News Release

GrainCorp
100 YEARS OF GROWTH

15 November 2018

FY18: Solid Malt performance; Group earnings negatively impacted by significantly smaller crop

- Underlying EBITDA[1] $269 million (FY17: $390 million)
- Underlying NPAT[2] $71 million (FY17: $142 million)
- Statutory NPAT[3] $71 million (FY17: $125 million)
- Fully franked final dividend of 8 cents per share (cps); total FY18 dividend payment 16 cps (FY17: 30 cps)

GrainCorp has reported FY18 earnings at the upper end of its increased guidance range due to continued positive performance from the Malt business and strong contributions from Bulk Liquid Terminals and Grains' international grain trading book. The Group result is however down on last year due to the material reduction in eastern Australian grain production and consequent impact on throughput volumes and exports.

The company has declared a fully franked final dividend of 8 cps, in accordance with its policy of paying out 40-60% of full year underlying NPAT through the business cycle and its target to pay an ordinary dividend each year.

Managing Director and Chief Executive Officer Mark Palmquist said it was pleasing to see the continued solid performance of Malt, supported by improvements in Oils in a challenging environment.

"Our Malt business continues to benefit from strong demand for malt and other brewing ingredients from distilleries and both conventional and craft brewers," Mr Palmquist said.

"Malt's performance included a full second half contribution from our expanded plant in Pocatello, Idaho, and we recently announced a substantial expansion to our malting capacity in Scotland to support growth in distilling demand.

"In Oils, we are embedding improvements through our operational efficiency program in the Foods business and have completed the oilseed crush expansion in Victoria. Tight canola supply continues to put pressure on crush margins.

"The environment for our Grains business during FY18 was extremely challenging and these conditions in eastern Australia have worsened in FY19.

"The integration of our storage, handling and trading businesses is progressing well, and we achieved a higher share of domestic grain trade during the year. Our team is working hard to control costs and to provide ongoing vital services to our domestic customers by reversing our supply chain to bring in grain shipments from Western Australia and South Australia. Positive progress was made during the year on our international growth into Canada and the Black Sea region".

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

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“With regard to safety, despite a relatively stable Recordable Injury Frequency Rate, an increase in the Lost Time Injury Frequency Rate to 4.1 (FY17: 3.0) emphasises the need for a strong focus on safety improvements across the Group.”

Current year (FY19) outlook

The outlook for Malt remains positive, with ongoing growth in demand for craft and Mexican style beers. The distilling sector continues to grow, with robust demand for whisky.

Since GrainCorp’s seasonal update on 6 September 2018, cropping conditions have continued to be challenging with large areas of New South Wales and Queensland in drought.

As of 14 November 2018, a total of 0.5 million metric tonnes (mmt) had been received into GrainCorp’s network, including 0.2mmt in transhipments (grain transported by vessel from Western Australia/South Australia to eastern Australian ports to meet domestic demand). There will be a negligible exportable surplus in the current year, as domestic demand continues to secure supply. Consequently, FY19 will be difficult for the Grains business.

More recent rain in northern regions is positive for summer crop plantings, however it is early in the cycle and further rain would be beneficial while the planting window remains open.

Grains’ utilisation of take-or-pay rail contracts will again be constrained with tight supply and limited export volumes anticipated. These rail commitments expire at the end of FY19, with new rail contracts coming into effect in FY20, providing greater flexibility to manage transportation costs through the crop cycle.

Oils faces tight canola supplies placing pressure on crush margins but is benefiting from continued high capacity utilisation in Bulk Liquid Terminals and strong demand for liquid animal feeds and dairy blends.

Both the Malt and Oils processing businesses continue to be impacted by high energy prices in Australia.

FURTHER INFORMATION

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