17 May 2022

ASX Announcement

1H22 Results Release

United Malt Group Limited (ASX: UMG) today announced its financial results for the half year ended 31 March 2022 ("1H22").

- **Underlying EBITDA $57 million[1] (before SaaS costs) in line with recent guidance, down 5% on prior corresponding period[2]**
- **FY22 earnings guidance re-confirmed - Underlying EBITDA expected to be $115 - 140 million[3] (before SaaS costs)**
- **Meaningful increase in FY23 EBITDA expected as conditions normalise and strategic initiatives, including transformation program, deliver earnings uplift**

Group Financial Results

Group revenue increased by 11 per cent to $652 million as customer demand increased in each of the Company's domestic markets and due to the higher barley price. As advised in the trading update issued on 26 April 2022, this improvement was offset by external factors, predominately affecting our Processing segment, including the Canadian drought impacting barley quality, supply chain disruption and timing of recovery from customer of input cost inflation.

Underlying EBITDA (before SaaS costs) was $57 million, down 5 per cent on the prior corresponding period and in line with the guidance provided at the trading update.

Net Profit After Tax was $10 million compared to $14 million for 1H21. Earnings per share were 3.4 cents compared to 4.6 cents for the prior corresponding period.

Group Financial Results Summary

A$m (unless specified)	1H22	1H21
Revenue	651.6	589.6
Underlying EBITDA (excluding one-off items and SaaS)	57.3	60.5
EBITDA	51.5	53.1
EBIT	21.2	23.7
Net Profit After Tax	10.3	13.6
Earnings Per Share	3.4 cents	4.6 cents
Interim Dividend	1.5 cents	2.0 cents

[1] EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items.
[2] During the half-year the Group restated its 1H21 accounts for an historical overstatement of inventory on-costs. The adjustment has no impact on the earnings guidance for FY22 issued on 26 April 2022. See notes to the Financial Statements for further details (Overview note b). 1H21 comparative numbers shown throughout this release reflect the restated 1H21 position.
[3] EBITDA in FY22 is expected to be $103 - $128 million (after SaaS costs). SaaS costs for FY22 are expected to be ~$13 million.

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Financial Position and Balance Sheet

United Malt remains in a solid financial position. Net debt at 31 March 2022 was $427 million compared to $312 million at 30 September 2021.

The gearing ratio (net debt/ EBITDA) at 31 March 2022 was 3.2 times[4]. The increase in gearing was partially driven by higher barley and malt inventory prices resulting in increased inventory financing. While this represents a temporary increase above the Company's target gearing range of 2.0 - 2.5 times, it remains within banking covenants. Gearing is expected to revert to the target range in FY23.

The Company has no significant near-term refinancing commitments with long term debt facilities not maturing until November 2024.

Capital Expenditure

Capital expenditure for the period was $47 million and capital expenditure for FY22 is expected to be approximately $110 million. As previously advised, FY22 represents the peak in growth capital expenditure as the Scottish project completes. For the next few years, the Company expects base capital expenditure to be in the range of ~$55 to $60 million including stay-in-business and safety-related investment in the range of ~$30 to $35 million.

Dividend

The Board resolved to pay an interim dividend of 1.5 cents per share (unfranked). The record date for determining entitlements to the interim dividend is 2 June 2022, with scheduled payment on 17 June 2022.

Segment Results

In the **Processing segment**, revenue increased by 10 per cent to $498 million, reflecting increased sales volumes and higher barley prices. Sales volumes increased in each of our domestic markets reflecting the reopening of customer markets and increased customer demand, while export sales continue to be delayed with ongoing container freight disruptions.

Underlying EBITDA declined by 12 per cent to $41 million, affected by the significant deterioration in the Canadian barley crop quality which reduced yields and increased production costs. The reduced Canadian crop also resulted in the Company incurring additional logistics costs to import barley into Canadian processing plants from Denmark. The combined impact of additional barley required to address reduced quality, yield and the additional logistics costs for importing barley was $8 million for the period.

Earnings were also impacted by disruption in sea, rail and road freight which delayed shipments to some customers and increased inflation costs, including energy and inbound and outbound freight costs totaling $3 million in the period. These recent cost escalations will be largely passed through to customers over the course of the next 9 months, reducing the impact into FY23.

The Company continues to generate positive momentum in its **Warehouse & Distribution** segment.

Revenue increased by 13 per cent to $169 million with the return of craft brewing demand as major markets reopened and the optimisation initiatives delivered improvements in revenue and underlying earnings. Underlying EBITDA increased by 14 per cent to $21 million. The segment operates on a relatively short cycle and is able to pass through input cost increases to customers and maintain margins in an inflationary environment.

4 Based on a 12 month rolling EBITDA excluding the impact of AASB16, Significant Items and net debt excluding finance lease commitment. The impact of AASB16 on the 12 month rolling EBITDA is $15.8m

Commentary on Results and Outlook

Managing Director and CEO, Mark Palmquist said: "Customer demand is returning as most of our markets reopen and COVID-19 restrictions are lifted. We are seeing sales volumes continue to recover and we are expecting full year sales volumes to exceed FY21 levels and approach pre-COVID (FY19) levels.

"As we indicated at the trading update in April, our Processing segment in Canada was impacted by a number of external challenges, including the significant deterioration in Canadian barley crop conditions, supply chain disruptions and cost inflation.

"While this has impacted our results in the short term, we expect a meaningful recovery in earnings as a more typical barley crop returns in Canada and as we price customer contracts to pass on the impacts of higher input costs over the coming 9 months. Importantly, we have maintained our focus on ensuring an uninterrupted supply of malt to our customers during this period.

"In our Warehouse & Distribution segment, where customer cycles are shorter and additional costs can be passed through more quickly, we continue to generate revenue and earnings momentum.

"Longer term, we remain very confident about the positive fundamentals of the industry. Beer remains a significant and growing beverage category while demand for craft beer and ancillary products continues to accelerate. Demand for distilling continues to grow with United Malt's customers laying down spirits for 10+ years for aged whisky.

"We continue to put the necessary building blocks in place to take full advantage of these positive market fundamentals.

"In the UK, we remain focused on servicing the Scottish whisky market which requires quality malt to meet the long-term requirements of distillers to produce aged whisky.

We continue to expect incremental EBITDA of approximately $18 million on a full year run rate basis from our Scottish expansion project.

"The new facility in Inverness will provide an additional 57,000 tonnes of capacity to service the distilling market with a significant proportion of the new capacity underpinned by expanded contracts with customers. The site is expected to be producing commercial quality malt in the fourth quarter of calendar 2022.

"Meanwhile, we are progressing our new specialty ingredient processing plant in Calgary which is supporting growing demand for new products in craft beer and food applications.

"Our transformation program to create a simplified, more efficient and effective organisation is progressing. We are confident about and committed to delivering approximately $30 million in annualised net benefits by FY24."

Mr Palmquist concluded: "United Malt has set the foundations for a structural increase in earnings delivery from FY23, with the expansion in Scotland delivering additional capacity and the realisation of transformation benefits. Together with the initiatives we are implementing to strengthen the competitiveness of our business, we anticipate a meaningful increase in underlying EBITDA in FY23 and beyond."

FY22 Guidance

The Company confirms its previous earnings guidance for FY22 with Underlying EBITDA expected to be in the range of $115 -140 million[5] (before SaaS costs).

[5] EBITDA in FY22 is expected to $103 - $128 million (after SaaS costs). SaaS costs for FY22 are expected to be ~$13 million.

Forward Looking Statements

Certain statements contained in this announcement are forward-looking statements or statements about future matters, including any indications of, and guidance or outlook on, the future earnings, distributions, financial position and/or performance of United Malt. These statements involve known and unknown risks and uncertainties and other factors (many of which are beyond the control of United Malt) and involve significant elements of subjective judgement and assumptions as to future events (which may or may not be correct). No representation, warranty or assurance is given that the occurrence of any of the events expressed or implied in these statements will actually occur or that actual outcomes will not differ materially from the outcomes expressed or implied in these statements.

Conference Call Tuesday 17 May 10am (AEST)

United Malt will host an analyst and shareholder webcast commencing at 10am (AEST) on Tuesday 17 May. Access to the webcast is available via the below link.

Webcast link: https://webcast.openbriefing.com/8718/

Additional information

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This announcement was authorised for release to ASX by the Board of Directors.

About United Malt Group

United Malt is the fourth largest commercial maltster globally, with approximately 1.25Mtpa of capacity across 12 processing plants in Canada, United States of America, Australia and the United Kingdom. We also operate an international distribution business, which provides a full service offering for craft brewers and distillers, including malt, hops, yeast, adjuncts and related products.