

WEBSTER

2019 ANNUAL GENERAL MEETING



CHAIRMAN'S REMARKS



Webster's strategic direction



- Webster's approach is very simple. Webster now has a significant core of water entitlements of over 150,000 mega litres.
- We own a wide range of water entitlements, the value of which, at balance date was estimated by directors, based on market intelligence, to be around \$350 million.

Webster's strategic direction



- Webster's strategy is to maximise the available water from those water entitlements by astute management of the opportunities presented by the climate and a thorough understanding of the water distribution rules and protocols.
- Rather than selling the annual water allocations derived from these entitlements, which is always an option, we aim to convert our water assets into more valuable horticultural and agricultural products.
- This, we believe, is likely to provide shareholders with a higher return on their funds in the medium to long term.

2018 year in review



Rebalancing of the Webster Portfolio

- Divestment of Bengering
- Refocus on Riverina district, NSW (permanent crops and cotton) and Western NSW (livestock)
- Greater predictability of water availability in southern region

Continued investment across the portfolio

- Sandy Valley almond orchard
- 150 ha property adjacent Leeton walnut orchard
- 1,000 ha Avondale North
- Continued field development and water storage capacity Kooba, Hay

Strong financial position for sustainable growth

- Proceeds from Bengering sale (\$132.7m) applied to reduce net debt
- Low gearing, substantial headroom in finance facilities for funding expansion
- Webster in strong financial position to continue to invest/strengthen current business and assess potential new opportunities

Changes in major shareholders and board



Significant Shareholding changes in 2018

- Change in substantial shareholding in Webster related to sale of Bengenang
- PSP acquired the AFF shareholdings and now holds 19.1% of Webster

Resignation of Directors in 2018

- Chris Langdon
- Joe Robinson

Appointment of new Directors

- Ross Burling
- David Fitzsimons
- Maurice Felizzi



**MANAGING DIRECTOR'S
REVIEW**

Overview of FY18 result - statutory



Statutory	12 months ended 30 Sept 2018 (\$'000)	15 Months ended 30 Sept 2017 (\$'000)
Revenue	145,263	166,087
Cost of Sales	<u>(123,883)</u>	<u>(136,318)</u>
Margin	21,380	29,769
Other Income	61,999	109,674
Expenses	(44,477)	(90,384)
Statutory PBT	38,902	49,059
Income Tax (Expense)/ Credit	(11,817)	9,225
Reported NPAT	27,085	58,284
FY Dividend	3 cents	3 cents
EPS (After Tax)	7.6 cents	16.7 cents

- 2017 period represents 15 months
- 2017 period includes sale of Lake Tandou water and decommissioning
- Dividend consistent at 3 cents fully franked
- Income Tax Credit in 2017 driven by
 - Tandou transaction not being assessable for tax and
 - Prior year adjustments for Deferred Tax Assets and Liabilities

Overview of FY18 result - underlying



Underlying Earnings	12 Months ended 30 Sept 2018 (\$'000) <i>(Reported)</i>	15 Months ended 30 Sept 2017 (\$'000) <i>(Reported)</i>	15 Months ended 30 Sept 2017 (\$'000) <i>(Normalised)</i>
Revenue	145,263	166,087	166,087
Cost of Sales	(123,833)	(136,318)	(136,318)
Margin	21,380	29,769	29,769
Other Income	61,999	109,674	50,702
Expenses	(44,477)	(90,384)	(67,471)
Underlying PBT	38,902	49,059	13,000

- Underlying profit in 2017 excludes Tandou Transaction of \$36.1m non-recurring items in prior period:
 - Profit on disposal of water entitlements (\$19.0m);
 - Decommissioning proceeds (\$40.0m) and
 - Impairment of assets re Tandou \$22.9m
- Strong increase in underlying profit before tax – \$38.9m compared to \$13.0m in prior period
 - Agriculture (Cotton Operations the significant driver)
- 2017 expenses represent 15 months

Overview of FY18 result - Horticulture



Horticulture	12 months ended 30 Sept 2018 (\$'000) <i>(Reported)</i>	15 Months ended 30 Sept 2017 (\$'000) <i>(Reported)</i>
Revenue	53,354	82,256
Expenditure	42,627	63,406
Operating Profit	10,727	18,850

- 2018 walnut crop represents Second highest yields achieved (only behind 2017 record crop)
- Production: 9,508 tonnes vs 12,005 in prior year
- Swansea orchard highest ever production (1,800 tonnes)
- Av. Selling prices achieved in 2018 higher than 2017 (+17%)
 - Market for 2019 In-shell product lower than 2017 levels
- Strong domestic sales growth – up 28% (400 tonnes)

Largest vertically integrated walnut producer in Australia



Horticulture	Walnuts	Almonds
Plantings (ha)	2,764	260
Yields 2018 (tonnes)	9,508	70
Land currently under development (ha)	306	250
Investment 2018 (\$'000)		
Capital Expenditure (Including Development)	\$10,745	\$3,242
Acquisition of land and/or Orchard	\$5,828	\$17,519
Total Investment (\$'000)	\$16,573	\$20,761

Current Crop

- Improved yield in 2019 crop compared to 2018, but will not surpass the 2017 crop

Development

- Currently 556 hectares under development in 2019 for permanent plantings – Walnuts and Almonds combined
- Current land holdings acquired dedicated to permanent plantings allow for an additional 1,589 hectares of permanent plantings
- Other existing land holdings suitable for permanent plantings - circa 2,000 hectares

Overview of FY18 result - Agriculture



Underlying Earnings	12 Months ended 30 Sept 2018 (\$'000) <i>(Reported)</i>	15 Months ended 30 Sept 2017 (\$'000) <i>(Reported)</i>	15 Months ended 30 Sept 2017 (\$'000) <i>(Normalised)</i>
Revenue	153,726	193,590	134,618
Expenses	(110,602)	(147,932)	(125,019)
Underlying PBT	43,124	45,658	9,599

- Strong performance from Cotton business through increased cropping area, cotton price and increased yield
 - Average yield of 11.76 bales per hectare vs 9.47 bales per hectare in prior year
 - Cotton lint av sale price of A\$550 per bale vs A\$ 480 in prior period
 - Hectares planted in 2018 17,162 across all properties (incl Tandou 6,258 ha) vs 10,551 in 2017

- Normalised earnings in 2017 excludes the Lake Tandou transaction

- 2019 planting 4,145 hectares, due to water conditions

Cotton properties focused in southern NSW (Kooba, Hay)



Agriculture	Kooba	Hay
Developed Irrigated Land	12,358	7,350
Storage (ML) (Complete or under construction)	19,450	22,960
Investment 2018 (\$'000)		
Capital Expenditure (Including Development works)	\$35,662	\$9,006
Yield (Bales per Ha) 2018	12.86	11.85

- Development works at both properties scheduled to be completed by June 2019. 2 storages remain to be completed
- Significant water storages either in place and under construction to ensure efficient capture and storage of water to optimise cropping opportunities
- Development works have driven Improved yields and efficient farm practices. Further operating improvement is anticipated

Livestock operations focused in southern NSW (cattle) & Western division (Dorper sheep)



Livestock	Sheep	Cattle
Closing Stock (Head)	35,731	3,437
Value	\$4.2m	\$3.6m
Investment 2018 (\$'000)		
Capital Expenditure	\$2,613	-
Acquisition of property (Packsaddle)	\$6,532	-
Total Investment	\$9,145	-

- Drought conditions impacting significantly on both Southern and Western livestock businesses
- Destocking has occurred to align livestock head to available feed
- Investment in feedlots at both southern and western businesses to maintain stock levels and in particular to protect breeding stock. This will ensure no loss of historic investment in genetics and avoid the cost to restock

Substantial water entitlements – add value to Horticulture & Agriculture products



Water Entitlements - as at 30 September 2018	Entitlement ML	Market Value \$'000	At Book \$'000
High Security	16,647	\$78,031	\$47,158
General Security	80,819	\$176,245	\$89,347
Supplementary	22,700	\$16,797	\$8,392
Ground Water	18,528	\$61,142	\$16,124
Other (Incl Storages)	14,946	\$18,000	\$931
Total	153,640	\$350,215	\$161,952

- Current holdings listed do not include Gwydir and Darling River water entitlements. Transferred with the sale of Bengerang
- Water continues to be a core focus for Webster
- Evidence of increasing value of asset
- \$25.2m of Murrumbidgee entitlements were acquired in 2018
- Market value is not recognised on current balance sheet, but additional value is in excess of \$188m

Strong financial position – net proceeds from Bengering sale reduce debt



	As at 30 Sept 2018 \$'000	Pro forma Post sale proceeds \$'000
<i>Current Assets</i>	\$109,322	\$109,322
<i>Current Assets – Held for Sale</i>	\$133,772	\$0
<i>Non-Current Assets</i>	\$517,350	\$517,350
Total Assets	\$760,444	\$626,672
<i>Current Liabilities</i>	\$198,751	\$63,370
<i>Non-current Liabilities</i>	\$60,209	\$60,209
Total Liabilities	\$258,960	\$123,579
Net Assets	\$501,484	\$503,093
Gearing ratio	28.5%	11.7%

- Net proceeds \$132.7m from sale of Bengering received post balance date
- Net proceeds applied to reduce debt
- Pro-forma gearing ratio reduced to 11.7%
- Webster has strong funding capacity with \$183 million in undrawn facilities post divestment (30 Sep 2018)
- Enables continued investment in growth and development in core business and new opportunities to complement the portfolio

In Conclusion



- **Solid increase in underlying profitability in FY18**
- **Strong financial position with ample head room in credit facilities will enable continued and measured investment in growth through development across the Webster portfolio**
- **2018 was certainly a solid year for cotton but report that 2019 has resulted in reduced cotton plantings in 2019 due to dry conditions/reduced water allocations in the Riverina and also due to the sale of Bengorang and**
- **Webster is well positioned and has demonstrated that it can deliver sound earnings in average seasons with significant potential for higher earnings in good seasons**