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### United Malt Group Equity Raising and Business Update

- **Successful demerger from GrainCorp**
- **Delivers solid first half result despite challenging operating conditions**
- **Comprehensive and rapid response to COVID-19 pandemic: UMG is well positioned to manage response with diversified business model and business resilience plans**
- **Strategy remains on track to respond to short-term challenges and opportunities and deliver long-term sustainable growth for shareholders**
- **Taking pre-emptive action to strengthen the balance sheet to increase resilience in the current environment and provide financial and operational flexibility to continue disciplined investment**
- **United Malt is raising A\$140m via a fully underwritten institutional placement and a non-underwritten Share Purchase Plan of up to A\$25m<sup>1</sup>**

United Malt Group Limited (ASX:UMG) (**United Malt** or the **Company**) is today providing a business update, including commentary on the Company's financial results for the six month period ended 31 March 2020<sup>2</sup> (**1H20**), and announcing a fully underwritten institutional placement to raise A\$140m (**Placement**) and a non-underwritten share purchase plan for eligible shareholders (including eligible retail shareholders) in Australia and New Zealand to raise up to A\$25m (**SPP**) (together, the **Equity Raising**). Proceeds of the Equity Raising will be used to strengthen the balance sheet to increase resilience in the current uncertain environment and provide financial and operational flexibility to continue disciplined investment and execute strategic objectives.

United Malt was demerged from GrainCorp Limited and now operates as a separate listed entity as the world's fourth largest independent commercial maltster, with operations in Canada, the United States, Australia and the United Kingdom and strong market shares in these countries in the craft brewing and Scotch whisky sectors.

Chief Executive Officer, Mark Palmquist said: "the transition to a separate business has progressed well with the establishment of a separate Board and stand-alone, experienced senior management team.

"We are implementing our strategy by targeting those high value markets where the long-term outlook for

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<sup>1</sup> United Malt reserves the right (in its absolute discretion) to scale back applications under the share purchase plan if demand exceeds A\$25m or to raise a higher amount.

<sup>2</sup> United Malt has been granted relief from ASIC and from ASX and is not required to lodge a financial report, directors' report or Appendix 4D for its half year results to 31 March 2020. The first statutory reporting period will be for the year ending 30 September 2020.



growth remains supportive. Meanwhile, we remain focused on optimising the capacity utilisation of our plants and driving further efficiencies across our warehouse and distribution network,” he said.

### 1H20 results review

For the half year ended 31 March 2020, the Company reported underlying net profit after tax of \$28.5<sup>3</sup> million.

Revenue increased by 9 per cent vs. pcp to \$664.6<sup>4</sup> million, due to solid demand for malt and brewing ingredients from brewing and distilling customers, with underlying EBITDA of \$77.9<sup>5</sup> million.

In the **Processing** segment, revenue increased by 11 per cent vs. pcp to \$511.4 million reflecting continued customer demand with solid volume growth in the US and UK markets and mix improvements compared to the prior corresponding period.

Underlying segment EBITDA lifted by 7 per cent vs. pcp to \$58.7<sup>6</sup> million. Underlying EBITDA margin declined slightly vs. pcp, reflecting delayed export shipments due to container availability and increased costs related to barley transload costs in Canada and COVID-19 enhanced safety measures.

The **Warehouse & Distribution** segment revenue increased by 3 per cent vs. pcp to \$168.7 million. Underlying segment EBITDA was down by 29 per cent vs. pcp to \$12.5<sup>6</sup> million which was impacted by a \$3.0 million write-off of aged inventory and some increase in labour costs as the warehouse build-out was completed. An efficiency program is now in place to continue to optimise costs. From March 2020, the business was also impacted by COVID-19 stay-at-home restrictions which reduced demand from those craft brewers servicing only the on-premise market.

Total growth capital expenditure increased to \$19.1 million, which included \$14.5 million of continued progress on the Company’s £51 million investment to expand its Scottish distilling expansion by adding 79ktpa of capacity across the Arbroath and Inverness sites.

Inverness remains on track to commence civil works from July 2020. However, construction of the Arbroath facility was paused in response to Government-directed closures of all non-essential construction as part of COVID-19. The Company anticipates approximately six months of construction activity remains for the

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<sup>3</sup> Underlying NPAT is net profit after tax excluding material non-recurring items. 1H20 includes the impact of AASB 16 Leases, which came into effect 1 October 2019. The impact of the new leasing standard on the 1H20 results is detailed in the Business Update released on 14 May 2020. Underlying NPAT excludes annual standalone listed entity corporate costs as described in the Demerger Scheme Booklet.

<sup>4</sup> The date of the demerger for accounting purposes occurred prior to the end of the half-year reporting period. Consequently, the revenue in the GrainCorp Limited half-year accounts have been adjusted to remove the trading period to 31 March 2020. No adjustments were made in the GrainCorp Limited accounts for the same period to EBITDA, EBIT, or NPAT as these amounts were not material.

<sup>5</sup> Underlying EBITDA is earnings before interest, tax, depreciation, and amortisation, and excluding material non-recurring items. \$77.9m in 1H20 includes the impact of AASB 16 Leases, which came into effect 1 October 2019. The impact of the new leasing standard on the 1H20 results is detailed in the Business Update released on 14 May 2020. Underlying EBITDA excludes \$14.9m additional annual standalone listed entity corporate costs as described in the Demerger Scheme Booklet.

<sup>6</sup> Underlying segment EBITDA is earnings before interest, tax, depreciation, and amortisation, and excluding material non-recurring items. 1H20 excludes the impact of AASB 16 Leases, which came into effect 1 October 2019. The impact of the new leasing standard on the 1H20 results is detailed in the Business Update released on 14 May 2020. Underlying segment EBITDA also excludes \$14.9m additional annual standalone listed entity corporate costs as described in the Demerger Scheme Booklet.



Arbroath facility.<sup>7</sup> In total the Company spent \$29.0 million on capex during 1H20.

Total capital expenditure, including other growth initiatives and stay-in-business in 2H20 is expected to be ~\$50 - \$53 million.

### **COVID-19 Response**

United Malt remains focused financially and operationally on managing through the current issues facing all participants in the alcohol consumption sector.

“Our primary focus remains on protecting the health and safety of our people, customers and suppliers, while also supporting governments and the broader community to limit the spread of COVID-19. During the half, we also made important safety improvements to both RIFR (9.1 vs. 9.5 in pcp) and LTIFR (3.7 vs. 5.6 in pcp)” said Mr Palmquist.

UMG’s malt production facilities continue to operate at high levels of capacity utilisation, with overall revenue from major brewers marginally down. Demand for packaged beer for off-premise consumption has increased, however, on-premise consumption has been impacted by pub and restaurant closures.

Craft brewers with packaging and distribution capability are off-setting weaker demand in the on-premise only customer segment; however, those brewers servicing only the on-premise markets have been significantly impacted by venue closures.

Some distillers have scaled back capacity, with production plants typically remaining open but with reduced operations.

United Malt is taking all necessary actions to minimise potential risks to employees, operations, customers and its supply chain.

“All our warehouse and production staff are working in split shifts with enhanced hygiene measures between shifts and social distancing protocols in place. All our office staff are working remotely,” said Mr Palmquist.

“Meanwhile we maintain flexibility to curtail some production capacity if required and reduce costs to meet lower demand in the near-term.”

UMG is targeting cost savings of approximately \$10 million in 2H20 (including a 20% reduction in base fees for the Board and base salary for the executive leadership team for the remainder of FY20) and deferral of capital expenditure of approximately \$5 million included in 2H20.

### **Update on trading conditions**

The first half results incorporate the impact of 3-4 weeks of venue closures related to COVID-19 restrictions which have been partially off-set by increases in off-premise beer consumption. Overall demand in April was 30 per cent lower albeit with a shift in demand between segments and the Warehouse and Distribution

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<sup>7</sup> Timing of the completion of Scottish facilities investments remains subject to government restrictions.



business more impacted, as it predominantly services the craft market.

“Subject to the decisions of each government to ease restrictions in each of our markets, we expect a slow return to pre-COVID-19 volumes. We anticipate that consumers may remain cautious on returning to public venues which may continue to impact on-premise sales.

“We have a diversified business model and remain in a strong financial position with significant headroom within our financing facilities and continued strong cashflow generation,” Mr Palmquist said.

### **Strengthening the balance sheet**

United Malt is taking pre-emptive action to strengthen the balance sheet to increase resilience in the current uncertain environment and provide financial and operational flexibility to continue disciplined investment and progress on strategic objectives by undertaking an Equity Raising comprising:

- a fully underwritten institutional placement of approximately A\$140m; and
- a non-underwritten share purchase plan of up to A\$30,000 per Shareholder, to raise up to A\$25m.<sup>8</sup>

Following the Placement, United Malt will have pro forma net debt of A\$366.6m. United Malt’s pro forma net debt / FY19A pro forma EBITDA will reduce to 2.3x,<sup>9</sup> which is comfortably within United Malt’s target range of 2.0x – 2.5x. Total pro forma available liquidity will increase to A\$418.9m.<sup>10</sup>

The Company’s strengthened balance sheet also includes a seasonally elevated working capital position, that is expected to position the Company well should markets improve as containment restrictions ease.

Following the Placement, the Company will have comfortable headroom under term debt leverage ratio and interest cover covenants tests. The Company’s first covenant testing will occur on 31 March 2021.

As previously noted, as our 1H20 results form part of the GrainCorp Limited accounts, no dividend is to be paid by United Malt with respect to the 1H20 period.

The Board will evaluate payment of a final FY20 dividend taking into account current and future earnings and cash flows, available franking credits and targeted credit metrics.

New shares issued under the Placement and SPP will rank equally with existing fully paid United Malt shares on issue.

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<sup>8</sup> United Malt reserves the right (in its absolute discretion) to scale back applications under the SPP if demand exceeds A\$25m or to raise a higher amount.

<sup>9</sup> As at 31 March 2020.

<sup>10</sup> As at 31 March 2020.



### **Details of the Placement**

United Malt is undertaking a fully underwritten Placement of new fully paid ordinary shares in United Malt (**New Shares**) to eligible institutional and professional investors to raise A\$140m.

New Shares under the Placement will be issued at A\$3.80 (**Placement Price**), representing a 11.4% discount to United Malt's last traded price of \$4.29 on Wednesday, 13 May 2020.

### **Details of the Share Purchase Plan**

Following the completion of the Placement, United Malt will offer all eligible shareholders (including eligible retail shareholders) in Australia and New Zealand the opportunity to participate in the non-underwritten SPP of up to A\$30,000 targeting to raise up to A\$25m. United Malt reserves the right (in its absolute discretion) to scale back applications under the SPP if demand exceeds A\$25m or to raise a higher amount.

The record date for the SPP is 7:00pm (Sydney time) on Wednesday, 13 May 2020. The SPP offer period will be open from Thursday, 28 May 2020 to Thursday, 18 June 2020, subject to United Malt's discretion to amend these dates.

Under the SPP, United Malt shares will be offered at the lower of:

- the Placement Price; and
- the VWAP of fully paid ordinary United Malt shares traded on the ASX over the five trading days up to, and including, the last day of the SPP offer period less a 2% discount.

Further information regarding the SPP (including terms and conditions of the SPP) will be provided to eligible shareholders in the SPP booklet, which will be provided following the completion of the Placement. Participation in the SPP is optional.



## Key Dates

Event	Date <sup>11</sup>
Record date for the SPP (7:00pm Sydney time)	Wednesday, 13 May 2020
Trading halt and announcement of Placement and SPP	Thursday, 14 May 2020
Announcement of completion of Placement and trading halt lifted	Friday, 15 May 2020
Settlement of New Shares issued under the Placement	Tuesday, 19 May 2020
Allotment and trading of New Shares issued under the Placement	Wednesday, 20 May 2020
SPP offer opens and SPP Offer Booklet is dispatched to eligible shareholders	Thursday, 28 May 2020
SPP offer closes	Thursday, 18 June 2020
SPP allotment date	Monday, 29 June 2020
Normal trading of New Shares issued under the SPP	Tuesday, 30 June 2020
Despatch of holding statements in relation to New Shares issued under the SPP	Wednesday, 1 July 2020

## Additional information

Further details of the Equity Raising are set out in the Equity Raising and Business Update investor presentation also provided to the ASX today (**Investor Presentation**). The Investor Presentation contains important information including key risks and foreign selling restrictions in relation to the Equity Raising.

All dollar amounts are in Australian dollars unless otherwise indicated.

Macquarie Capital (Australia) Limited is acting as Sole Lead Manager, Bookrunner and Underwriter to the Placement.

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*This announcement was authorised for release to ASX by the Board of Directors of United Malt Group Limited.*

<sup>11</sup> The above timetable is indicative only and subject to change. The commencement and quotation of New Shares is subject to confirmation from ASX and also relies on ASIC issuing a modification to the Corporations Act to permit the Company to issue a notice under section 708A(5) of the Corporations Act (on 13 May 2020, ASIC provided the Company with its in principle decision to issue the modification). Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules. United Malt reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or in particular cases, without notice.



## IMPORTANT NOTICE

This announcement may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be unlawful. The New Shares have not been, and will not be registered under the U.S. Securities Act of 1933, as amended (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold, directly or indirectly, in the United States unless they have been registered under the U.S. Securities Act (which United Malt has no obligation or intention to do or procure), or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws.

The information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with United Malt's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at [www.asx.com.au](http://www.asx.com.au).

This announcement includes certain forward-looking statements and comments about future events, including about the plans, strategies and objectives of United Malt's management, United Malt's expectations in relation to the financial and operating performance of its business, the potential impact and duration of the COVID-19 pandemic, the timetable and outcome of the Equity Raising and the proceeds thereof. The words "forecast", "estimate", "likely", "anticipate", "believe", "expect", "project", "opinion", "predict", "outlook", "guidance", "intend", "should", "could", "may", "target", "plan", "project", "consider", "forecast", "aim", "will" and similar expressions are intended to identify such forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements, and include statements in this announcement regarding the conduct and outcome of the Placement and SPP and the use of the proceeds. You are cautioned not to place undue reliance on forward-looking statements. Any forward-looking statements contained in this announcement are provided as a general guide only, they are not guarantees or predictions of future performance and involve known and unknown risks, contingencies and uncertainties and other factors, many of which are beyond the control of United Malt and cannot be predicted by United Malt, and may involve significant elements of subjective judgment and assumptions as to future events, which may or may not be correct and therefore you are cautioned not to place undue reliance on such information. This includes, in particular, the duration and long-term impact of the COVID-19 pandemic and the long-term impact on United Malt's business, which is at present highly uncertain.

A number of factors could cause actual results, performance or achievements to vary materially from any forward-looking statements and the assumptions on which statements are based, including but not limited to the risk factors set out in the investor presentation released by United Malt to ASX today. Except as required by law or regulation (including the ASX Listing Rules), United Malt disclaims any obligation and makes no undertaking to provide any additional or updated information whether as a result of new information, future events or results or otherwise, or to reflect any change in expectations or assumptions.