Wingara AG Limited
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ASX Announcement

24 November 2022

Release of FY23 half 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 half year financial results alongside its Appendix 4D for the 6 months ended 30 September 2022.

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.

Wingara AG Limited

FY23 Half year results

to 30 September 2022

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Company update

H1 FY23 - Summary

- Significant turnaround of operations when compared to historical 6-month period performances.

- Revenue growth from continuing operations up 13% by half-on-half increase in hay sales tonnes (up from 44.2k tonnes to 51.4k tonnes) driven by increase in production.

- EBITDA from continuing operations up 303% due to
    - Increased sales volumes
    - Better margin management with increased sales prices to reflect on-going upward cost pressures
    - Appreciating Australian dollar

- Austco Polar sale completed on 7 October 2022 (H2 FY23)
    - Sales proceeds of $1.0m plus $0.2m of working capital adjustment received
    - A gain on sale of approximately $1.3m was booked;
    - $0.5m of employee entitlements were transferred; and
    - A 12-year lease obligation and a $2.0m bank guarantee released.

- Continued focus on safety and productivity performance in JCT.

- Unprecedented flooding and weather events in December Quarter is likely to significantly reduce processing volumes in 2023 compared to 2022. Reviewing working capital options and consolidating site activities to optimize processing costs and restructure JCT business to deliver a sustainable operating business for 2023 and beyond.

H1 FY23 Headlines

- Revenue up $2.4m (or 13%) on strong hay production growth to service strong customer demand.
- Hay sales tonnes[1] of 51.4k, up from 44.2k in H1 FY22.
- EBITDA of continuing operations before significant items up by 303% to $2.3m.
- Sale of Austco Polar completed 7 October 2022
  - Sales proceeds of $1.0m plus $0.2m working capital adjustment received
  - $1.3m profit on sale booked in H2 FY2023
- Continued investment in safety via people, safety management systems and capital to ensure a safe and compliant workplace.

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

Successes

- ✓ Consolidated revenue of $27.2m, up 12%
- ✓ 51.4k sales tonnes[1], up 16%
- ✓ EBITDA of continuing operations before significant items up by 303% to $2.3m
- ✓ Net operating cashflow up 10% to $1.1m
- ✓ Sale of APCS completed

Challenges

- ✗ Austco Polar continues to absorb resources, impact profitability for the half and contribute to increased net debt position. However, sale of APCS is now complete in H2 FY23
- ✗ Unprecedented flood and weather events in the December quarter makes for a challenging hay processing environment for 2023.

Financial results

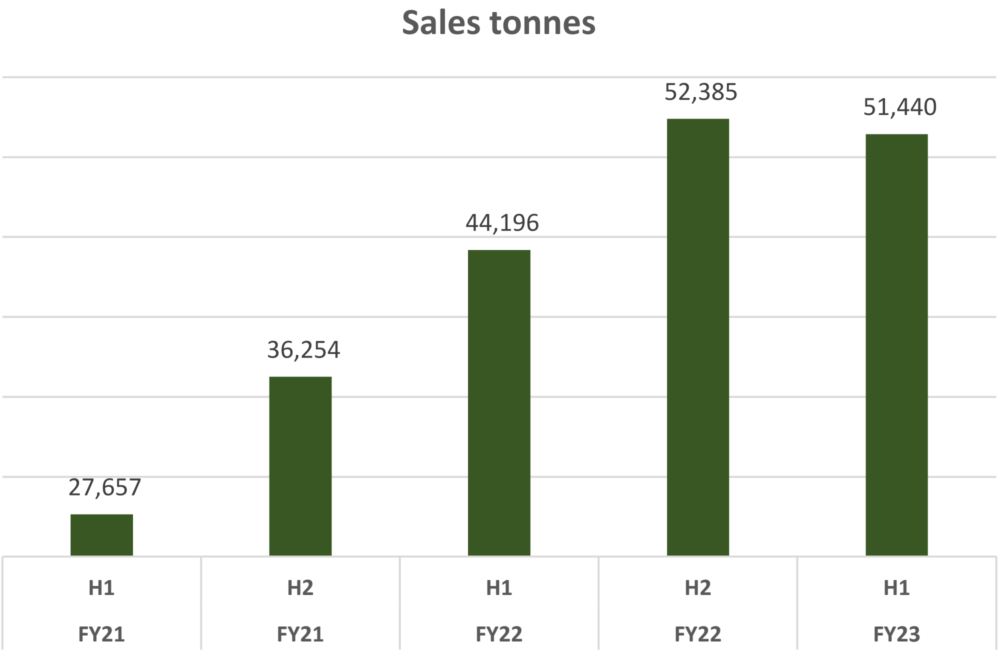
Consolidated P&L – H1 FY23 Headlines

Financial performance ($'000)	H1 FY23	H1 FY22	Change
Revenue	21,316	18,869	+13%
Gross profit	**10,291**	**7,087**	+45%
GP Margin	*48.3%*	*37.6%*	+29%
Other income	111	35	+217%
Freight expenses	(4,831)	(3,528)	+37%
Employee expenses	(1,615)	(1,411)	+14%
Foreign exchange losses	(396)	(610)	(35%)
Operating and overhead costs	(1,257)	(1,001)	+26%
EBITDA from continuing operations before significant items	**2,303**	**572**	**+303%**
EBITDA margin	*10.8%*	*3.0%*	+256%
Depreciation	(618)	(659)	(6%)
EBIT/(loss) from continuing operations before significant items	**1,685**	**(87)**	**(2037%)**
Finance costs	(538)	(1,030)	(48%)
Income tax benefit	(67)	0	(100%)
NPAT/(loss) from continuing operations before significant items	**1,080**	**(1,117)**	**(197%)**
Loss after tax from operations held for sale	(935)	(1,590)	(41%)
Net loss before significant items	**145**	**(2,707)**	**(105%)**
Significant items	(322)	(785)	(59%)
Net loss after tax	**(177)**	**(3,492)**	**(95%)**

- **Revenue** growth of 13% driven by increased production and strong export demand.
- **Gross profit** increased by 45% to $10.3m, an increase in GP margin by 10.7pp. This was a result in increased sales prices to reflect on-going upward cost pressures and an appreciating US dollar.
- **Freight expenses** have increased by 37% driven by continued impact of COVID-19 and other macro-economic factors on the costs associated with logistics, including port storage costs associated with shipping delays and fuel prices.
- **Employee expenses** increased from prior year by 14% to $1.6m as a result of (i) the lower capitalised salaries and wages due to reduced allocation to project work in FY23; and (ii) investment in site leadership and safety personnel.
- **Foreign currency losses** have reduced by 35% to $0.4m as a result of winding down of out-of-money contracts entered up to 12 months ago and participating in current spot market movements.
- **EBITDA** and **EBIT** showed half on half improvements ending the half on $1,7m and $1.0m, respectively.
- **Loss from Operations held for Sale (APCS)** has reduced by 41%, a reflection of the margin initiatives run over the past 12 months. The APCS sale was completed on 7 October for a sales consideration of $1.0m plus a working capital adjustment. It is expected a gain on sale of $1.3m will be recorded in H2 of FY23.
- **Significant items of $0.3m** relate mainly to project expenses and due diligence costs.

Operating metrics – JC Tanloden

Financial performance ($'000)	H1 FY23	H1 FY22	Change
Revenue	21,316	18,869	+13%
EBITDA before significant items	3,072	1,775	+73%
EBIT/(loss) before significant items	2,483	1,147	+116%
Sales tonnes	51,440	44,196	+16%
Revenue per tonne	414	427	(3%)
EBITDA per tonne	60	40	+50%
EBIT per tonne	48	26	+85%



- **Sales tonnes** ended the half on 51,440 MT, a 16% improvement on prior half. Notwithstanding COVID-19 impacting labour shortages late H2 FY22 and into FY23, the commissioning of the new hay press in Sep-21 allowed for a boost in production capacity.
- **Revenue per tonne** for H1 FY23 was $414, down by 3% on prior half. This was a result of sales mix with an increase in tolling tonnage.
- **EBITDA** and **EBIT** per MT both increased to $60 and $48, respectively. Gross profit improvements the key driver with increased sales prices to reflect on-going upward cost pressures, as well as the appreciating US dollar.

Balance sheet

Wingara AG Limited

Financial position ($'000)	30-Sep-22	31-Mar-22	Change
Cash	1,256	1,514	(17%)
Working capital	(1,248)	(1,650)	(24%)
Property, plant and equipment	13,413	13,481	(1%)
ROU assets	3,874	4,043	(4%)
Intangibles	1,816	1,816	-
Other	46	21	+119%
Assets and working capital from continuing operations	**19,157**	**19,225**	**(0%)**
Lease liabilities	(2,360)	(2,775)	(15%)
Borrowings	(6,377)	(5,766)	+11%
Liabilities from continuing operations	**(8,737)**	**(8,541)**	**+2%**
Net assets from continuing operations	**10,420**	**10,684**	**(2%)**
Assets classified as held for sale	19,845	20,813	(5%)
Liabilities classified as held for sale	(20,791)	(21,847)	(5%)
Net liabilities from operations held for sale	**(946)**	**(1,034)**	**(9%)**
Total net assets	**9,474**	**9,650**	**(2%)**

Net assets

Net debt metrics* ($'000)	30-Sep-22	31-Mar-22	Change
Borrowings**	8,103	7,912	+2%
Cash	(1,443)	(1,628)	(11%)
Net debt	**6,660**	**6,284**	**+6%**
Net assets	9,474	9,650	(2%)
Net debt to net assets ratio	70%	65%	+5pp

**Includes operations held for sale (borrowings of $0.1m, cash of $0.2m)*

***Excludes AASB16 lease liabilities*

- **Total net assets** reduced by 2% to $9.5m, representing H1 FY23 profit after tax performance.
- Total net assets at 30 September 2022 includes **Assets/ Liabilities classified as held for sale** of $0.9m deficit. The APCS sale completed on 7 October 2022 and as a result:
    - Sales proceeds of $1.0m plus $0.2m of working capital adjustment was received;
    - A gain on sale of approximately $1.3m was booked;
    - $0.5m of employee entitlements were transferred; and
    - A 12-year lease obligation and a $2.0m bank guarantee released.
- **Net debt** as at 30 September 2022 is $6.7m, up 6% from 31 March 2022 reflective of the continued requirement to give financial support to the Austco Polar business.

Cash flow

Wingara AG Limited

Cash flow ($'000)	H1 FY23	H1 FY22	Change
EBITDA before significant items	2,303	572	+303%
Cash outflow from significant items	(322)	(226)	+42%
Working capital movements	(339)	1,338	(125%)
Cash flow from operations held for sale	51	458	(89%)
Gross operating cash flow	**1,694**	**2,143**	**(21%)**
Finance costs and tax payments	(538)	(1,089)	(51%)
Net operating cash flow	**1,156**	**1,053**	**+10%**
Capital expenditure payments, net of proceeds received	(494)	(928)	(47%)
Settlement of lease obligations	(1,446)	(1,627)	(11%)
Free cash flow	**(785)**	**(1,502)**	**(48%)**
Cash conversion*	**74%**	**375%**	**(301pp)**

**Calculated as gross operating cash flow / EBITDA*

- **Gross operating cash flow** reduced by 21% to $1.7m as a result of a working capital correction.
- **Free cash flow** improved from last year by 48% (or $0.7m) ending the half with a net outflow of $0.8m.
  - 10% improvement in operating cash flow performance.
  - Better inventory working capital management leading to lower finance costs.
  - Lower capital expenditure investment as a result of lower labour capitalisation and an improved capital approval process implemented.
- **Cash conversion** ended the half on 74%, a reduction from prior half due to the working capital adjustment.

H2 FY23 Outlook

H2 FY23 Outlook

- Unprecedented rain events brings an uncertain outlook for H2 FY23.
- The continued rainfall in North and Central Victoria has delayed the 2022 harvest likely resulting in much lower volumes of hay available in Victoria and at lower premium grades.
- The business is working through multiple scenarios all of which share a common focus on driving margin efficiencies and minimizing cost wastage.
- Recent weather events highlight the advantages of having a diversified processing base across Eastern and Western Australia.
- With Austco Polar divested, management's sole focus will be on JC Tanloden:
  - Continued improvements on safety culture
  - Navigate the challenging 2022 hay harvest season
  - Increasing the max production output of hay assets
  - Reducing core debt