

11 November 2021

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Graincorp Limited (GNC)

Agriculture

HOLD

GNC A\$6.69

TARGET PRICE A\$6.53

Graincorp Limited (GNC) is a diversified Australian agribusiness, with integrated operations spanning four continents and a history of more than 100 years.

Company Data

Number of shares	228.9 M
Market Capitalisation	\$1,531.0 M
Free float (%)	93.3
12-month high/low	\$6.85/\$3.95
Average Daily Turnover (\$m)	3.8
% S&P/ASX200	0.07%
DDM Ranking	348
% All Ordinaries	0.060%
GICS Industry Group	Agriculture

Source: FactSet, Barclay Pearce Capital

Earnings summary

Earnings Summary (AUD)

Year end	2021A	2022F	2023F	2024F
Revenue (\$M)	5,491.5	4,745.5	4,050.6	3,835.2
EBITDA (\$M)	330.8	313.8	242.2	226.2
Reported NPAT (\$M)	139.0	129.1	83.3	77.9
Adjusted NPAT (\$M)	139.0	128.5	83.3	77.9
Reported EPS (c)	60.7	56.4	36.4	34.0
Adjusted EPS (c - FD)	60.7	56.6	36.4	34.0
Adjusted EPS growth (%)	-453.2	-6.7	-35.7	-6.5
Adjusted P/E (x)	11.0	11.8	18.4	19.7
Dividend (c/sh)	18.0	31.9	22.5	20.5
Gross yield (%)	3.8	6.8	4.8	4.4
Net yield (%)	2.7	4.8	3.4	3.1
ROIC (%)	11.1	7.7	5.3	5.0

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance



Source: FactSet, Barclay Pearce Capital

FY21 Annual Report

On 11th November, GrainCorp Limited (GNC) released their FY21 Annual Report with the following highlights:

Financial Highlights

- Strong growth in underlying EBITDA of \$331 million, up 206% on last year with agribusiness reported underlying EBITDA of \$275 million, up from \$79 million last year and driven by ECA grains business.
- Underlying net profit after tax (NPAT) of \$139 million, up from a \$16 million loss.
- Return on invested capital (ROIC) was 11.1%, up from 1.6%. Our grower Net Promoter Score (NPS) continues to improve and, over the last four years, we have achieved a 59-point positive improvement.
- With the completion of the Fraser Grain Terminal in Vancouver, Canada, in late 2021, we expect our western Canadian supply chain to be in full operation in FY22 and benefits will flow as the region recovers from drought.

Managing Director & CEO, Robert Spurway, commented:

“GrainCorp had an outstanding year in FY21, with strong, disciplined, operational performance generating exceptional financial results. This year’s record east coast Australian (ECA) crop resulted in substantial grain receipts at our sites and allowed us to demonstrate the significantly improved operational efficiencies of our country, rail and port infrastructure assets.”

“The winter crop size across ECA is again forecast to be well above average. In response, and with work underway to deliver the additional one million tonnes of storage announced in August 2021, GrainCorp is well placed to support growers through harvest and benefit from ongoing demand for Australian grain exported through our port assets.”

“A large volume of grain carry-out at 30 September 2021, totalling 4.3 million tonnes, has ensured strong ongoing export demand can be met into and beyond the harvest of the 2021/2022 crop. We also expect to have significant grain carry-out at the end of FY22, providing benefits well into FY23.”

Earnings changes

GNC reported an adjusted NPAT of \$139M in FY21 which is above market expectations of \$131M by 6.1%. Thus, we expect positive earnings revisions of 4% for FY22 and future periods.

Valuation

We are updating research coverage on GNC with a price target of \$6.53 and a HOLD recommendation. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

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Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)