Wingara AG Limited
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ASX Announcement
26 November 2021

Strong revenue growth but market and legacy issues impacting EBITDA

Overview of FY22 H1:

- **Strong revenue performance from continuing operations of $18.9m, up 49%**
- **JC Tanloden hits record export volumes of 44.1k tonnes (H1 FY21: 27.7k tonnes), up 59%**
- **EBITDA before significant items of $0.6m, down 66%**
- **EBIT loss before significant items of $0.1m**
- **Net loss before significant items of $1.1m**
- **First half earnings reflective of legacies, stronger second half forecast**
- **New CEO, James Whiteside commenced 1 July driving organisation wide change**

Wingara AG Limited (ASX: WNR), the owner and operator of assets specialising in the processing, storage and marketing of agriculture produce for export markets, today announces its results for the 6 months ended 30 September 2021 (H1 FY22).

Financial performance ($'000)	FY22 H1	FY21 H1	Change
Revenue	18,869	12,683	49%
Gross profit	**7,087**	**5,128**	38%
GP Margin	*38%*	*40%*	
Other income	35	195	(82%)
Freight expenses	(3,528)	(1,633)	116%
Employee expenses	(1,339)	(879)	52%
Foreign exchange losses	(610)	(239)	155%
Operating and overhead costs	(1,073)	(867)	24%
EBITDA before significant items	**572**	**1,705**	**(66%)**
EBITDA margin	*3%*	*13%*	
Depreciation	(660)	(513)	29%
EBIT/(loss) before significant items	**(88)**	**1,192**	**(107%)**
Finance costs	(1,030)	(661)	56%
Income tax expense	0	(36)	(100%)
NPAT/(loss) from continuing operations before significant items	**(1,118)**	**495**	**(326%)**
Loss from operations held for sale	(1,590)	(688)	131%
Net loss before significant items	**(2,708)**	**(193)**	**1303%**
Significant items	(785)	(103)	662%
Net loss after tax	**(3,493)**	**(296)**	**1080%**
Summary of significant items			
Capital raise and share placement costs	0	54	(100%)
Net share based payments expense	54	24	125%
Impairment of capital projects	506	0	100%
Project expenses	85	25	240%
Legal fees	140	0	100%
Total from continuing operations	**785**	**103**	**662%**

Commenting on H1 FY22, Wingara's Chief Executive Officer James Whiteside said:

"We are very pleased to have been able to grow top-line revenue by 49% which is a significant step-change from this time last year and demonstrates the potential of our core operation. We have been able to increase production by substantially increasing machine uptime and we are confident that there are more operational improvements to be made.

"However, there have been a number of operational challenges that have contributed to a reduction in earnings, including an increase in expenditure on repairs and maintenance to support the volume growth, and a chronic shortage of labour, as is being evidenced in almost every Australian industry. Margins have been significantly impacted by the remaining inventories of high-cost hay contracted over 12 months ago, unfavourable currency hedges and rising storage and international shipping costs as a consequence of the pandemic."

JC Tanloden demonstrates earnings potential

The business enjoyed record export hay volumes at JC Tanloden, with sales of 44.1k tonnes for the half, up by 59%. This was largely due to a continued focus on plant uptime and the commissioning of an additional press at the Raywood facility. Management continues to work on plant reliability and these initiatives are expected to result in a stronger second half performance.

Market demand remains strong in all markets although significant shipping delays and cost increases continue, as a consequence of the disruption to global supply chains.

The current exceptionally wet conditions are significantly impacting the quality of hay that will be procured for processing over the next 12 months. The subsequent impact on JC Tanloden's volumes and margins is difficult to forecast if the unseasonably wet conditions continue.

Austco Polar Cold Storage divestiture in progress

Austco delivered a net loss of $1.6m, unfavourable by 131% when compared to prior half however the meat processing sector is now recovering as the world emerges from lockdown. Whilst blast freezing demand was up 22% to 970k blast cartons, revenue lost from the termination of a key customer contract in late FY21 has been only partially recovered through the acquisition of new business.

Management continues to focus on a range of margin improvement initiatives, which are forecast to result in an improved performance in the second half. The process of endeavouring to realise value through the sale of the business is progressing, with a number of expressions of interest being managed.

Commenting on the Company's outlook for H2 FY22, Mr Whiteside said:

"A number of initiatives taken are already showing an improved monthly performance. Further increasing machinery uptime by focussing on operational bottlenecks and improved plant reliability is expected to result in improved production output in H2. We are also developing an improved planning process, to ensure new season hay is appropriately contracted and that supply chain costs are recovered in the market. Furthermore, we are completing the commissioning of the additional hay bailing machine to ensure its optimal performance.

"At Austco, we have a strong focus on asset utilisation and contract management to improve profitability whilst continuing the process of divestment of this business.

"With the support of our institutional and retail investors contributing $4.4m (net of transaction costs) of growth capital, as well as our momentum gained in the last quarter of H1, we are well placed to have a better EBITDA performance in H2. Our focus will be on margin expansion ensuring production is maximised as efficiently as possible and increased supply chain costs are recovered."

Investor Briefing

James Whiteside (CEO) and Jae Tan (CFO) will host a conference call to present these results to interested shareholders at 2pm AEDT on Friday, 26 November 2021. To receive a link to participate, please email investorrelations@wingaraag.com.au

This announcement has been approved for release by the Board of Directors of Wingara AG Limited.

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About Wingara AG Limited:

Wingara AG Limited aims to be the leader in the sale of agricultural products to the domestic and international markets, particularly focusing on the export of hay products to Asia. By adhering to the highest standards of production we ensure a reliable source of hay to our clients, enabling them to meet their business demands confident in the quality of our product.

We are also dedicated to supporting local producers and our commitment to providing an equitable relationship with Australian farmers allows us to source the best product available. Wingara is committed to ensuring we uphold the highest standards of integrity throughout the organisation, ensuring that we create an environment in which individuals continue to strive to meet our goals.

For further information, please visit: https://wingaraag.com.au/

Forward-looking statements:

Certain statements made in this release are forward-looking statements and are based on Wingara AG's current expectations, estimates and projections. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "guidance" and similar expressions are intended to identify forward-looking statements.

Although Wingara AG believes the forward-looking statements are based on reasonable assumptions, they are subject to certain risks and uncertainties, some of which are beyond Wingara AG's control. As a result, actual results could materially differ from those expressed or forecasted in the forward-looking statements.

The forward-looking statements made in this release relate only to events as of the date on which the statements are made. Wingara AG will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.