

Monday, 16 March 2020

## Chairman's addresses to Demerger Scheme Meeting and General Meeting

GrainCorp Limited (ASX:GNC) (**GrainCorp**) advises that, in accordance with ASX Listing Rule 3.13.3, set out below is a copy of:

- the Chairman's address to today's Demerger Scheme Meeting in respect of the proposed demerger of United Malt Group Limited from GrainCorp (**Demerger**), which will commence at 10:00am (Sydney time) at the Hilton Hotel, Level 4, 488 George Street, Sydney NSW 2000; and
- the Chairman's address to today's General Meeting in respect of the Demerger, which will commence at 10:30am (or as soon as practicable after that time following the conclusion of the Demerger Scheme Meeting) at the same place as the Demerger Scheme Meeting.

GrainCorp advises that the Demerger Scheme Meeting and General Meeting are being webcast at:  
<https://webcast.openbriefing.com/5929>

The webcast will also be available to view on our website after the meetings have been concluded.

This announcement is authorised by the GrainCorp Board.

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**GrainCorp**

## **Chairman's Address to the Demerger Scheme Meeting**

### **Welcome**

Good morning ladies and gentlemen. Welcome to this Demerger Scheme Meeting, to be followed by the General Meeting, at which GrainCorp Shareholders will vote on the resolutions required to approve the Demerger of United Malt from GrainCorp, as described in detail in the Demerger Scheme Booklet dated 6 February 2020.

### **Quorum**

It is now 10:00am and a quorum is present, so I am pleased to declare the Demerger Scheme Meeting open.

### **Outline of the Demerger Scheme Meeting and General Meeting**

Today we are holding two meetings.

This first meeting is the Demerger Scheme Meeting to consider the Demerger Scheme Resolution to approve the scheme of arrangement to give effect to the Demerger.

The second meeting will be the General Meeting to consider the Capital Reduction Resolution to approve the reduction in GrainCorp's share capital required to implement the Demerger. The capital reduction is conditional on the Demerger becoming effective.

For the Demerger to proceed, GrainCorp Shareholders must approve each of the Demerger Scheme Resolution and the Capital Reduction Resolution, in each case by the requisite majorities.

### **Notice of Demerger Scheme Meeting**

The notice of this Demerger Scheme Meeting was included as Attachment E of the Demerger Scheme Booklet that was despatched to GrainCorp Shareholders on 13 February 2020 and that notice was given in accordance with the orders made by the Federal Court of Australia on 5 February 2020. Unless there are any objections, I will take the Notice of Demerger Scheme Meeting as read.

### **Overview of the Demerger**

If the Demerger is approved by Shareholders and the other conditions to implementation of the Demerger (which I'll outline in a moment) are satisfied, the following will occur:

- United Malt Group Limited, which is currently a wholly-owned subsidiary of GrainCorp, will become a standalone company listed on the ASX and will own and operate the international malt business currently owned by GrainCorp;
- Eligible GrainCorp Shareholders (who are not Selling Shareholders) will receive one United Malt Share for every GrainCorp Share they hold on the Demerger Scheme Record Date, which is expected to be Wednesday, 25 March 2020.
- GrainCorp will retain a minority ownership interest of 10% of the United Malt Shares on issue immediately following the Demerger;
- GrainCorp Shareholders will retain the GrainCorp Shares they hold on the Demerger Scheme Record Date; and

- Shareholders then have a choice to keep their GrainCorp Shares and their United Malt Shares or sell either or both.

### **Conditions precedent to implementation of the Demerger**

Implementation of the Demerger is subject to conditions that must follow the decisions at today's two meetings, namely: the approval from the ASX of the admission of United Malt to the Official List of the ASX; and the approval of the Demerger Scheme by the Federal Court of Australia at the Second Court Hearing, which is scheduled for Friday, 20 March.

At this time, your GrainCorp Directors are not aware of any circumstance which would cause any of these outstanding conditions to not be satisfied.

### **Rationale for Demerger**

I will now summarise why the GrainCorp Board has decided that the Demerger is in the best interests of shareholders and why it is unanimously recommended by the Board. The Board believes that the Demerger has the potential to unlock significant value for Shareholders by creating two high quality, ASX-listed agribusiness companies, each with management teams focussed on pursuing independent strategies and growth opportunities. The Demerger will also allow each of GrainCorp and United Malt to attract a wider range of new investors with differing investment strategies and preferences. The Board believes that the full value of United Malt's business has not been fully recognised by investors in recent years as it has formed part of a broader group whose business is affected by the variability of weather and crop cycles in East Coast Australia.

After the separation from GrainCorp, United Malt will be the world's fourth largest independent commercial maltster, with malting houses in Canada, the United States, Australia and the United Kingdom and strong market shares in these countries in the growing craft brewing and Scotch whisky sectors. It is also a leading craft malt distributor in North America. A detailed profile of United Malt is set out in the Demerger Scheme Booklet and it is not planned to make a presentation of that material here today, but we will be happy to answer any questions you may have about it.

GrainCorp will continue to be a leading integrated Australian agribusiness with diversified operations connecting growers to domestic and international consumers in over 30 countries spanning four continents. GrainCorp provides its international customer base with a suite of services across the grains, oilseeds, pulses, edible oils and feeds value chains. Again, the Demerger Scheme Booklet describes in detail the business of GrainCorp after the Demerger and we will not present that information in this meeting.

Over the past 12 months, the GrainCorp Board has undertaken a comprehensive review of GrainCorp's businesses and assessed a range of strategies designed to create value for GrainCorp Shareholders. The GrainCorp Board considered numerous potential alternatives, including the sale of the United Malt business. After considering the advantages, disadvantages and risks of these alternatives, the Board determined that the Demerger has the potential to deliver greater value to Shareholders over time than the alternatives considered.

The GrainCorp Board is committed to ensuring that, should the Demerger proceed, both GrainCorp and United Malt are established with a strong foundation for success and growth as independent, ASX-listed companies. If the Demerger proceeds, both United Malt and GrainCorp will have appropriate balance sheets, prudent financial policies and experienced boards and management teams so that both companies will be well-positioned to create future value for their shareholders.

Before launching this Demerger proposal, the Board took a number of initiatives to help ensure that both companies would have appropriate and prudent capital structures. As a business with earnings that are relatively predictable from year-to-year, United Malt will have a policy of maintaining net debt in the range of 2.0—2.5 times its Earnings Before Interest Tax and Depreciation to preserve balance sheet strength and flexibility, however, as a result of the seasonality of United Malt's business and the related working capital requirements (which are higher at 31 March and lower at 30 September), this ratio is likely to be exceeded at times during the course of a financial year.

GrainCorp—with its earnings and cash flow variable from year-to-year based on weather and crop cycles—will be initially structured with low core debt. This has been achieved by the sale of GrainCorp's Australian Bulk Liquid Terminals with the proceeds largely applied to reduce core debt. The post-demerger balance sheet of GrainCorp will also be strengthened by two further factors. First, the 10-year Crop Production Contract which came into operation in this 2020 financial year under which for a modest annual premium, GrainCorp can receive up to \$80 million payment in very poor crop years. Second, GrainCorp will retain a 10 percent stake in United Malt, not as a strategic investment, but as a valuable liquid, non-core asset to provide GrainCorp with additional balance sheet resources and financing flexibility.

#### **Directors' Recommendation**

Your Directors unanimously recommend that Shareholders vote in favour of the Demerger Resolutions. Each Director intends to vote, or cause to be voted, any Shares that he or she holds or controls in favour of the Demerger Resolutions. The Directors' recommendation is supported by the conclusion of Grant Samuel & Associates, the independent expert appointed by GrainCorp to review the proposed Demerger, which is that the Demerger, is in the best interests of GrainCorp Shareholders.

#### **Demerger Scheme Resolution and voting thresholds**

The Demerger Scheme Resolution, as set out in the Notice of Demerger Scheme Meeting that accompanied the Demerger Scheme Booklet, is as follows:

*"That pursuant to, and in accordance with, section 411 of the Corporations Act, the Demerger Scheme, the terms of which are contained in and more particularly described in the Demerger Scheme Booklet (of which this Notice of Demerger Scheme Meeting forms part) is approved (with or without modification as approved by the Court)."*

In accordance with the Corporations Act, the Demerger Scheme Resolution must be approved by a Requisite Majority of GrainCorp Shareholders, being:

- a majority in number (being more than 50%) of GrainCorp Shareholders who are present and voting either in person or by proxy, attorney or, in case of corporate GrainCorp Shareholders, by corporate representative; and
- at least 75% of the total number of votes cast by GrainCorp Shareholders on the Demerger Scheme Resolution.

As noted in the Notice of Demerger Scheme Meeting and proxy form for the Demerger Scheme Meeting that accompanied the Demerger Scheme Booklet, in my capacity as Chairman of this Demerger Scheme Meeting, I intend to vote all available proxies (including undirected proxies) in favour of the Demerger Scheme Resolution.

### Timetable for implementation

If the Demerger Scheme is approved by Shareholders at this meeting and the Capital Reduction is approved by Shareholders at today's General Meeting, the key dates in the Demerger implementation timetable are:

- we will seek orders from the Federal Court of Australia approving the Demerger Scheme on Friday, 20 March 2020;
- if the Court approves the Demerger Scheme, on Monday, 23 March 2020, GrainCorp will lodge the Court's orders with ASIC and the Demerger Scheme will become effective on that date;
- United Malt Shares are expected to commence trading on the ASX (on a deferred settlement basis) on Tuesday, 24 March 2020 under the "UMG" ticker code;
- the time and date for determining entitlements to United Malt Shares, being the Demerger Scheme Record Date, is expected to be 7:00pm (Sydney time) on Wednesday, 25 March 2020;
- transfer of United Malt Shares to GrainCorp Shareholders is expected to occur on Wednesday, 1 April 2020; and

United Malt Shares are expected to commence trading on the ASX on a normal settlement basis on Thursday, 2 April 2020.

## Chairman's Address to the General Scheme Meeting

### Welcome

Welcome, and thank you to those remaining with us for this General Meeting, at which GrainCorp Shareholders will vote on the Capital Reduction Resolution, as described in the Notice of General Meeting that accompanied the Demerger Scheme Booklet dated 6 February 2020.

### Quorum

A quorum is present, so I declare the General Meeting open.

### Notice of General Meeting

The notice of this General Meeting was included as Attachment F of the Demerger Scheme Booklet that was despatched to GrainCorp Shareholders on 13 February 2020. Unless there are any objections, I will take the Notice of General Meeting as read.

### Capital Reduction

The Capital Reduction is a necessary step in the process of implementing the Demerger. The Capital Reduction is a return of capital on GrainCorp Shares which, under the Demerger, will not be paid in cash to GrainCorp Shareholders – instead, the Capital Reduction will be applied, together with the Demerger Dividend, as consideration for the transfer of United Malt Shares under the Demerger.

The Capital Reduction Resolution, as set out in the Notice of General Meeting that accompanied the Demerger Scheme Booklet, is as follows:

*“That, subject to and conditional on the scheme of arrangement set out in Attachment C of the Demerger Scheme Booklet (of which the notice convening this General Meeting forms part) (**Demerger Scheme**) becoming Effective in accordance with section 411(10) of the Corporations Act and, for the purpose of section 256C(1) of the Corporations Act and for all other purposes, GrainCorp’s share capital be reduced on the Demerger Implementation Date by the Capital Reduction Amount (as defined in the Demerger Scheme), with the reduction to be effected and satisfied by applying the Capital Reduction Amount equally against each GrainCorp Share on issue as at the Demerger Scheme Record Date (rounded to the nearest Australian cent) and in accordance with the Demerger Scheme.”*

The Capital Reduction Resolution is conditional on the Demerger Scheme becoming effective. It will not come into effect unless and until the Demerger Scheme becomes effective in accordance with the Corporations Act.

For the Demerger Scheme to become effective, the approval of the Capital Reduction Resolution by Shareholders at this meeting is required and must be approved by a Requisite Majority of GrainCorp Shareholders (being at least 50% of the votes cast by GrainCorp Shareholders who are present and voting at this General Meeting, either in person or by proxy, attorney or in the case of a corporation, its duly appointed corporate representative).

As noted in the Notice of General Meeting and proxy form for the General Meeting that accompanied the Demerger Scheme Booklet, in my capacity as Chairman of this General Meeting, I intend to vote all available proxies (including undirected proxies) in favour of the Capital Reduction Resolution.



**GrainCorp**

### **GrainCorp Directors' recommendation**

Your GrainCorp Directors unanimously recommend that GrainCorp Shareholders vote in favour of the Capital Reduction Resolution. Each GrainCorp Director intends to vote, or cause to be voted, any GrainCorp Shares that he or she holds or controls in favour of the Capital Reduction Resolution.

GrainCorp is of the view that, taking into account all relevant matters, the Capital Reduction is fair and reasonable to GrainCorp Shareholders as a whole and will not materially prejudice the ability of GrainCorp to pay its creditors.

### **Independent expert's conclusion**

Grant Samuel & Associates, the independent expert appointed by GrainCorp to review the proposed Demerger, has concluded that the Demerger is in the best interests of GrainCorp Shareholders and that the Capital Reduction will not materially prejudice the ability of GrainCorp to pay its creditors.

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### **Closure of meeting**

As this will likely be my last meeting of shareholders which I will chair as GrainCorp's Chairman, I want to thank you, Shareholders, for your support and for the continued support for the company during my time as chair. I also thank my Board colleagues and GrainCorp executive colleagues here today for their hard work in bringing all the pieces together that have culminated in today's resolutions. As I noted in my address to the Demerger Scheme Meeting, the Board believes that the Demerger has the potential to unlock significant value for Shareholders by creating two high quality, ASX-listed agribusiness companies, each with management teams focussed on pursuing independent strategies and growth opportunities. To my Board and executive colleagues who will continue as part of the GrainCorp team, I wish you a long and prosperous future.