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18 February 2021

ASX & Media Release

Annual General Meeting Commentary on 1H21 Outlook

United Malt Group (ASX:UMG) (United Malt or the Company) is holding its Annual General Meeting today at which the Company will provide an update on market conditions and expected earnings for the first half period ending 31 March 2021 ("1H21").

In line with comments made in the FY20 results announcement, United Malt remains well positioned to manage through the continued market uncertainty caused by the impact of COVID-19 which is expected to remain throughout FY21.

While signs of recovery have emerged in some markets, the impact of COVID-19 and the second and third waves being experienced in its core markets including the US, Canada and the UK, continue to disrupt the Company's demand, supply chains and operations. This includes the current stringent lockdowns in the UK and continuing increased case numbers and varied restrictions in the US and Canada.

Volumes continue to be impacted by COVID-19 restrictions in core markets, with continued reductions in on-premise consumption, shifting malt product demand and driving a lower margin outcome. Social distancing hygiene priorities are continuing to drive elevated operating costs.

Additionally, containerised exports globally have been significantly disrupted by the COVID-19 pandemic, causing delays in the Company's customer shipments. To deal with these delays, United Malt has periodically paused production at selected plants to mitigate the shortfall of containers and vessel availability.

The appreciation in the Australian dollar compared to the prior corresponding period (moving from an average rate of 67 cents in 1H20 to the US dollar to an average rate of 75 cents year to date in 1H21) will impact the translation of the Company's earnings into Australian dollars. This is expected to have a negative impact of approximately A$6 million in 1H21.

As previously advised, corporate costs are expected to be A$12 million for FY21 representing full year stand-alone company corporate costs post the demerger from GrainCorp and reflecting the significant increase in insurance costs.

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As part of the Company's program to accelerate the creation of a simplified and more efficient organisation, an additional expense of A$5 million will be incurred in the first half of FY21, supporting the development of projects that underpin this transformation. This cost is fully contained within the first half and it is expected that future implementation costs to be offset by benefits delivered in the 2H21 and beyond. Further details on the benefits of this program will be provided with the first half results announcement in May 2021.

The Company announced previously that the Grantham facility in England will close in March 2021 and production from this site will be consolidated into the Witham and Arbroath facilities. This will provide greater asset utilisation and lower production costs per tonne, while ensuring uninterrupted supply to customers. A non-cash impairment of A$2 million, together with site redundancy costs of approximately A$1 million are expected to be incurred in 1H21.

United Malt Managing Director and CEO, Mark Palmquist said "the Company continues to expect COVID-19 conditions to remain throughout FY21 and for 1H21 EBITDA is expected to be within the range of A$47 - A$50 million, on a post AASB-16 basis, (which includes the impact of Grantham costs, foreign exchange impact and business transformation costs as outlined above).

"While conditions remain uncertain for 2H21, United Malt remains cautiously optimistic for a recovery in malt demand given the typically stronger trading conditions in the second half from the northern hemisphere summer, (with a pre COVID-19 seasonal earnings split of 40% first half and 60% second half) and the roll out of vaccines in key markets and customers being more resilient in how they access the end consumer".

The Company's strong market position, strategically located malting assets, and market leading distribution platform, position United Malt well to return to growth once conditions stabilise.

Additional information

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This announcement was authorised for release to ASX by the board of directors of United Malt Group Limited.

About United Malt Group

United Malt is the fourth largest commercial maltster globally, with approximately 1.25Mtpa of capacity across 13 processing plants in Canada, United States of America (US), Australia and the United Kingdom (UK). 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.