Wingara AG Limited
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ASX Announcement

27 May 2022

Release of FY22 full year results

Wingara AG Limited (ASX: WNR), the owner and operator of value-add, mid-stream assets specialising in the processing, storage and marketing of agriculture produce for export markets, is pleased to provide its full year financial results alongside its Appendix 4E (Preliminary Final Report) for the year ended 31 March 2022.

A webinar briefing for investors will be held in June. Further details will be provided in due course.

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

For further information contact:

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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.

Wingara AG Limited

Full year results

to 31 March 2022

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Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances. Past performance is no guarantee of future performance.

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Company update

FY22 - Solid growth in a challenging environment

- Revenue growth from continuing operations up 43% primarily driven by year-on-year increase in hay sales volumes (up from 63.9k tonnes to 96.6k tonnes) driven by improvements in plant uptime.

- EBITDA from continuing operations up 74% due to increased sales volumes and improvements in plant uptime and reliability.

- Business operations impacted by the Omicron variant of COVID-19 from December 2021:
  - Hay production adversely impacted by multiple cancellations of shifts
  - Further supply chain disruptions both upstream and downstream
  - Significant reduction in blast volumes due to interruptions to red meat supply chains.

- Performance in the second half of Q4 recovered as operations resumed at a more consistent cadence however the impact of COVID-19 on the business remains a significant risk.

- Strong demand in all markets remains supporting increased sales volumes and requiring focus and investment in plant reliability and uptime.

- Loss from *operations held for sale* (**Austco Polar**) before significant items, improved from prior year from $1.8m in FY21 to $1.4m in FY22.

- Continued focus on safety performance and management in pursuit of Zero Harm.

FY22 Headlines

Wingara AG Limited

- Revenue up $11.7m (or 43%) on strong hay production growth to service strong customer demand.
- Record hay sales tonnes[1] of 96.6k, up from 63.9k in FY21.
- EBITDA of continuing operations before significant items up by 74% to $1.7m.
- Successful capital raise in Q1 of $4.4m (net of transaction costs) plus positive operating cash flows resulting in Net debt (excluding finance leases) reducing by 29% to $6.3m.
- Significant investment in safety via people, safety management systems and capital to ensure a safe and compliant workplace

Successes

- ✔ Consolidated revenue of $50.1m, up 32%
- ✔ 96.6k sales tonnes[1], up 51%
- ✔ EBITDA of continuing operations before significant items up by 74% to $1.7m
- ✔ Net operating cashflow up 723% to $2.6m
- ✔ Net debt down 29% to $6.3m
- ✔ Stable and capable Operations teams re-established

Challenges

- ✘ Austco Polar continues to absorb resources and impact profitability. Sale process is well advanced.
- ✘ Positive momentum substantially stalled by COVID-19

[1]Sales tonnes refers to hay sales for JC Tanloden

Austco Polar Cold Storage – Sale Process Update

Wingara AG Limited

- The Company announced on 24 August 2021 that it had completed a strategic review of Austco Polar Cold Storage and determined that the business is non-core to the Company’s future growth strategy given the higher growth opportunities available through JC Tanloden.

- Wingara has held the division for sale and undertaken a sales process over the last six months to realise value for the business division

- We have fielded interest from a range of parties including other cold storage operators, transport and logistics operators and food processors and manufacturers.

- The sale process is well advanced and the Company is confident that the sales process should successfully conclude in the near future.

- We will provide an update on progress in the near term.

Financial results

Consolidated P&L - FY22 Headlines

Financial performance ($'000)	FY22	FY21	Change
Revenue	39,346	27,608	43%
Gross profit	**16,072**	**9,186**	75%
GP Margin	*40.8%*	*33.3%*	23%
Other income	63	278	(77%)
Freight expenses	(7,794)	(4,199)	86%
Employee expenses	(3,110)	(2,011)	55%
Foreign exchange losses	(1,390)	(292)	376%
Operating and overhead costs	(2,120)	(1,975)	7%
EBITDA before significant items	**1,721**	**987**	**74%**
EBITDA margin	*4.4%*	*3.6%*	+22%
Depreciation	(1,393)	(1,076)	29%
EBIT/(loss) before significant items	**328**	**(89)**	**(469%)**
Finance costs	(1,431)	(1,068)	34%
Income tax expense	(1,382)	(215)	543%
NPAT/(loss) from continuing operations before significant items	**(2,485)**	**(1,372)**	**81%**
Loss from operations held for sale	(1,381)	(1,799)	(23%)
Net loss before significant items	**(3,866)**	**(3,171)**	**22%**
Significant items	(5,832)	(3,062)	90%
Net loss after tax	**(9,698)**	**(6,233)**	**56%**
Consolidated EBITDA before significant items summary			
From continuing operations	1,721	988	74%
From operations held for sale	503	1,545	(67%)
Total consolidated EBITDA before significant items	**2,224**	**2,533**	**(12%)**

- **Revenue** growth of 43% driven by increased production as a result of increased machine up time and longer production hours.
- **Gross profit** increased by 75% to $16.1m, an increase in GP margin by 7.5pp. This was driven by better management of S&OP processes including procurement, warehouse management and reporting.
- **Freight expenses** have increased by 86% contributed by (i) $2.1m as a direct result of increased production; and (ii) $1.5m due to freight price increases as a result of global supply chain disruptions.
- **Employee expenses** increased from prior year by 55% to $3.1m as a result of (i) lower capitalised salaries and wages due to reduced allocation to project work; and (ii) investment in on-site leadership and safety personnel.
- **Foreign currency losses** as a consequence of contracts entered into up to 12 months ago resulting in out-of-money position as the Australian dollar has weakened.
- **EBITDA** and EBIT showed year on year improvements ending FY22 on $1,7m and $0.3m, respectively.
- **Loss from Operations held for Sale (APCS)** has reduced by 23% notwithstanding a 67% reduction in EBITDA. This was due to income tax benefit charged for the year.
- **Significant items of $5.8m** relate mainly to an impairment of property, plant and equipment as a result of a detailed fixed asset review undertaken.

Results by business unit

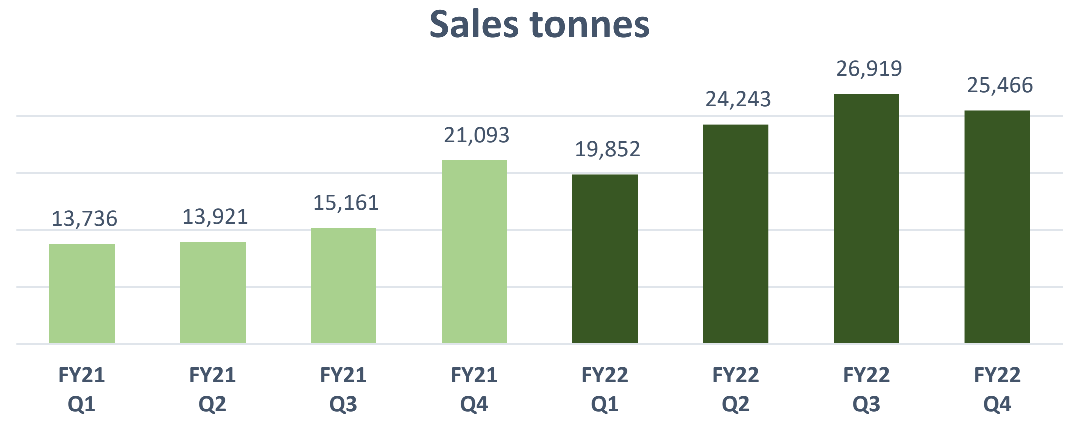
With Austco Polar business unit classified as held for sale, the Group operates one operating segment being its continuing business – fodder. Below is a summary by business unit.

31 March 2022	Fodder JC Tanloden	Corporate	Total continuing business	Operations held for sale (APCS)	Total
Revenue	39,346	0	39,346	10,718	50,064
Gross profit	16,072	0	16,072	3,725	19,797
EBITDA before significant items	3,957	(2,236)	1,721	503	2,224
EBIT before significant items	2,624	(2,296)	328	(1,336)	(1,008)

31 March 2021	Fodder JC Tanloden	Corporate	Total continuing business	Operations held for sale (APCS)	Total
Revenue	27,608	0	27,608	10,401	38,009
Gross profit	9,186	0	9,186	4,002	13,188
EBITDA before significant items	3,079	(2,092)	987	1,545	2,532
EBIT before significant items	2,058	(2,147)	(89)	(278)	(367)

JC Tanloden P&L

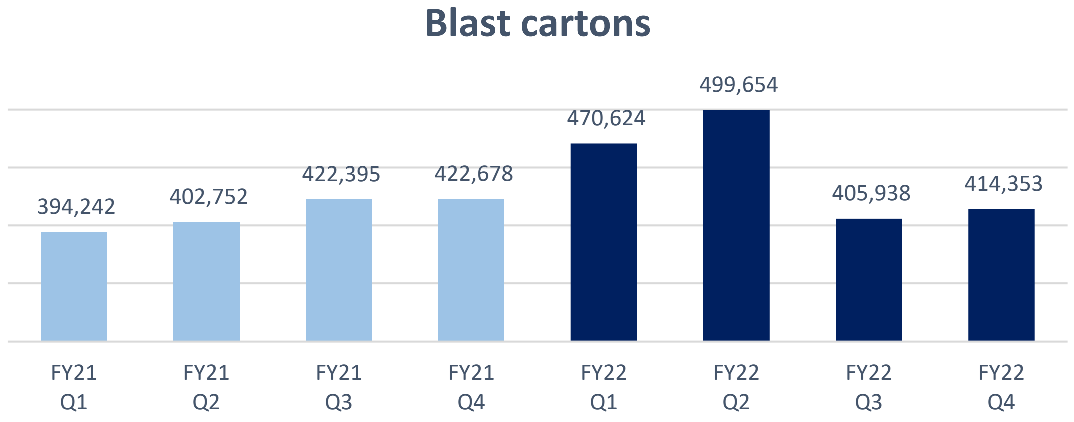
Financial performance ($'000)	FY22	FY21	Change
Revenue	39,346	27,608	43%
Gross profit	**16,072**	**9,186**	75%
GP Margin	*40.8%*	*33.3%*	23%
Other income	62	178	(65%)
Operating and overhead costs	(12,177)	(6,285)	94%
EBITDA before significant items	**3,957**	**3,079**	**29%**
EBITDA margin	*10.1%*	*11.2%*	-10%
Depreciation	(1,333)	(1,021)	31%
EBIT/(loss) before significant items	**2,624**	**2,058**	**28%**
Production volumes (tonnes)	96,581	63,912	51%
Revenue per tonne	407	432	(6%)
EBITDA per tonne	41	48	(15%)
EBIT per tonne	27	32	(16%)



- **Revenue growth of 43% to $39.3m**
  - Sales volumes up 51%, strong demand in all markets
  - Improvement in plant reliability and uptime
  - Fourth quarter impacted significantly by labor shortages due to COVID-19
- **Gross profit up 75% to $16.1m; gross margins up 7.5pp to 40.8%**
  - Increase in tonnes sold with on-boarding of additional press
  - Out-of-market procurement contracts completed early in the financial year
  - Efficiencies gained through improved S&OP processes including procurement, warehouse management and reporting
- **Operating and overhead costs up 94% to $12.2m.**
  - Logistic costs have increased by $3.6m as a result of (i) increase in sales volumes; and (ii) International sea freight price increases as a result of port congestion
  - $0.8m higher indirect employee costs with less allocation to capital project initiatives and increased focus on operations.
- **EBITDA up 29% to $4.0m; EBITDA margins down by 1.1pp**
  - EBITDA margin impacted by higher freight and supply chain costs, not fully recovered in higher sales prices
- **EBIT up 28% to $2.6m.**
  - Increase in depreciation due to heavy FY21 capital investment

Austco Polar Cold Storage P&L

Financial performance ($'000)	FY22	FY21	Change
Revenue	10,718	10,401	3%
Gross profit	**3,725**	**4,002**	(7%)
GP Margin	*34.8%*	*38.5%*	(10%)
Other income	9	402	(98%)
Operating and overhead costs	(3,232)	(2,859)	13%
EBITDA before significant items	**502**	**1,545**	**(68%)**
EBITDA margin	*4.7%*	*14.9%*	-68%
Depreciation	(1,839)	(1,823)	1%
EBIT/(loss) before significant items	**(1,337)**	**(278)**	**381%**
Blast volumes (cartons)	1,790,569	1,642,067	9%
Revenue per carton	5.99	6.33	(5%)
EBITDA per carton	0.28	0.94	(70%)
EBIT per carton	(0.75)	(0.17)	341%



- **Revenue up 3% to $10.7m**
  - Sales volumes up 9% for the year
  - Volumes substantially impacted by COVID-19 in meat processing sector, particularly in H2
- **Gross profit down 7% to $3.7m**
  - Unable to fully recover costs associated with higher cost to serve customers given market competition
  - Staff shortages as a result of the pandemic continue to impact productivity
  - Sourcing of labour via agencies due to COVID-19 substantially increased hourly rates
- **Operating and overhead costs up 13% to $3.2m**
  - Increased focus on safety has led to increased investment in repairs and maintenance.
  - Higher property costs (e.g. insurance and taxes).

Improving balance sheet

Financial position ($'000)	31-Mar-22	31-Mar-21	Change
Cash	1,514	1,920	(21%)
Working capital	(1,648)	(1,228)	34%
Property, plant and equipment	13,481	20,748	(35%)
ROU assets	4,043	23,242	(83%)
Intangibles	1,816	1,816	-
Assets classified as held for sale	20,813	0	100%
Other	21	138	(85%)
Total assets and working capital	**40,040**	**46,636**	**(14%)**
Lease liabilities	(2,775)	(23,908)	(88%)
Borrowings	(5,766)	(7,872)	(27%)
Liabilities classified as held for sale	(21,847)	0	(100%)
Total liabilities	**(30,388)**	**(31,780)**	**(4%)**
Net assets	**9,652**	**14,856**	**(35%)**

Net debt metrics* ($'000)	**31-Mar-22**	**31-Mar-21**	**Change**
Borrowings**	7,912	10,782	(27%)
Cash	(1,628)	(1,920)	(15%)
Net debt	**6,284**	**8,862**	**(29%)**
Net assets	9,650	14,857	(35%)
Net debt to net assets ratio	65%	60%	(26 pp)

*Includes operations held for sale

**Excludes AASB16 lease liabilities

- Austco Polar now aggregated into separate assets and liabilities held for sale. Balances therefore reflect the JCT and Corporate business units.
- Notwithstanding strong operating cash flow, cash balance has decreased 21% due predominantly to increased net borrowing repayments, $3.4m in FY22 from $1.9m in FY21.
- Reduction in total borrowings (excluding AASB 16 lease liabilities) of 27% due to on-time principal repayments and strong operating cash flow performance allowing for voluntary reduction in revolving loan facility.
  - Net debt has decreased 29% to 6.3m
  - Net debt to net asset ratio has increased by 5pp due to one-off impairment of property, plant and equipment
- Sustained focus on working capital management and balance sheet health.

Cash flow

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Cash flow ($'000)	FY22	FY21	Change
EBITDA before significant items	1,721	988	74%
Cash outflow from significant items	(287)	(759)	(62%)
Working capital movements	1,560	745	109%
Cash flow from operations held for sale	870	229	280%
Gross operating cash flow	**3,864**	**1,202**	**221%**
Finance costs and tax payments	(1,256)	(885)	42%
Net operating cash flow	**2,608**	**317**	**723%**
Capital expenditure payments, net of proceeds received	(1,905)	(4,017)	(53%)
Settlement of lease obligations	(3,326)	(3,055)	9%
Free cash flow	**(2,624)**	**(6,755)**	**(61%)**
Cash conversion*	**152%**	**32%**	**120pp**

**Calculated as net operating cash flow / EBITDA*

- Strong operating cash flow result for FY22 ending the year on $2.6m, up on prior year by 723%. This was due to working capital management driving up cash conversion by 120pp.
- FY22 Free cash outflow of $2.6m, improved by $4.1m. This was driven by:
  - Improved operating performance and therefore operating cash flows; and
  - Significantly lower capital expenditure investment as a result of lower labour capitalisation and an improved capital approval process implemented.

FY23 Outlook

FY23 Outlook

Wingara AG Limited

- Through FY22 Wingara has been able to reset the Company culture to a focus on a safety, productivity and setting a pathway to profitability
- With a new operating cadence in place management will be focused on three core pillars for growth through FY23

Leverage Fodder Market Tailwinds

- Tailwinds remain for high-quality Australian fodder with supply constraints from competitive regions
- JC Tanloden holds one of three remaining China export licences
- With adequate working capital we anticipate a material increase in throughput volume to meet market demand

Close out AustCo Polar Cold Storage Sale

- AustCo Polar has absorbed scarce resources in capital and management time
- Sale process is nearing finalization and we anticipate making further announcements shortly
- Company will have a re-set focus solely on the opportunity in fodder once the sale process is complete

Inorganic Growth Opportunities

- Wingara has a unique platform as a the only ASX-listed pure-play fodder export business
- The fodder processing and export industry is fragmented with a number of marginal operators
- We believe there is a near-term opportunity to accelerate our growth and create a larger, diversified fodder business

Fodder Market Outlook – Opportunities & Challenges

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Opportunities/ Growth Drivers

- International markets are proving very resilient despite soft commodity boom:
  - prices of competitor products (eg North American alfalfa) increasing at faster rate than cereal hay
  - Dairy cattle numbers continue to grow in all major markets
  - Oaten hay is typically between 8-15% of rations though could be much higher
  - *market fundamentals are strong*
- China demand substantially exceeds Australia's ability to supply, new markets are emerging in South-east Asia and the Arab Gulf
  - *strengthen investment in new marker development*
- The industry has structural characteristics that support rationalization. Being listed adds to the appeal of Wingara.
  - *pursue opportunities to build scale*

Challenges

- The nation's labor shortage severely impacts the ability to build a strong and engaged workforce
  - *focus on building capability and engagement*
- Impact of COVID-19 is not dissipating fast
  - *continuing focus on health and safety*
- At some point, strengthening soft commodity prices may result in demand erosion
  - *Stay engaged with customers to track sentiment*
- Sea freight prices and port congestion decreases the "competitive footprint" of exporters
  - *retain strong relationships with shipping companies*
- China domestic oaten hay production is increasing although freight from Inner Mongolia to coastal markets is an impediment
  - *Maintain quality to differentiate from local supply*
- JC Tanloden's current lack of geographic diversity increases operational risks
  - *Explore growth opportunities beyond Victoria*