

Managing Director and CEO's Address Annual General Meeting



17 February 2022

Introduction

Thank you, Peter and good morning, ladies and gentlemen.

It's a pleasure to join you for today's meeting, albeit in a virtual setting.

Following Peter's comments, I would like to focus on the following:

- Our operational and financial performance from FY21;
- An update on the current crop;
- Our progress with strategy, to deliver long-term sustainable growth for shareholders;
- The step-changes we have made with sustainability and ESG; and
- Our FY22 outlook.

Outstanding financial and operational results

GrainCorp delivered an outstanding result in FY21, with underlying EBITDA of \$331 million, up 206% on the prior year. Underlying net profit after tax (NPAT) was \$139 million, up from a \$16 million loss, and return on invested capital (ROIC) was 11.1%, up from 1.6%.

Both of our business segments performed extremely well.

Agribusiness reported underlying EBITDA of \$275 million, up from \$79 million last year. This was largely driven by our ECA grains business and the significant increase in receivables and export volumes.

We saw an acceleration in the use of CropConnect, our online marketplace, with over 12,000 growers using the platform to transact over \$4.0B in grain trades. Pleasingly, our Net Promoter Score (NPS) has also improved significantly over the past four years, reflecting the strong focus we place on our grower and customer relationships.

GrainCorp's international Agribusiness had a successful year developing new and existing markets and expanding our customer base. In addition, while the drought in North America challenged our GrainsConnect Canada Joint Venture, the conditions assisted our ECA business by driving an increase in demand for Australian grain.

The FY21 result for Auscol, our used cooking oil (UCO) business, was particularly strong, due to the rising global demand for UCO in biofuel markets. In our Feeds business, the bumper harvest did result in a decline in volumes due to the widespread availability of pasture and alternative feed sources.

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Now moving to our **Processing** business unit.

Processing reported EBITDA of \$78 million, up from \$46 million in the prior year.

Our Oilseeds business achieved strong crush margins due to robust global demand for vegetable oils and strong performance of our crush facilities. Our Foods business continued to improve plant efficiencies and enhance its product mix.

Turning to the following slide – this chart shows the Group results on a proforma basis, including the theoretical impact of the Crop Production Contract, and so demonstrates the significant improvement we have achieved in core businesses since FY17.

While FY17 and FY21 had similar ECA crop sizes and total grain handled by GrainCorp, our FY21 earnings were \$169 million higher, when excluding the impact of AASB16 – the lease accounting standard.

This significant improvement in our underlying performance reflects the hard work undertaken over several years, to improve efficiencies, create a more variable cost structure, and drive greater asset utilisation. We are delivering results on the investments we have made.

As we announced last week, we also expect strong earnings growth in FY22. This increase is being driven by higher grain inventory levels, the benefits of investment in capacity ahead of harvest, a full 12-month export program and continued strong demand for Australian grain and oilseeds. I will cover the outlook in more detail shortly.

COVID-19

The COVID-19 pandemic has challenged populations around the world and the associated restrictions have certainly tested some global supply chains.

Very pleasingly, as Peter stated earlier, GrainCorp operated without interruption throughout the pandemic, ensuring continuous service for growers and customers.

Our focus has been on keeping people safe and minimising operational downtime, and we have achieved this through extensive COVID-19 management plans and comprehensive safety and hygiene processes.

I am extremely proud of our people for their commitment to our customers and I believe our COVID-19 response has highlighted the strength of our values and the resilience of our Company.

As we look forward, we continue to plan ahead and to monitor Government requirements & advice, to ensure we remain both resilient and safe.

Second consecutive bumper crop

Following the bumper winter crop harvest in 2020/21, we've experienced another bumper season in 2021/22 and it is great to see the positive impact this has had across regional areas and the grains industry as a whole.

ABARES is forecasting total ECA winter production of 29.1mmt, which is 0.5mmt higher than the equivalent forecast last year. ECA sorghum production is estimated at 2.0mmt, which is also above the long-term average.

As of today, GrainCorp has received over 14mmt of grain into our network, compared to 13.8mmt at the date of last year's AGM. We have exported 3.3mmt of grain year to date and expect another full export program throughout the remainder of FY22 and into FY23.

Notwithstanding the size of the crop, once again, our industry faced numerous challenges including mice, floods, and a wet, interrupted harvest. The successful delivery of such a large harvest in these conditions is a demonstration of the resilience and expertise of Australian growers and the operational efficiency of the GrainCorp supply chain.

Strategy

In terms of our strategy, the video we shared this morning highlights our focus on results, sustainability, strength, and people.

Our commitment to delivering on operational initiatives, including a strong focus on business improvement and cost control, has helped to lift the return on invested capital. We will continue to identify and execute opportunities to improve our supply chain efficiencies and deliver on our commitment to lift return on invested capital.

Alongside this commitment to our core business, we remain pleased with the progress we have made in partnerships and investments across our growth themes including the ongoing development of CropConnect, investment in Hone, FutureFeed and research partnerships with CSIRO. We are well placed for continued improvement and growth in our business.

Sustainability and ESG

Now turning to sustainability and ESG more broadly.

The world's agriculture industries must work to feed a growing population, in a changing climate, with diminishing resources.

As a leading Australian agribusiness, GrainCorp has an important role to play. We operate an extensive supply chain, from farms to our country infrastructure network, through to our processing and port operations.

All these activities pose risk **and** present opportunity in sustainability and ESG – that is why sustainability is imbedded across our business strategy.

GrainCorp is already leading the way through businesses such as Auscol, one of Australia's leaders in the collection and recycling of used cooking oils and fats, and in FutureFeed, our partnership with CSIRO and others, developing asparagopsis as a feed ingredient to reduce methane emissions.

In FY21, GrainCorp renewed its focus and refreshed its approach to ESG and sustainability. We engaged with our stakeholders to understand their key areas of interest and concern, and to better respond to their expectations.

We started to report on these key areas of interest in our 2021 Sustainability Report, and we have established a rolling three-year plan to deliver on a wide range of ESG goals and commitments.

GrainCorp has committed to net zero carbon emissions by 2050 and, in the short term, will endeavour to bring forward this target date and set short and long-term targets for scope 1, 2 and 3 emissions reduction.

Another material topic of interest for GrainCorp and its stakeholders, is the responsible sourcing of ingredients and other inputs. In FY22, we are strengthening our responsible sourcing practices, including conducting a review of key input policies and further developing our Supplier Code of Conduct.

Last year, we launched GrainCorp's new and improved Community Foundation, encompassing a funding program, silo art and volunteering opportunities in regional areas.

The program is designed to support the communities in which our staff live and work, and to further our commitment to partner with growers and their families. We're accepting applications as we speak.

You will continue to see us deliver on these commitments and many more in the ESG space more broadly in the months to come. I look forward to sharing our ongoing progress.

Outlook

I would like to finish with our financial guidance and outlook for FY22

Last week, we provided earnings guidance for FY22. We expect to report underlying EBITDA of \$480-\$540 million and net profit after tax (NPAT) of \$235-\$280 million.

The strong harvest, coupled with supply shortages and drought conditions in the northern hemisphere, is driving excellent global demand for Australian grain and oilseeds and strong supply chain margins for grain exports.

We also expect good summer crop receivals in FY22, which are benefitting from optimal weather conditions.

We expect to see total receivals¹ of 16.0mmt to 17.0mmt (FY21: 16.5mmt) and exports² of 8.5mmt to 9.5mmt (FY21: 7.9mmt) for FY22. Year-to-date exports are 3.3mmt.

Our ports have been operating at capacity for the last year to send Australian grain out to the world and with forecast carry-out volumes of between 5.5 and 6.5mmt, well above the 4.3mmt carried into this year, we expect exports to continue well into FY23.

The Processing business has also continued to perform well, with Oilseeds benefitting from strong gross crush margins and high utilisation.

As we look ahead to the upcoming winter crop, sub-soil moisture is looking positive thanks to recent ECA weather patterns. While it is still very early in the year, the signs are positive for the initial planting period. I certainly wish growers the very best of conditions in the coming months.

Our current performance, strong balance sheet and the very positive financial outlook leaves us in a strong position to deliver on our commitment to both returning capital to shareholders and prudently investing in the business.

¹ Grain receivals comprise total tonnes received up-country + direct-to-port

² Grain exports include bulk + container exports



Conclusion

In concluding, I would like to thank the whole team within GrainCorp for their commitment and resilience in a challenging yet highly successful year.

On behalf of us all at GrainCorp, thank you to the growers who partner with us. As I said earlier, grain farmers have shown incredible resilience in responding to weather and other challenges.

To all of our customers and shareholders, thank you for your ongoing support.

Robert Spurway

Managing Director and CEO

This announcement is authorised for market release by the GrainCorp Limited Board.

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