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ASX & Media Release

United Malt Group Limited 1H21 Results

- **Earnings slightly above guidance provided at AGM; volumes and mix affected by second wave of COVID-19 lockdowns in key markets**
- **Revenue down 11% to $590m reflecting lower volume and change in mix**
- **EBITDA down 32% to $52.7m; includes FX impact on translation of $6.3m and one-off costs of $7.4m**
- **Interim dividend of 2.0 cents per share payable on 18 June 2021**
- **Business transformation commenced; targeting ~$30m annualised net benefits by FY24**
- **Since March 2021, volume is tracking at around 95 per cent of pre COVID-19 levels**

United Malt Group Limited (ASX: UMG) (United Malt or the Company) today announced its financial results for the half year ended 31 March 2021 (1H21). The 1H21 period included the full impact of the COVID-19 lockdown restrictions compared to the pre COVID-19 prior corresponding period as well as the additional costs of being a standalone listed company compared to the prior corresponding period.

Group Results

Revenue declined by 11 per cent to $590 million, affected by the second and third wave of COVID-19 restrictions on volume and changes in mix in the Company's key geographies during the period.

EBITDA was $52.7 million, slightly ahead of the guidance provided at the Company's Annual General Meeting on 18 February of $47-50 million. This includes the $6.3 million negative effect of the translation of earnings into Australian dollars, and one-off costs of $7.4 million related to the closure of the Grantham facility and transformation costs.

Reported net profit after tax of $13.2 million was down 30 per cent on the prior corresponding period.

Segment results

In the **Processing** segment, revenue declined by 11 per cent to $453.2 million reflecting volume declines, primarily related to COVID-19 lockdowns across key geographies in North America and the UK affecting on-premise consumption.

Segment EBITDA fell by 37 per cent to $39.2 million with EBITDA margin impacted by a change in product mix with the shift to off-premise consumption increasing demand for base malt compared to higher margin specialty malt products pre COVID-19.

Margin was also affected by increased freight costs and continued container disruption, affecting export sales from Australia and Canada. In addition, the segment performance was affected by translation earnings and the one-off costs related to the closure of the Grantham facility in the UK and transformation costs.

Revenue in the **Warehouse & Distribution** segment decreased by 11 per cent to $149.6 million. Segment EBITDA increased by 12 per cent to $17.8 million, reflecting improved volume and mix in the craft brewing segment, as order frequency returned with increases in off-premise supply and some reopening seen from late February. In addition, business optimisation and freight initiatives resulted in lower costs. The prior corresponding period result included the $2.8 million aged hops inventory write off.

EBITDA margin was 11.9 per cent compared to 9.4 per cent in the prior corresponding period, reflecting lower operating costs in 1H21 and the impact of the aged hops inventory write-off in the prior corresponding period.

Financial Position and Balance Sheet

Notwithstanding the challenging market conditions, United Malt remains in a strong financial position to manage in the current environment and to continue its investment in strategic growth initiatives.
Net debt at 31 March 2021 was $344.1 million compared to $261.7 million at 30 September 2020.
The gearing ratio (Net Debt/ EBITDA) was 2.4[1] times, which is within the Company's target ratio of 2.0 to 2.5 times.

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[1] Based on a 12-month rolling EBITDA excluding the impact of AASB16 and significant items relating to the demerger in 2H20 and net debt excluding finance lease commitment. The impact of AASB16 on the 12-month rolling EBITDA is $14.7m.

The Company expects to maintain gearing within its target range at the end of the financial year and retains comfortable headroom within its banking covenants and has no significant near-term refinancing commitments with long-term debt facilities not maturing until November 2022.

Dividend

The Board resolved to pay an interim dividend of 2.0 cents per share. The record date for determining entitlements to the interim dividend is 3 June 2021, with scheduled payment on 18 June 2021.
The dividend payment represents a payout ratio of 45 per cent of NPAT for the period, which is below the Company's dividend policy to distribute approximately 60 per cent of NPAT, reflecting the current impact of COVID-19 on earnings.

Commentary on result

Managing Director and CEO, Mark Palmquist said United Malt's resilient business model enabled the Company to manage through the challenging market environment whilst continuing to be well positioned for the recovery in key geographies as markets start to reopen.

"Continued COVID-19-related lockdowns in our key markets of North America and the UK affected volumes and mix during the half from the ongoing effects of the reduction in on-premise alcohol consumption.

"As we foreshadowed at the AGM, the lockdown impacts on volume and mix, together with the effects of the higher Australian dollar during the period and one-off costs affected the first half result.

"In response, we continued to adjust our production and warehouse facilities to align costs with demand with some curtailment of capacity while managing more frequent ordering patterns to support the needs of our customers.

"As a result of these initiatives we remain profitable and cash flow positive while retaining a strong balance sheet to withstand the continued uncertainty and duration of COVID-19 which we expect to remain throughout FY21.

"While we are seeing emerging signs of reopening in some of our key markets, we remain prepared for the varying impact of the pandemic on customer demand, supply chains and our operations in the short term.

"At the same time, we continue to implement our strategy to strengthen the business to capitalise on growth opportunities and sustainability priorities over the medium term.

"This includes the upgrade and expansion of our malting capacity in the UK with the £51 million investment in the Bairds' Scottish malting facilities which will add 79,000t of capacity across our Arbroath and Inverness sites, bringing our total capacity to ~300,000t per annum and improved energy efficiency outcomes.

"The Arbroath site has been fully commissioned and is producing at full capacity while Inverness remains scheduled for completion in May 2022.

"As we announced previously, the Grantham facility in England closed in March 2021 and production from this site has been consolidated into our Witham and Arbroath facilities. This will provide greater asset utilisation and lower production costs per tonne, while ensuring uninterrupted supply to our customers.

"As also previously announced, the $27 million replacement of the Perth kiln is underway and scheduled for completion by October 2021. The new kiln will provide safety benefits in addition to lower emissions.

"More recently, we invested in a new, bespoke 9,100sqm craft warehouse and distribution centre in Derrimut, Victoria which will open in June 2021. This will enable us to provide an expanded range of ingredients and a 'one-stop-shop' experience for customers.

"In addition to these initiatives, we have now commenced a business transformation program to create a simplified, more efficient and effective organisation.

"We have identified specific areas of focus and initiatives to transform and grow the business.
The program includes a transition to simplified operations to create an organisational design reflecting a standalone malting company.

"We are implementing process changes to improve capabilities across the organisation with simplified and standard processes, skills and systems and becoming more data informed.

"Finally, we will improve our operational management to better leverage our network of malting production facilities and warehouse and distribution centres as one global network to deliver better outcomes for our customers.

"In total, we are targeting ~$30 million in annualised net benefits by FY24 from this transformation program," he said.

Outlook FY21

Mr Palmquist said United Malt remained well positioned to manage through the current market uncertainty which was expected to remain throughout FY21.

"The current vaccination rates in the US and UK are encouraging and northern hemisphere spring/summer weather pattern should support improved activity comparable to last year.

"While some signs of recovery have emerged in our markets, we remain prepared for the varying impact of COVID-19. Volumes are expected to remain below pre COVID-19 levels for the remainder of FY21, and we expect volume to recover once restrictions on social gatherings are consistently lifted across our key geographies and a return to mass gatherings, including sporting events, concerts and travel are permitted.

"Since March 2021, volume is tracking at around 95 per cent of pre COVID-19 levels. We remain well placed to return to growth, once conditions stabilise, supported by our strong market positions, strategically located malting assets and our market leading distribution platform, that is well positioned to service customers' ingredient requirements," Mr Palmquist said.

Additional information

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