



Wingara AG  
Limited

We efficiently connect primary producers to the global market through our protein supply chain platform

## Q2 FY21 Presentation

Gavin Xing, Chief Executive Officer

4 November 2020

“Wingara is positioned for a strong second half”



# Enabling Australian agricultural products to reach end markets

- WNR's business model:
  - ❖ Owns and manages critical export infrastructure assets within the protein supply chain
  - ❖ Tolling revenue model based on throughput
  - ❖ Capitalise on our global trading network
  - ❖ Partnership with primary producers with a greater access to products for export
  - ❖ Diversification through multi-products
- WNR's mission is to enable products to reach end consumers efficiently and securely, with provenance
- WNR's growth strategy is to build a supply chain platform based on acquisition and organic growth
- The company has established two business divisions based on our growth strategy: Fodder (JC Tanloden) and Red Protein Export Service (Austco Polar)



**Business Model:** Processor and marketer of fodder products including oaten, wheaten, barley, canola hay and straw

**Assets:** Two sites; Epsom & Raywood, Victoria providing a combined 110,000 MT processing capability and 30,000 MT storage capacity

**Markets:** China, Taiwan, Japan and Korea (Key clients include Yili, MengNiu, Fonterra, Bright Holstein, Zenoh, Kanematsu)



**Business Model:** Value-add and logistic services for red meat export including blast freezing and cold storage

**Assets:** Laverton, VIC across 1 Hectare. Blast freezing throughput of 45,000 packs per week plus storage capacity of 10,000 standard size pallets

**Markets:** Export accredited to key destinations including China, Japan, Korea, EU, USA, Middle East (including Halal certification)

## Q2 cashflow reflects strategic inventory build-up to support future sales

- H1 FY21 cash receipts up 22% to \$19.15m (vs H1 FY20)
  - Q2 FY21 cash receipts up 1% to \$9.13m (vs Q2 FY20)
- Well-positioned for next phase of growth, with a diversified asset investment model proving extremely resilient
  - Increased fodder export revenues have protected the Company from a reduction in blast carton volumes
- H1 FY21 operating cash outflow of \$(0.55)m is a direct result of inventory build-up to support H2 FY21 sales
  - Q2 FY21 operating cash outflow of \$(0.53)m
- **JC Tanloden** H1 FY21 production was up 50% (on H1 FY20) at 25,974 MT
  - Inventory in was up 734% (on H1 FY20) to 20,290 MT, a strong lead indicator of future sales
- Despite a fall in overall volumes over H1 FY21 (compared to H1 FY20), **Austco Polar** has performed strongly in light of significant challenges from the economic environment
- Successful \$5.037m oversubscribed Placement facilitates immediate growth opportunities for fodder export within JC Tanloden

# Revenue run-rate on track to \$40m p.a.

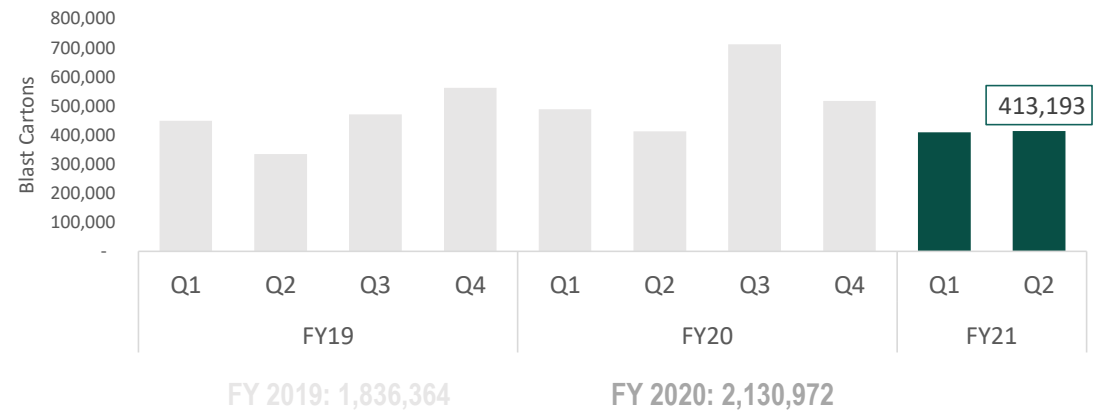
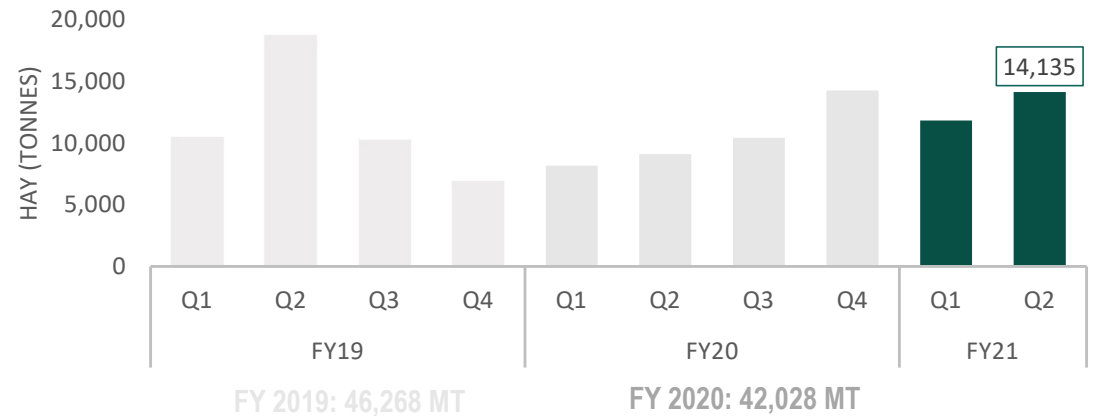
- Wingara's diversified asset investment model allowed the Company to navigate through serious Q2 COVID-19-related challenges in a tough macro-economic environment while setting strong foundations for the Company's next phase of revenue growth
- Austco Polar** is operating effectively despite COVID-19 and international shipping logistic challenges
- Asset base of over \$50m with less than \$5m core debt reflects company's disciplined capital management
- Brown-field improvement at Epsom and greenfield development at Raywood positioned JCT as the largest Victorian fodder exporter in terms of capacity

Quarter end Financial Period	Jun-19 Q1 FY20	Sep-19 Q1 FY20	Dec-19 Q3 FY20	Mar-20 Q4 FY20	Annual Total FY 2020	Jun-20 Q1 FY21	Sep-20 Q2FY21
Receipts from customers (\$m)	7.63	8.13	9.34	10.58	35.68	10.02	9.13
Net Cash From Operating Activities (\$m)	1.93	1.09	-1.13	-0.32	1.58	-0.02	-0.53
JCT fodder throughput (MT)	8,175	9,125	10,449	14,279	42,028	11,839	14,135
JCT fodder inventory (MT)	8,981	2,434	18,515	15,777		16,278	20,290
Austco Blast freezing cartons	488,852	412,492	712,118	515,510	2,130,972	409,647	413,193

- JCT fodder inventory is up 8.3x on end of Q2 position in FY20.
- Business planning and hay accumulation contracting for next harvest season (October to February) is well underway with the objective to improve capacity utilisation from the current 50% to 70-75% based on 110,000 MT processing capacity
- Victoria is showing positive signs of a strong lamb season post re-stocking and we are working with key clients to plan for the coming season

# H1 FY21 performance

- **JC Tanloden** H1 FY21 production was up 50% (on H1 FY20) at 25,974 MT
- Overall export demand is solid, with key Asian economies recovering following re-opening post COVID-19
- Inventory has increased 734% in H1 FY21, to 20,290 MT (compared to 2,434 MT in H1 FY20), a strong lead indicator of future sales
- Despite a fall in overall volumes over H1 FY21 (compared to H1 FY20), **Austco Polar** has performed strongly in light of significant challenges from the economic environment
- Austco Polar blast carton remained constant across quarters in FY21, with blast carton volumes of 823k achieved for H1 FY21, even though revenue has decreased



# A diversified agricultural products platform

WNR has built a sustainable platform for processing and marketing agricultural products – more products can be added at the appropriate time





# Q2 Summary

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- JC Tanloden is ready to enter the next phase of growth, with significant inventory accumulation and plans for further site development
- Austco Polar Cold Storage has mitigated COVID-related and logistical disruption by managing costs and driving efficiencies across the business
- Cash receipts continue to grow quarter-on-quarter
- Wingara will look to benefit from an improving domestic economy, as COVID restrictions are relaxed, and strengthening Asian export markets in H2 FY21

The background of the slide is a photograph of a vast agricultural field filled with green, leafy plants, likely a crop like soybeans. In the distance, a line of trees is visible on the horizon. The sky is a clear blue with scattered white clouds. A very bright sun is positioned in the upper center of the frame, creating a strong lens flare that radiates across the sky. On the left side of the image, there is a solid dark teal vertical bar. Overlapping this bar is a white-outlined circle containing the word "Appendix" in white text.

## Appendix



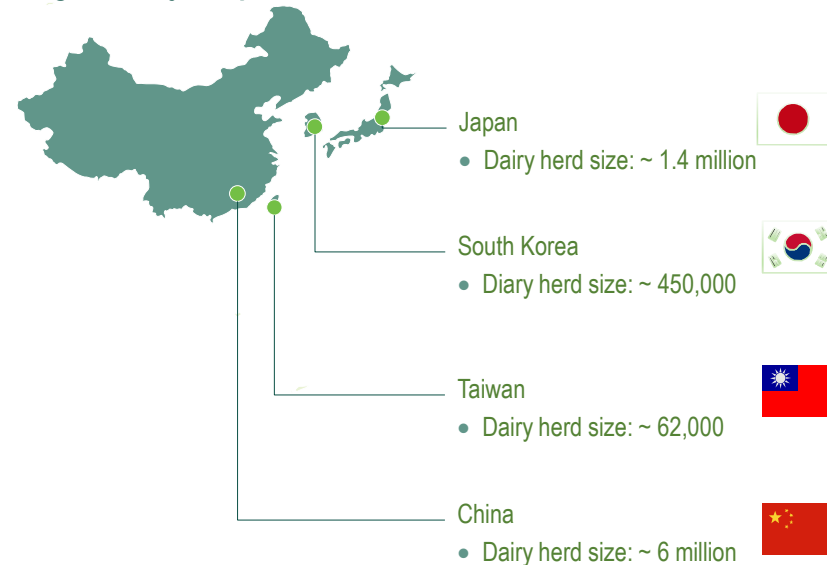
# JC Tanloden – services and key markets

- Original business was one of the first fodder exporter from Victoria with a 30 years history
- We purchase, process and transport our high quality produce to our domestic and global customers
- Revenue is generated via a tolling model where fees charged are dependent on the grade of the hay. Typically consistent in terms of margin which is based on a cost-plus structure.

## Services Provided

Hay Accumulation	Processing	Logistics
<ul style="list-style-type: none"><li>• Supply sourced from more than 2,000 farmers over 100,000km<sup>2</sup> throughout Victoria</li><li>• Purchase typically occur during November – January</li><li>• Current storage capacity of 30,000 MT</li><li>• Storage capability of up to 3 years</li></ul>	<ul style="list-style-type: none"><li>• Quality control testing on new hay deliveries</li><li>• Compress bales to reduce size by 50%</li><li>• Repackaging and fumigation</li><li>• Current processing capacity of 110,000t per annum</li></ul>	<ul style="list-style-type: none"><li>• Domestic and interstate markets</li><li>• Offshore freight to key markets including China, Taiwan, South Korea and Japan</li></ul>

## Wingara's major export destinations



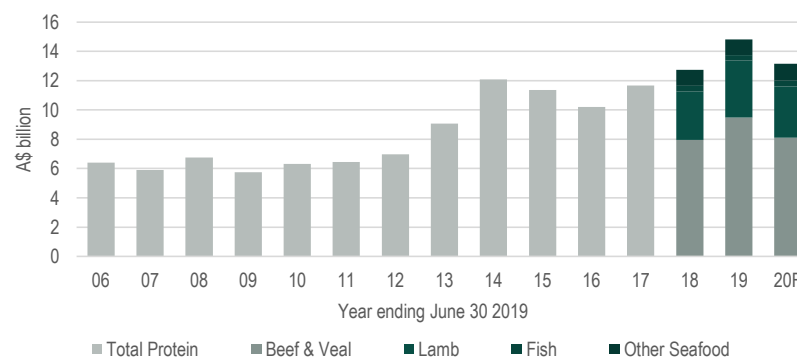
# WNR's markets

JC Tanloden and Austco Polar form key parts of the Australian agriculture industry's supply chain and export capabilities for protein and fodder products – both which have grown significantly over the past 5 years

- **Export markets for proteins & fodder: \$13 billion annually** (from \$9 billion 5 years ago)
- **Oaten hay demand from China: 1.5 – 2 million MT per annum** (accelerating in the past 5 years and cannot be met in Australia alone)
- **Australia's brand strength has increased share of production for fodder:** Product traceability, quality and lack of contamination underpin the favourable reputation of Australian agricultural exports leading to major export expansion.
- **Oaten hay is a desirable export product:** Australian producers primarily export oaten hay, which improves milk production. Oaten hay has high demand worldwide as a reliable, high quality fodder that meets stringent animal production requirements.
- **Wingara advantage:** Under the Free Trade Agreement with China, only oaten hay from Australia is allowed to be imported



Australian Protein Exports



Oaten Hay Export Demand



Source: Company websites, Wingara management estimates, Australian Fodder Industry Association

# Austco Polar – services and key markets

Established in 1987, Austco Polar Cold Storage owns and operates a cold storage facility which specialises in temperature controlled facilities, blast freezing, storage and distribution for domestic and international clients. Key clients account for over 30% of VIC meat production

## Services Provided

### Storage & Handling

- Receive containers and store products
- Complete exporters documentation and product selection
- Load domestic and export containers with frozen product

### Blast Freezing

- Blast freeze product; extends shelf life from 12 weeks to up to 3 years
- Process capacity of 40K cartons per week

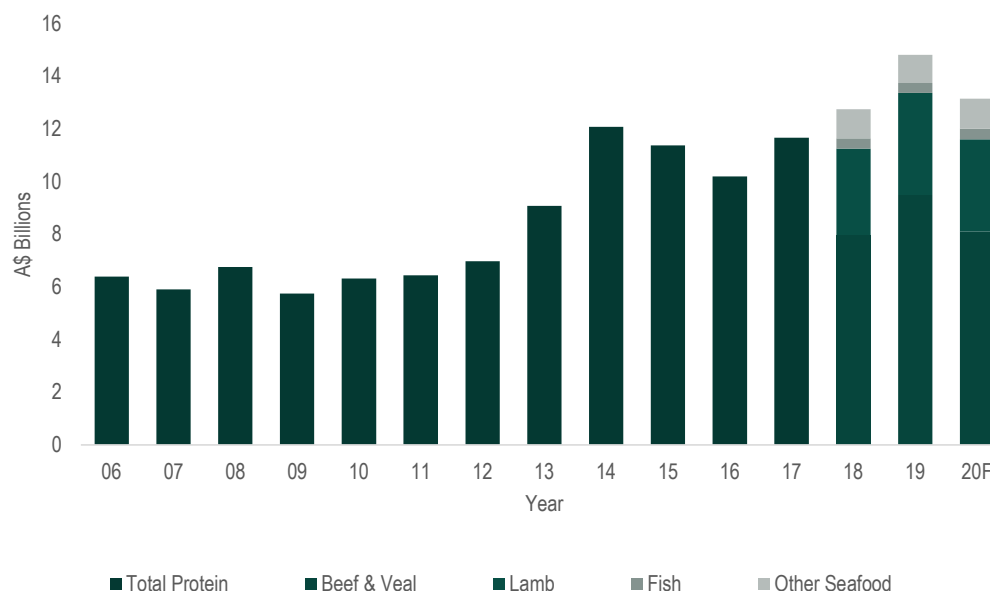
### Tenancy

- Chillers and freezers occupied by various food suppliers on long term contracts
- Average tenure of clients of 5 years

## Revenue Model

- Service oriented to cover fixed costs
- Underpinned by export demand and blast freezing
- Tolling based on volume to key exporters
- Cost plus arrangement
- Seeing steady growth in demand
- Rent revenue charged monthly based on freezer space
- Mitigates revenue profile and meets fixed cost in winter periods

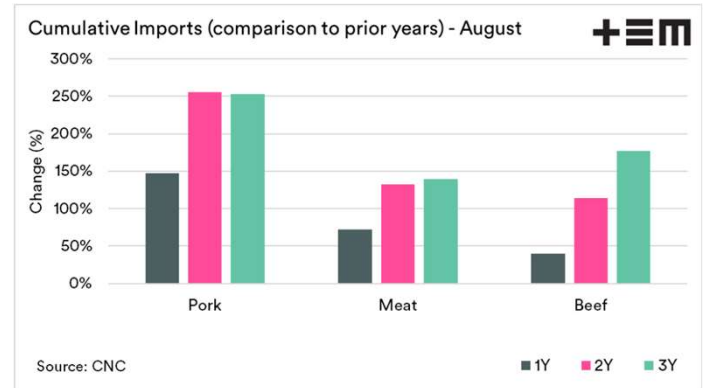
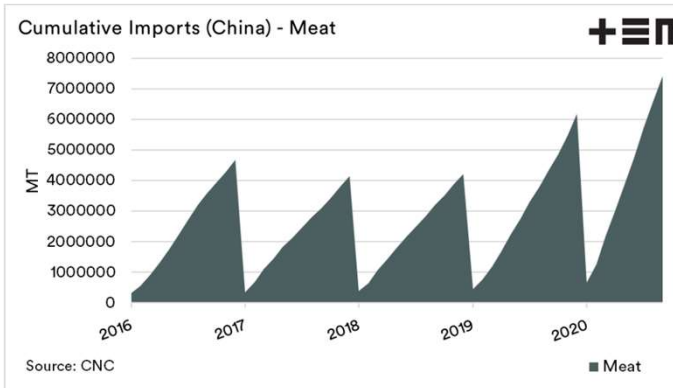
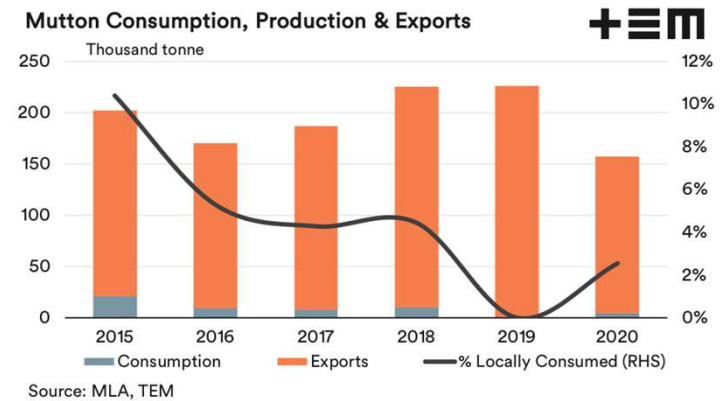
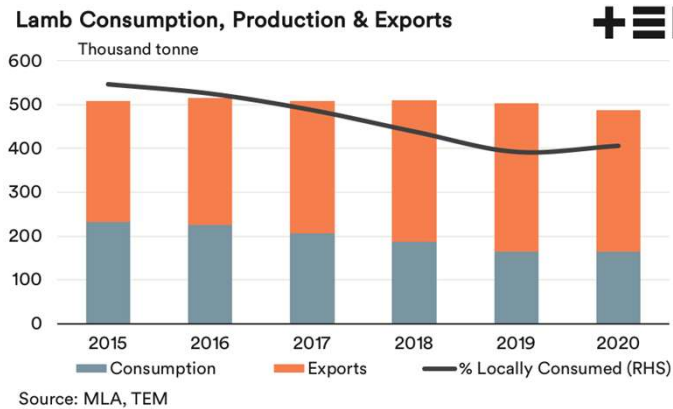
## Australian Protein Exports



Source: Meat & Livestock Australia

# Protein Market Update

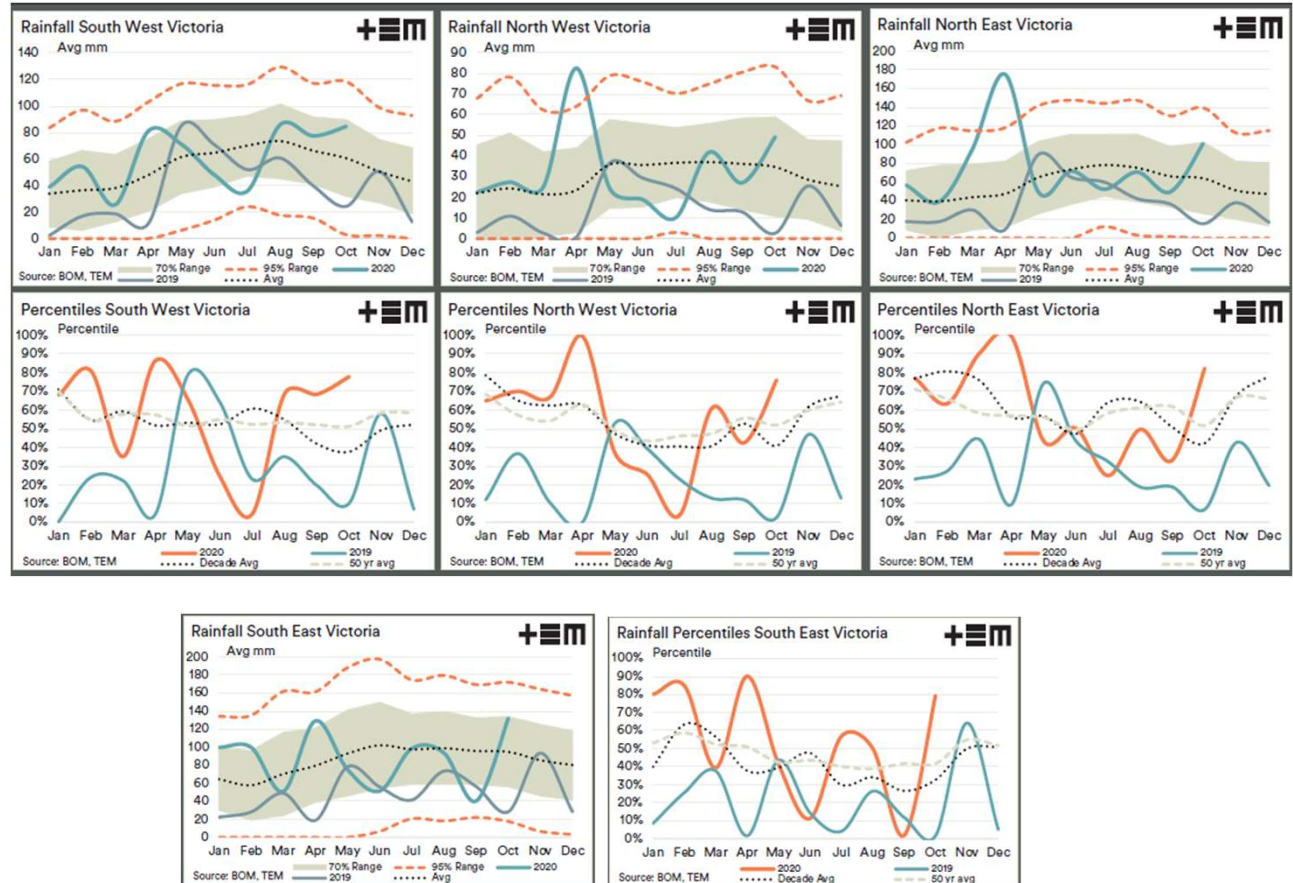
- Domestic consumption of red meats, particularly lamb and mutton, has been on a downward trend in recent years.
- The share of red meat production destined for export has risen as a result
- Given a greater reliance on exports, the meat industry has seen disruption from COVID-19 and logistical issues such as port strike action in 2020
- Total meat exports to key Asian markets continue to rise year-on-year



Images Source: Thomas Elder Markets  
<https://www.thomaseidermarkets.com.au/market-insights/october-2020-rainfall-analysis/>

# Rainfall Report

- Higher-than-expected rainfall prior to harvest has proved challenging for many growers across VIC and SA.
- Reports of weather-damaged hay have been received in some key areas.
- Quality hay is expected to come at a higher premium than anticipated
- Equally, exported product is likely to trade at a discount, particularly given slow domestic demand



Images Source: Thomas Elder Markets  
<https://www.thomaseidermarkets.com.au/market-insights/october-2020-rainfall-analysis/>



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efficiently through our protein supply chain.

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