HY20 Results

14 May 2020

GrainCorp

Disclaimer

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Executing against strategy

Portfolio repositioning

- Demerger of United Malt
- Sale of Australian Bulk Liquid Terminals
- Profit of $388 million[1] and a well funded balance sheet

Building momentum

- Maintaining business resilience through COVID-19
- Undertaking “harvest readiness” - preparing for larger winter crop in FY21
- Delivering on operational initiatives

Operational performance

- Underlying EBITDA of $183 million[2]
- Underlying NPAT of $55 million[3]
- Zero core net debt at 31 March 2020

Outlook

- Widespread winter planting – well positioned to benefit in FY21
- Small summer crop, ‘tonnes handled’ skewed to first half
- Operational initiatives and strong balance sheet create strategic growth platform

1. Net profit/loss after tax and after significant items – represents profit attributable to shareholders.
2. Underlying EBITDA is a non-IFRS measure representing earnings before interest, tax, depreciation and amortisation before significant items. Includes continuing operations and Malt operations until demerger. Significant items are $333 million after tax, comprising transaction related costs, gain on sale of liquid terminals and profit on demerger of United Malt.
3. Net profit after tax and before significant items is a non-IFRS measure – represents profit from continuing operations ($27m) and Malt operations until Demerger ($28m).

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Creating platform for growth

Delivering on operational initiatives to strengthen GrainCorp's core and drive greater value creation

Harvest readiness

- Preparing to handle larger East Coast Australia (ECA) crop
- Focused maintenance program
- Optimising use of plant and machinery
- Large-scale procurement of tarpaulins
- Extensive recruitment and training

Operational initiatives

- Effectively managing crop variability
  - Crop Production Contract
  - Flexible rail contracts
- New operating model – integration of Grains and Oils
- Maximising our assets
  - Improving crush margins
  - Optimising ECA network

Resilience through COVID-19

Food & Agriculture an essential service – GrainCorp playing critical role supporting supply chain

Our people

- Maintaining operations, protecting jobs
- Office roles working from home
- Maintaining hygiene and social distancing
- Physical and mental wellbeing programs
- Production facilities continually audited

Our business continuity

- Supply chain and processing plants largely uninterrupted
- Continuing to service customers, addressing health risks
- Demand has held up strongly, albeit a change in mix

Our stakeholders

- Industry and government engagement to support economic recovery
- Large regional recruitment program for upcoming harvest
- Maintaining minimal core debt

Improved financial performance

Large increase in earnings, notwithstanding third consecutive year of drought

Underlying EBITDA[1]

$183 million

▲ from $27 million

Underlying NPAT[2]

$55 million

▲ from $48 million loss

Core Debt

Zero

▼ from $802 million

- Earnings skewed to 1H in line with tonnes handled
- New operating model, more flexible rail contracts and Crop Production Contract
- ECA grain receivals 3.8mmt (up from 2.3mmt)
- Strong performance from Feeds, Fats and Oils
- Oilseed crush margins recovered; crush plants operating well
- Strong balance sheet with zero core debt at 31 March 2020
- Retained 10% minority interest in UMG
- Limited capex – FY20 expecting $35-45m

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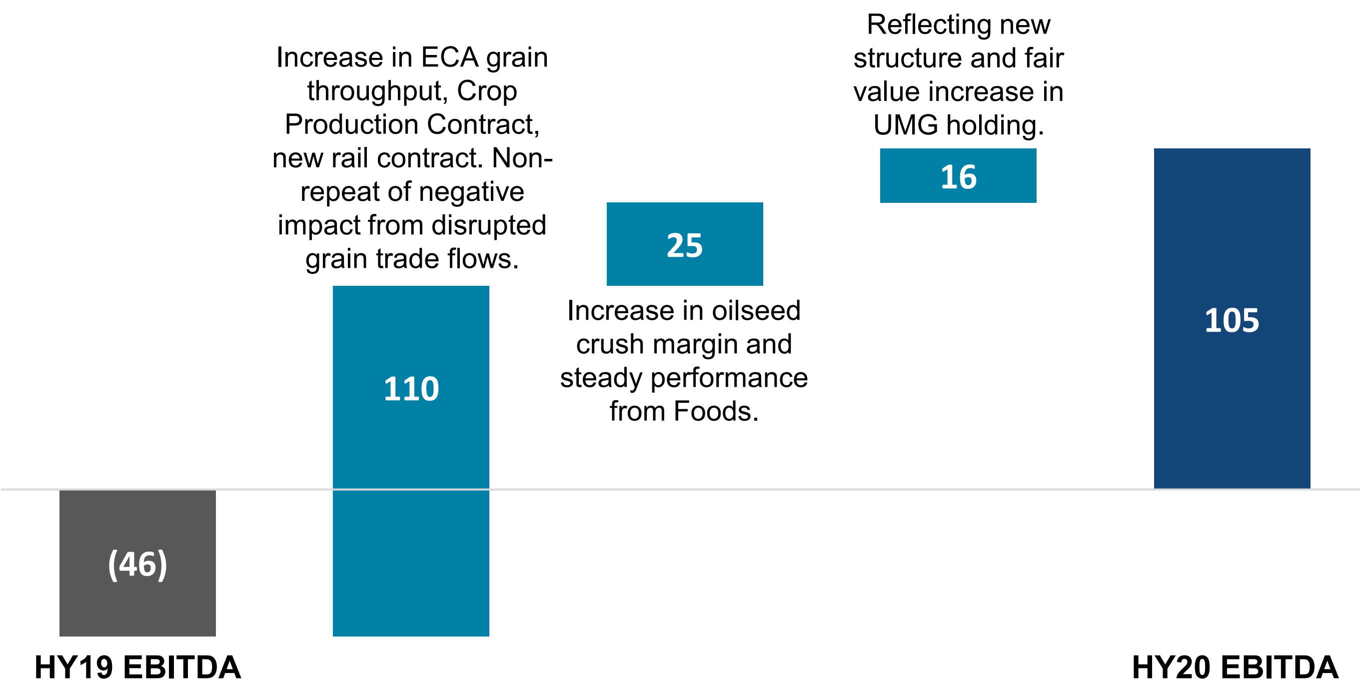
Substantial turnaround since HY19

HY19 – HY20 Earnings Bridge[1] ($M)



	Agribusiness	Processing	Corporate	EBITDA (Continuing operations)	Malt	EBITDA (incl. Discontinued Operations)
HY20 ($M)	**82**	**23**	**-**	**105**	**78**	**183**
HY19 ($M)	(28)	(2)	(16)	(46)	73	27

1. Excludes significant items. Numbers rounded to nearest $M.

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Crop Production Contract – effectively managing ECA crop production risk

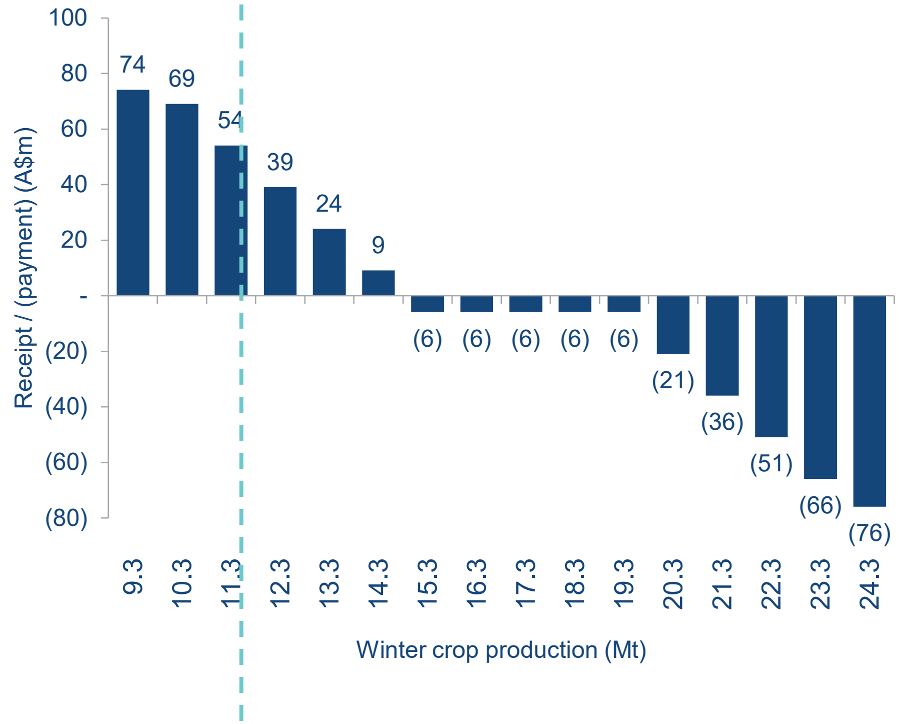
FY20 – Year 1 outcome of contract:

- ABARES' 2019/20 total winter crop production estimate (Feb 2020) : 11.44mmt[1]
- Total gross production payment of ~$58 million (~$45 million net of $6 million annual fixed payment and $7 million fair value adjustment) due to GrainCorp

Contract details:

- First ABARES estimate for FY21 winter crop due Wednesday 10 June 2020.
- Annual maximum gross production payments:
  - $70 million (GrainCorp payment)
  - $80 million (GrainCorp receipt)

Crop production contract – production payment profile[2]

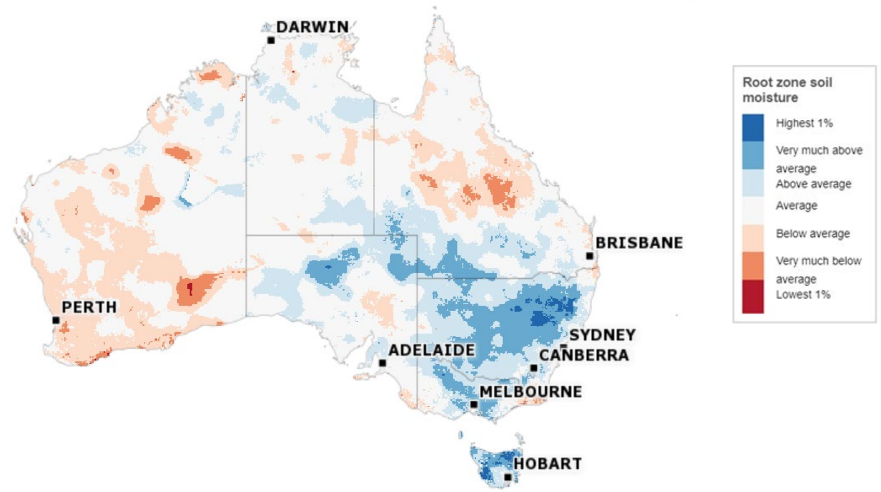


1. 'Winter crop production' = ABARES' winter crop production for the Australian states of Queensland, New South Wales and Victoria. Includes barley, canola, chickpeas, faba beans, field peas, lentils, linseed, lupins, oats, safflower, triticale and wheat.
2. Crop Production Contract payment profile includes the annual fixed payment of ~$6m.

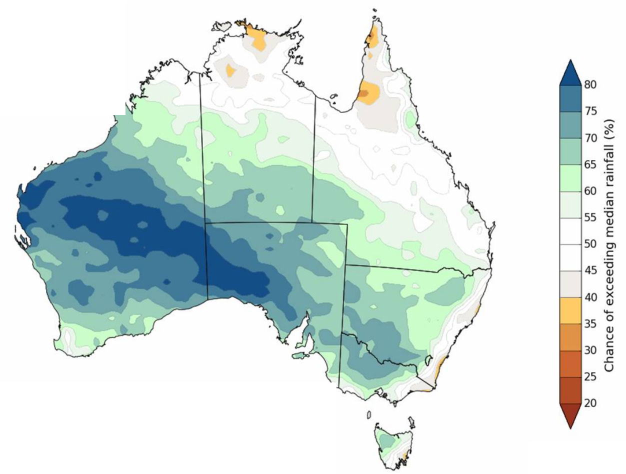
Outlook

- Small FY20 ECA summer crop
- Earnings skewed to 1H in line with tonnes handled
- Reduced imports as domestic demand likely to taper in Q4 with positive crop outlook for FY21
- Favourable ECA soil moisture has supported widespread planting for FY21 crop
- 'Harvest Readiness' underway, with supply chain network preparing to receive a larger east coast crop
- Strong oilseed crush margins expected to continue due to supportive canola oil and meal values

Root zone soil moisture[1], April 2020



Chance of above median Rainfall for May to July Period[1]



1. Source: Bureau of Meteorology

Questions

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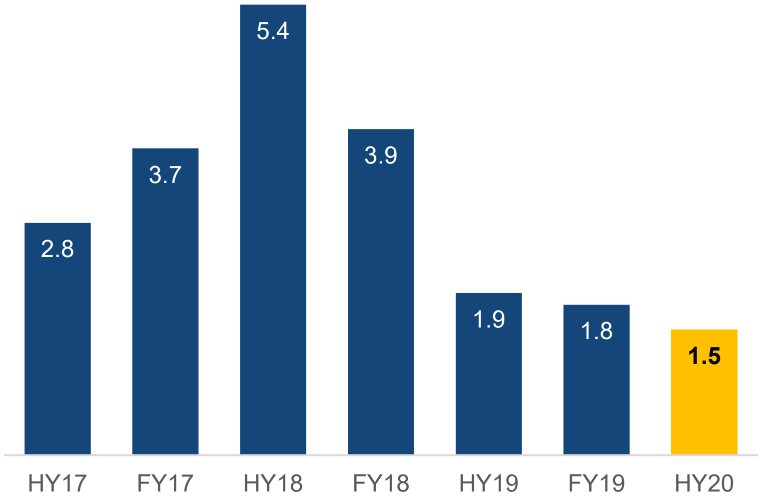
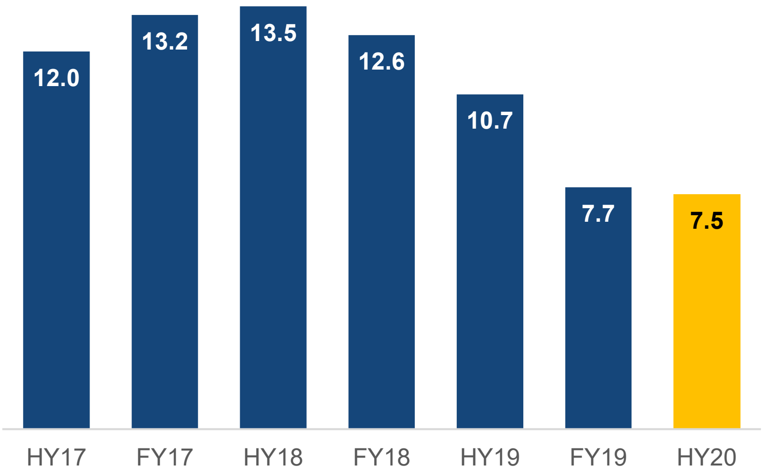
Supplementary information

Commitment to safety is fundamental

Lost Time Injury Frequency Rate (LTIFR)[1,3]



Recordable Injury Frequency Rate (RIFR)[2,3]



- Improvement in key safety metrics with increased number of Safety Health and Environment (SHE) engagements and Critical Risk Reviews undertaken during the period
- Introduced 'Fit4Life', a health and wellness program for employees
- Progress being made in standardising and improving key environmental management systems across sites, including Environmental Management Plans, Aspects & Impacts Registers and Obligations Trackers

1. Lost Time Injury Frequency Rate (LTIFR) is calculated as the number of lost time injuries per million hours worked, on a rolling 12-month basis. Includes permanent and casual employees and GrainCorp controlled contractors.
2. Recordable Injury Frequency Rate (RIFR) is calculated as the number of injuries per million hours worked, on a rolling 12-month basis. Includes lost time injuries, medical injuries and restricted work injuries. Includes permanent and casual employees and GrainCorp controlled contractors.
3. Safety metrics on this slide are for continuing operations (i.e. exclude United Malt).

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Financial summary – continuing operations

$M[1]	Revenue		EBITDA[2]	
	HY20	HY19	HY20	HY19
Agribusiness	1,972	1,798	82	(28)
Processing	306	256	23	(2)
Corporate	-	-	-	(16)
Eliminations and other	(319)	(159)	-	-
Total	**1,959**	**1,895**	**105**	**(46)**

1. Continuing operations (excludes United Malt)
2. Before significant items.

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Agribusiness – managing drought with Crop Production Contract and new rail contracts

$M	HY20	HY19
Revenue	1,972	1,798
EBITDA	82	(28)
EBIT	43	(63)
Capex	8	20

Year-to-date[1] volumes (mmt)[2]	HY20	HY19
Total grain sales	4.6	3.9
Grain receivals (ECA)[3]	3.8	2.3
Grain exports (ECA)[4]	0.6	0.2
Grain trans-shipments (through GrainCorp ports)	0.9	1.1
Non-grain handled (ECA)[5]	1.1	1.5

- Third year of drought continued to have adverse impact on east coast Australia (ECA), with ECA grain production (winter + summer) 11.1mmt[6] (FY19: 7.7mmt), substantially below long-term average
- Continued to reverse port supply chains, trans-shipping grain to manage ECA grain deficits. Grain export volumes were minimal as domestic demand secured supply
- Ongoing focus on cost reduction, customer engagement and asset utilisation. Benefited from more flexible rail contracts which started in FY20
- Non-repeat of negative impact from disrupted grain trade flows

- Strong result from Feeds, Fats & Oils (FFO) with continued demand for liquid feeds, tallow and used cooking oil (UCO)
- Result includes ~$45 million from Crop Production Contract (net of costs of $6 million and fair value adjustment of $7 million)
- Continued the international growth strategy with the Fraser Grain Terminal (FGT) project in Vancouver, Canada progressing well and expected to open in Q1 CY21
- Supply chain continued to play critical role supporting food chain amid COVID-19 – bulk and trucks less impacted than containers

1. 1 Oct 2019 to 31 March 2020
2. mmt = million metric tonnes.
3. Tonnes received up-country + direct-to-port.
4. Bulk + container exports
5. e.g. sand, cement, sugar, woodchips, fertiliser
6. Average of ABARES' and ACF's 2019-20 ECA production estimates for wheat, barley, canola, chickpeas and sorghum.

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Processing – improvement in crush margins

$M	HY20	HY19
Revenue	306	256
EBITDA	23	(2)
EBIT	11	(12)
Capex	3	3

- **Oilseeds:** oilseed crush margins have recovered strongly due to increased ECA canola supply and stronger oil and meal demand/pricing
- Numurkah crush plant is performing well and has operated at high utilisation this financial year
- **Foods:** stable demand and improved financial performance. Current trading conditions remain positive despite COVID-19 challenges for food processors
- New Zealand Feeds and Foods businesses have both passed COVID-19 ‘essential business’ audits conducted by the Ministry of Primary Industries, with the sites able to continue operating during the lockdown
- In Australia, operations have adjusted to local, State and Federal COVID-19 requirements, with no issues of note experienced in operations to date

Delivering on initiatives to strengthen the core

	Initiative	Description / benefits	Status – FY20
Managing variability	10-year contract to manage ECA crop production risk	• 10-year Crop Production Contract (CPC), effective from FY20, ensures GrainCorp's cash flows are supported during poor ECA harvests	• Important support for GrainCorp in drought year. • HY20 results include ~$45 million receipt from CPC (see Slide 16 for more detail).
	More flexible rail contracts	• GrainCorp's new rail contracts, effective in FY20, have substantially lower fixed take-or-pay costs, providing greater flexibility for cost base.	• In current drought-affected year (FY20), GrainCorp is benefiting from lower fixed rail costs, lower rates and more flexibility for our rail providers and our operations; approx. $10-15 million benefit estimated for FY20.
Simplifying the operating model	Integration of Grains and Oils	• Combining Grains and Oils businesses is driving a number of benefits, through shared grain accumulation, storage, freight and logistics and overlapping end customer bases in ECA.	• Now reporting as Agribusiness and Processing • Improved margins in HY20; resulting from cost reduction and margin improvement from better decision-making.
	Simplification initiatives	• Reducing complexity in the business through a structured program of process redesign and "Lean" deployment	• HY20 corporate costs were $6 million (before UMG fair valuation adjustment), down from $16 million in HY19.
Maximising our assets	Supply chain integration / asset utilisation	• GrainCorp integrated its supply chains in FY19 to streamline decision making and increase asset utilisation. • GrainCorp continues to develop its ECA grains network of the future, while expanding import / export port services.	• Notwithstanding minimal exportable surplus in ECA in FY19 and HY20, GrainCorp has continued to drive volumes through its supply chains and adapt the network to handle imported grain from inter-state. • A potential stronger harvest in FY21 will enable GrainCorp to accelerate these benefits.
	Numurkah crush expansion and crush margin improvement	• Focus on increasing the utilisation of the Numurkah and Footscray processing facilities and improving crush margins by delivering products that suit the needs of customers	• Improved supply chain integration has enhanced the utilisation and performance of the Numurkah and West Footscray processing plants. • Crush margins have recovered strongly with increased ECA canola supply and stronger meal and oil demand.

Crop Production Contract – effectively managing ECA crop production risk

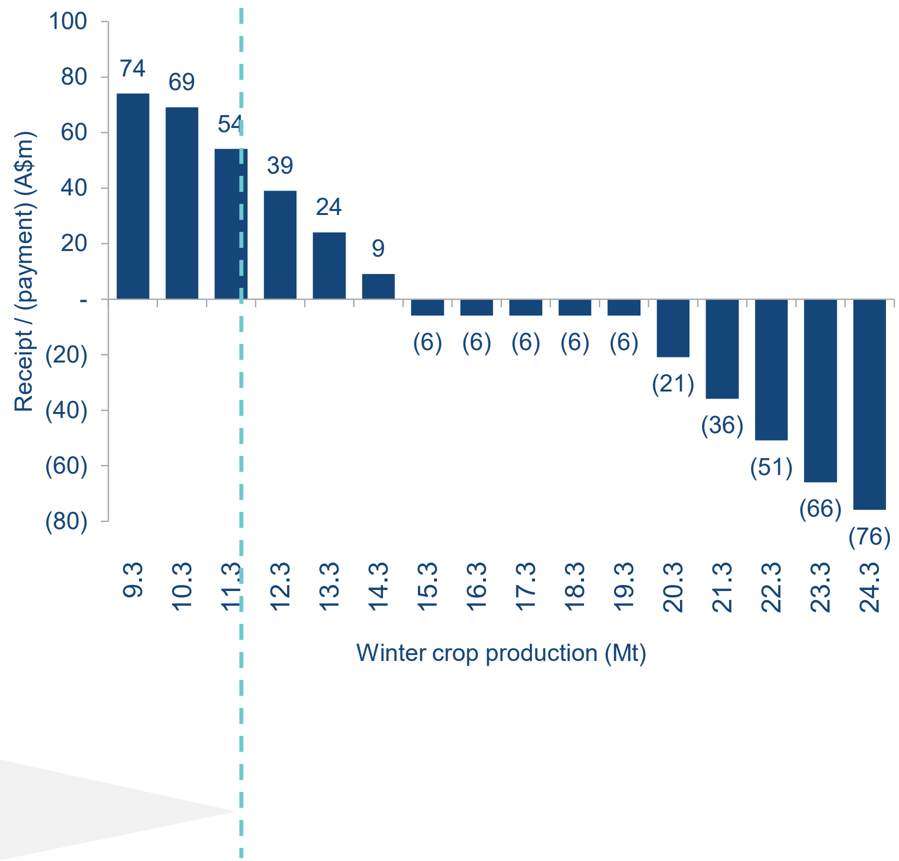
Crop Production Contract - summary

- GrainCorp entered a 10-year Crop Production Contract (starting FY20) with White Rock Insurance (SAC) Ltd, a subsidiary of AON plc, as a means of managing ECA crop production risk.
- Under the Contract, production payments depend on annual ECA winter crop production, as estimated by ABARES.
- First ABARES estimate for FY21 winter crop due Wednesday 10 June 2020.
- Annual maximum gross production payments:
  - $70 million (GrainCorp payment)
  - $80 million (GrainCorp receipt)

Year 1 contract outcome (FY20):

- ABARES' 2019/20 total winter crop production estimate (Feb 2020) : 11.44mmt[2]
- Total gross production payment of ~$58 million (~$45 million net of $6 million annual fixed payment and $7 million fair value adjustment) due to GrainCorp:
  - 90% received (cash inflow) by GrainCorp in March 2020;
  - Balance due in Q4 FY20 and subject to final calculation ('true-up') based on updated June 2020 ABARES' estimate.

Crop production contract – production payment profile[1]



1. Crop Production Contract payment profile includes the annual fixed payment of ~$6m.
2. 'Winter crop production' = ABARES' winter crop production for the Australian states of Queensland, New South Wales and Victoria. Includes barley, canola, chickpeas, faba beans, field peas, lentils, linseed, lupins, oats, safflower, triticale and wheat.

Debt / cash profile

GrainCorp had core net cash at 31 March 2020, a well-funded and strong position to be in post the Demerger of United Malt.

- Core debt gearing[1] of 0% and net debt gearing[1] of 44%
- Debt balances are subject to variances in cash flows, including:
  - Seasonal fluctuations in working capital;
  - Deferred grower payments; and
  - Capital expenditure
- GrainCorp intends to target maintaining minimal core debt
- GrainCorp holds a minority ownership interest of 10% of United Malt Group (ASX: UMG). This is to provide additional balance sheet resources and financing flexibility. It is not a strategic holding and has no escrow or other restrictions.

Facilities Overview

$M	31 Mar 2020
Term debt – 4-year evergreen	150
Working capital and letters of credit[2]	396
Inventory facilities	924
Total	**1,470**

Debt and Liquidity Profile ($M)

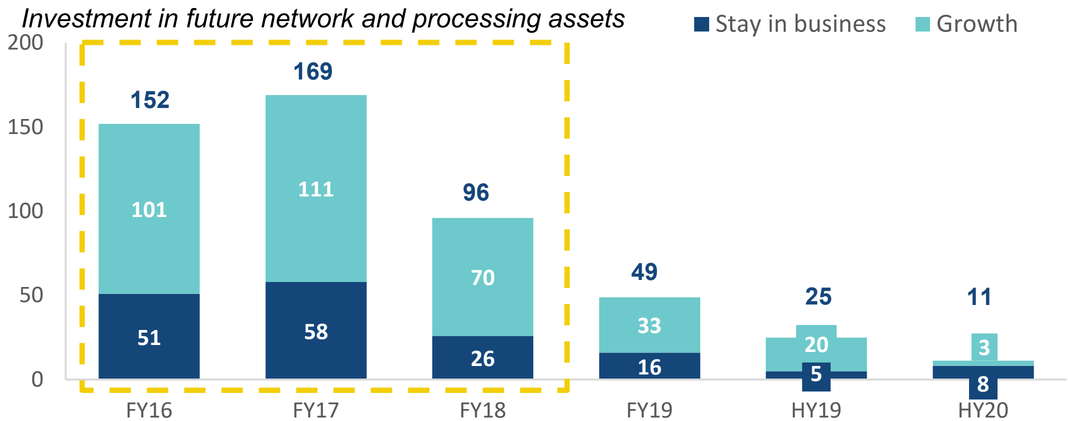
	31 Mar 2020
Term debt	150
SCT and working capital financing	971
Cash	(212)
Net debt	**909**
Commodity inventory	(914)
Core debt / (cash)	**(5)**
Retained UMG stake (fair value)	(112)
Core debt/(cash) net of retained UMG stake	**(117)**

1. As at 31 March 2020
2. Includes $150 million for the standby letter of credit to support the Crop Production Contract

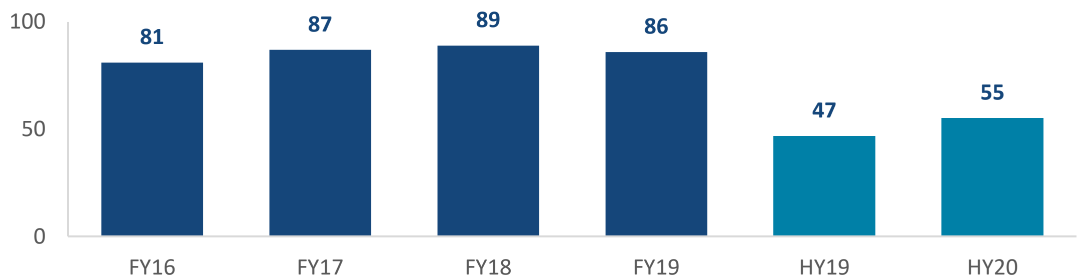
Disciplined capital expenditure

GrainCorp's capital expenditure peaked in FY17 and has since declined as major capital works have completed

Capex – Continuing Operations[1] ($M)



Depreciation & Amortisation – Continuing Operations ($M)



- Capex was elevated in FY16-FY18 due to investment in future grain network and Processing assets, including:
  - ECA network upgrades;
  - Investments in overseas growth projects in Agribusiness (GrainsConnect Canada JV);
  - Major oilseed crushing plant expansions (Numurkah); and
  - Investment in the food manufacturing and oil refining facilities
- Major capital works were largely completed in FY19
- GrainCorp has maintained a disciplined approach to capital expenditure, assisted by the rationalised storage and logistics assets in the ECA network and drought conditions.
- FY20 capex expected to be $35-45 million.
- Depreciation & amortisation is currently elevated due to recent intensive capex program
- ~$13 million of HY20 D&A attributable to adoption of AASB16.

1. Includes capex for Australian Bulk Liquid Terminals

FY20 outlook

Market fundamentals

- Large parts of east coast Australia (ECA) affected by drought in 2019/20 cropping season.
- FY20 ECA winter crop production[1] estimate of 10.8mmt, (FY19: 6.5mmt), skewed to Victoria and southern NSW.
- FY20 ECA summer crop estimate of 0.3mmt (FY19: 1.2mmt)[2].
- Minimal exportable surplus in ECA from 2019/20 crop. Grain continuing to be imported (trans-shipped) from inter-state to ECA ports.
- FY20 Australian canola crop production estimate of ~2.3mmt (FY19: 2.2mmt)[3]. ECA 0.9mmt (FY19: 0.5mmt)
- Significant rainfall events in ECA in recent months and favourable three-month weather outlook (Bureau of Meteorology forecasting wetter than average May to July for most of Australia).

GrainCorp FY20 outlook

- Higher grain exports expected in 2H, however offset by lower imports as domestic demand likely to taper in Q4 with recent rainfall positive for FY21 season.
- Tonnes handled skewed to first half.
- New rail contracts to remain beneficial for GrainCorp and rail operator with greater flexibility and alignment to volumes.
- Continuation of strong oilseed crush margins due to improved canola oil and meal values.
- Widespread planting for FY21 crop expected due to recent rainfall in ECA and favourable weather outlook. Access to fertiliser and other inputs a challenge as growers progress planting.

1. Average of ABARES' (Feb 2020) and ACF's (Apr 2020) ECA production estimates for wheat, barley, canola and chickpeas.
2. Average of ABARES' (Feb 2020) and ACF's (Apr 2020) ECA production estimates for sorghum.
3. Average of ABARES' (Feb 2020) and ACF's (Apr 2020) total Australian production estimates for canola.

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Reconciliation – underlying to statutory NPAT

$M	Segment	NPAT	Details
Underlying – continuing operations		27	
Underlying – discontinued operations (Malt)		28	
Underlying – including continuing and discontinued operations		**55**	
Transaction costs	Corporate	(8)	Relates to costs incurred to support the Board and management in the Group's Portfolio Review, including sale of Australian Bulk Liquid Terminals.
Gain on sale of Australian bulk Liquid Terminals	Agribusiness	59	Relates to the gain on sale of the Australian Bulk Liquid Terminals business.
Profit on Demerger	Discontinued Operations	282	Relates to the net profit on demerger of the Malt business unit.
Total Significant Items		**333**	
Statutory		**388**	

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