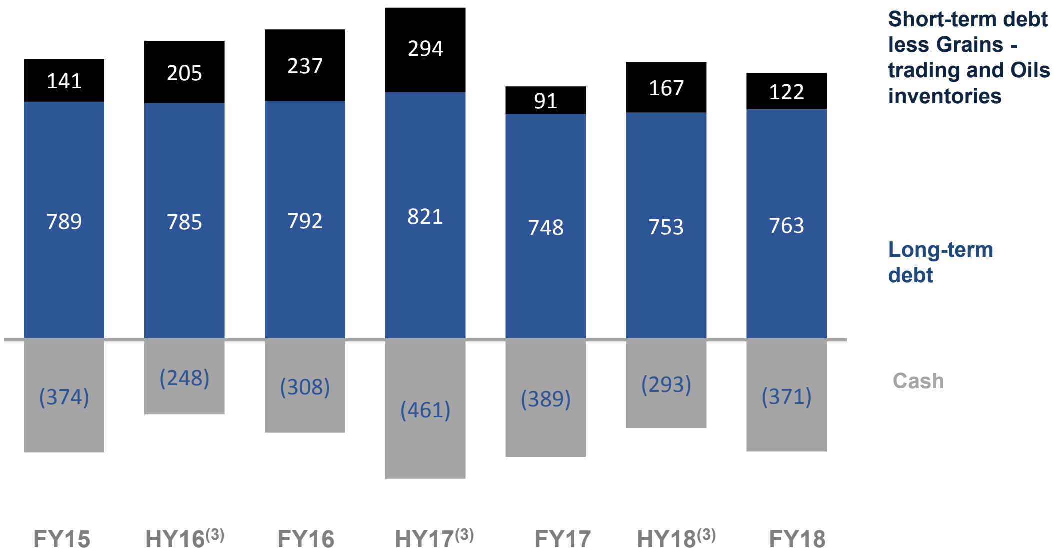
# Strong and flexible balance sheet

## CORE DEBT[1]




| FY15 | HY16[3] | FY16 | HY17[3] | FY17 | HY18[3] | FY18 | |
|---|---|---|---|---|---|---|---|
| **556** | **741** | **721** | **654** | **450** | **627** | **514** | **Core Debt[1]** |
| 23% | 29% | 29% | 29% | 20% | 25% | 21% | Core Debt Gearing[2] |
| 2.45 | 2.79 | 2.86 | 1.92 | 1.41 | 1.97 | 2.12 | Core Debt[4] / EBITDA |

- Core debt has increased in line with smaller crop reducing cash flow.
- Barley inventory facilities for Malt; ~$200 million included in core debt.
- Average tenor of term debt is 2 years[5] (range 1 to 3.5 years and with next renewal in November 2019).

1. Core debt = total debt less cash less commodities inventory (Grains - trading, Oils).
2. Core debt gearing = core debt / (core debt + equity).
3. HY EBITDA based on last twelve months ('LTM') ending 31-Mar.
4. Represents the six-monthly rolling average of core debt.
5. At 30 September 2018.

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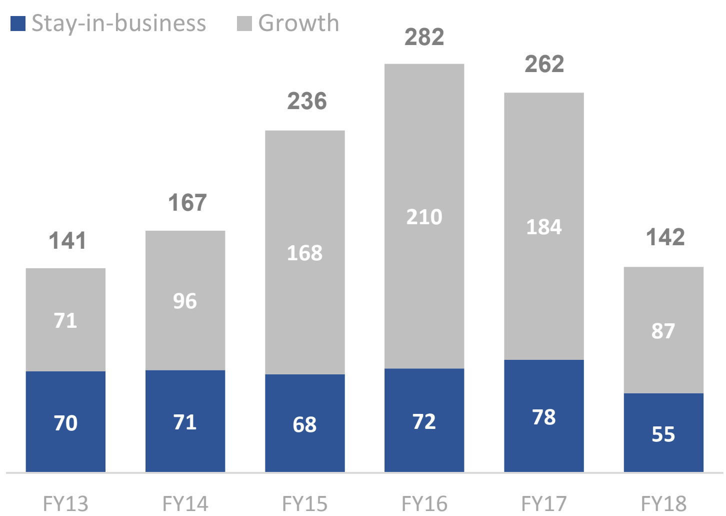
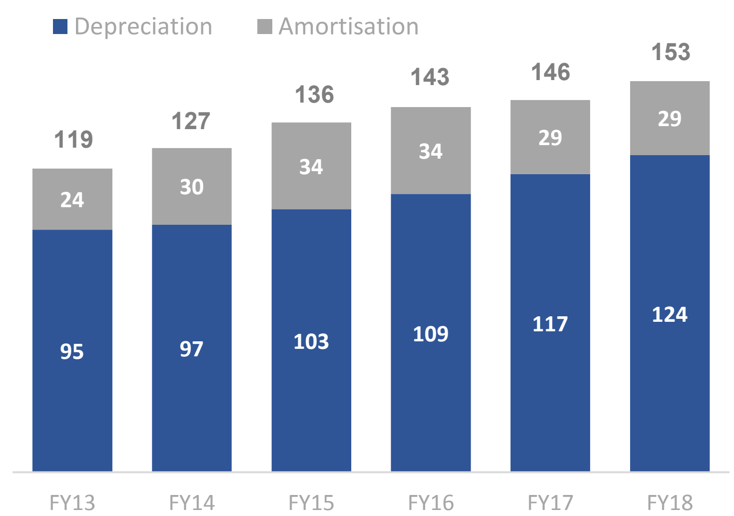
# Capital intensity down significantly as investment program winds down

### CAPEX[1] ($M)




### DEPRECIATION & AMORTISATION[2] ($M)




- Capex peaked in FY16; has since declined as major capital works are completed. Expecting further reduction in FY19 to reflect the smaller task on ECA.
- Expecting stay-in-business capex of $40-60 million in FY19.
- Increase in depreciation & amortisation in line with recent capex program.

1. Excluding acquisitions.
2. Before significant items.

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# FY19 outlook

# FY19 processing outlook

| | Market fundamentals | GrainCorp FY19 outlook |
|---|---|---|
| **Malt** | • Global barley crop production ~141mmt (FY18: 144mmt)[(1)] – tight supply of malting barley.<br>• Continued growth in US craft beer market; 5% growth in sales volumes in 2017[(2)].<br>• Distilling demand growing.<br>• Demand for Mexican style beer remains robust.<br>• Elevated energy costs in Australia. | • High capacity utilisation.<br>• Good demand for specialty products.<br>• Continue to benefit from efficient distribution network.<br>• Full-year contribution from Pocatello, Idaho plant (220,000mt capacity). |
| **Oils** | • Continued steady demand for bulk liquid storage.<br>• 2018/19 Australian canola crop production estimate of ~2.4mmt, (FY18: 3.7mmt)[(3)].<br>• Elevated energy costs in Australia.<br>• Ongoing shift in consumer preferences to dairy blends. | • High capacity utilisation of bulk liquid terminals.<br>• Pressure on oilseed crush margins due to low Australian canola supply.<br>• Ongoing benefits from Foods restructure and continuous improvement program. |

1. Source: United States Department of Agriculture '*World Agricultural Production*' – Oct 2018.
2. Brewers Association.
3. Average of ACF's November 2018 and ABARES' September 2018 forecasts.

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# FY19 Grains outlook

Grains

## Market fundamentals

- Drought has affected most of east coast Australia (ECA) in 2018.
- ECA winter crop production[1] estimates of 5.9mmt (ACF - Nov 2018) and 9.4mmt (ABARES - Sept 2018), skewed to Victoria and southern NSW (FY18: 15.1mmt)[2].
- FY19 summer crop (sorghum) production estimate of 1.6mmt (FY18: 1.5mmt)[3] – however still early in the cycle.
- Minimal exportable surplus in ECA as domestic market continues to secure supply.
- Grain being imported (transshipped) from Western Australia and South Australia to ECA ports.
- Global wheat and barley inventories down on last year.
- Black Sea continuing to be a primary wheat export market, setting the tone in global values.
- Harvest interrupted in North America due to early snow falls.
- Volatility arising from uncertainty around global grain flows.

## GrainCorp FY19 outlook

- Year-to-date[4] total ECA grain receivals[5] of 0.3 mmt.
- Continuation of grain imports (transshipments) from WA and SA throughout the year (year-to-date 0.2 mmt)[4]. Volumes dependent on domestic demand and summer crop.
- Year-to-date[4] ECA grain exports of 0.1 mmt. Minimal grain exports expected for full year.
- Utilisation of take-or-pay rail contracts will again be constrained. Contracts expire at the end of FY19.
- Continue to diversify grain origination through GrainsConnect Canada and Ukraine.
- Capturing benefits from further simplification of Grains business unit, announced 1 November 2018.

1. ECA wheat, barley, canola and chickpea production.
2. FY18 production (15.1mmt) derived from average of ABARES' and ACF's estimates.
3. ECA sorghum production estimate, using average of ABARES' September 2018 and ACF's November 2018 forecasts.
4. 1 October 2018 to 14 November 2018.
5. Tonnes received up-country and direct-to-port. Excludes third-party deliveries direct to port.

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# Appendices

# Strategic priorities

| Strategic priorities | |
|---|---|
| 1 | Strengthen core businesses |
| 2 | Disciplined approach to capital management |
| 3 | Growth and portfolio optimisation |

| Outcomes |
|---|
| Growth and diversification in earnings and cashflow, stronger returns |
| Maintain strong credit profile |
| Earnings growth and improvement on return on invested capital |

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# Strengthen core businesses






| Grains | Oils | | Malt |
|---|---|---|---|
| • Simplification of Grains business unit<br>• Re-shaping country network (network)<br>• GrainsConnect Canada (GCC), 50-50 JV<br>• Expanding origination footprint | Foods repositioning; accelerated cost reduction program | Oilseed crush capacity expansion – Numurkah, VIC | • Malt capacity expansion and upgrade – Pocatello, Idaho<br>• Malt capacity expansion - Scotland |

## Timing

| | | | |
|---|---|---|---|
| • Integration FY18; further simplification announced 1 November 2018<br>• FY17-18 in line with govt. support (network)<br>• FY18-19 (GCC first trains) | Restructure 1H18; continuous improvement program ongoing | Commissioning end of FY18 | • Pocatello expansion completed Q4 FY17 (upgrade Q1 FY18)<br>• Scotland expansion due for completion by CY21 |

**Improved Return on Invested Capital (ROIC) through the cycle**

**Diversification of earnings and cash flow**

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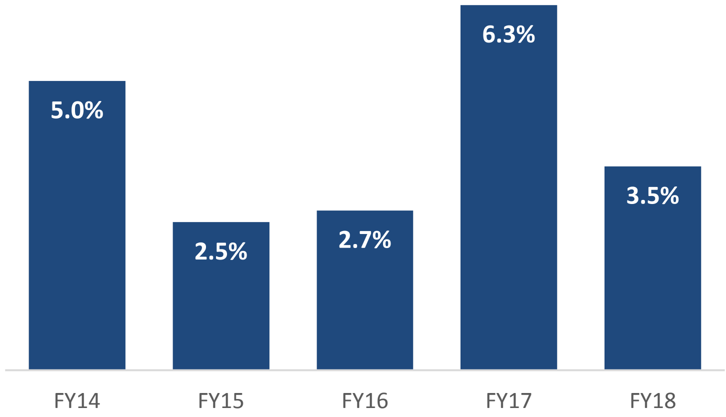
# Capital management and portfolio optimisation

- Improving return on invested capital remains a key focus.
- Maintaining a disciplined approach to capital management - balance sheet continues to strengthen as capital investment program winds down.
- Continue to explore opportunities to optimise the full value of invested capital, consistent with strategy and operational needs.
- Continued diversification of earnings with focus on core capabilities.

**RETURN ON INVESTED CAPITAL (ROIC)[(1)]**




1. Group underlying Net Profit after Tax less interest expense (after tax) associated with core debt / Average net debt (excluding commodity inventory funding) + average total equity.

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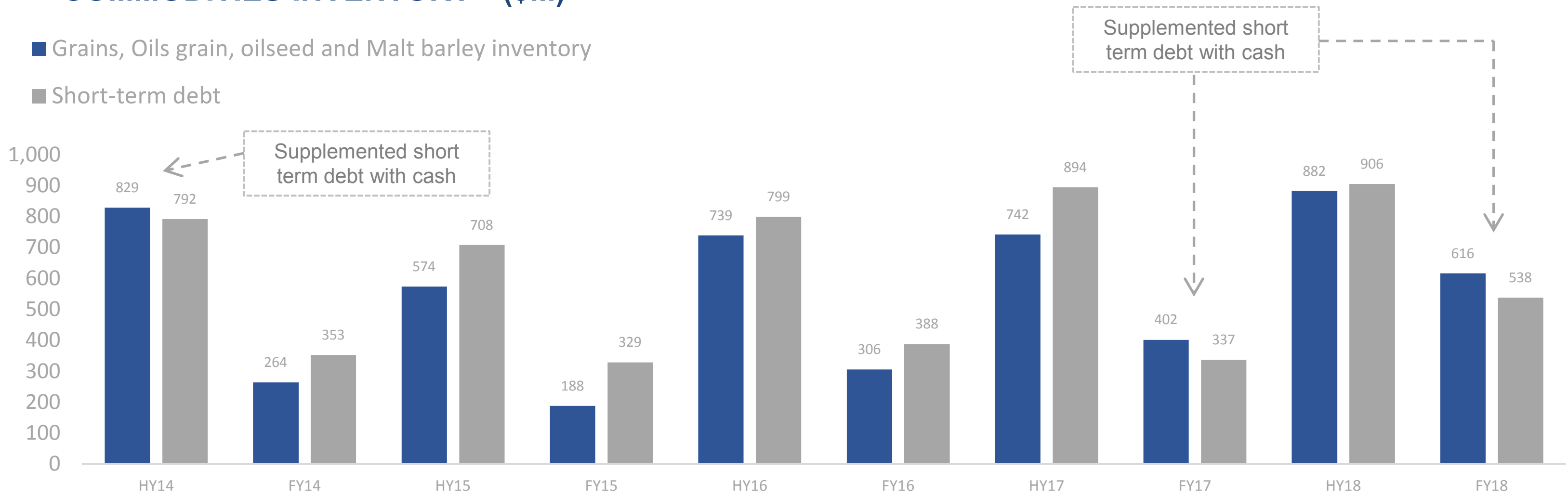
# Commodities inventory funded with specific commodity inventory facilities

## COMMODITIES INVENTORY[1] ($M)




### Grains, Oilseed and Malt barley funding strategy

- Grains' grain trading activities, Oils' oilseed and tallow positions, and malting barley 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

### Treatment

- Grains' trading performance measured as PBTDA[2] → 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 in FY14-15 includes Marketing and Oils inventory. Malt barley facilities were established in 1H16 and are included in inventory from FY16.
2. PBTDA - profit before tax, depreciation & amortisation.

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# FY18 results

**15 November 2018**

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