Wingara AG Limited
ACN 009 087 469
5-7 Leslie Road
Laverton North, VIC 3026

ASX Announcement

31 May 2023

Release of FY23 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 2023.

The 2023 Annual General Meeting (AGM) of Wingara Ag is scheduled to be held on Wednesday 2 August 2023.

An item of business at the Annual General Meeting will be the election of directors. In accordance with ASX Listing Rule 3.13.1, the closing date for receipt of nominations from persons wishing to be considered for election as a director is Wednesday, 14 June 2023.

Any nominations must be received at the Company's registered office (Level 1, Oxley Road Hawthorn) or by email to the Company Secretary (investorrelations@wingaraag.com.au) no later than 5pm (AEST) on Wednesday, 14 June 2023.

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

For further information contact:

Marcello Diamante
Managing Director and Chief Executive Officer
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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 2023

Disclaimer

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Forward looking statements relating to projections and estimates involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance and achievements to differ materially from any future results, performance or achievements, expressed or implied by these forward-looking statements. Relevant factors may include, but are not limited to, commodity prices and market conditions, effects of the coronavirus pandemic, technical failures and delays, foreign exchange fluctuations and general economic conditions, increased costs, the risk and uncertainties associated with agriculture and the natural environment, political and social risks, changes to the regulatory framework within which the Company operates or may in the future operate, environmental conditions including unusual or extreme weather conditions, retention of personnel, industrial relations issues and litigation.

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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Wingara AG Limited

Company update

FY23 – Another transformative year

Wingara AG Limited

- Strong FY23 first half performance demonstrating strength in underlying business before impacts of flood
- Annual revenue from continuing operations, however ended 14% below prior year with overall sales volumes decreasing from 96.6k tonnes in FY22 to 82.3k tonnes in FY23. The impact on hay supply due to floods were felt in H2 as it had significantly affected hay supply and therefore reducing financial performance of the business
- Whilst gross profit was down year on year due to reduced sales volumes, gross margins were up by 2.7pp with (i) demand in all markets (particularly China) remaining strong, (ii) favourable FX; and (iii) improvement in production efficiency
- EBITDA from continuing operations down 4% to $1.6m due to reduced sales volumes
- Austco Polar sale completed on 7 October 2022 resulting in cash receipts of $1.2m and a gain on disposal recorded in FY23 of $1.3m
- The sale of the Raywood facility was announced on 20 February 2023 and successfully completed post year end on 14 April 2023. This resulting in cash proceeds of $14.3m (less working capital adjustments of $0.7m) plus $0.7m paid into escrow to be received 6 months after completion. Upon settlement, a Special Dividend was declared by the Company of $0.006 per share for a total payment of $1.1m made on 5 May 2023. The proceeds were also used to repay in full the Company's financial and non-financial institutional debt of $8.0m.
- Wingara now positioned for growth opportunities in Agricultural commodities.

FY23 Headlines

- Revenue down $5.6m (or 14%) due to poor 2023 hay harvest season limiting supply
- Demand for Oaten hay remained strong in all markets
- EBITDA of continuing operations before significant items down by 4% to $1.6m
- Successful completion of the sale of Austco Polar resulting in a gain on disposal of $1.3m
- Successful completion of the sale of the Raywood facility on 14 April 2023 (post-financial year end) allowing the business to repay its debt in full

Successes

✓ Strong first half result, up 14% demonstrating improvement in core business, excluding impacts of flood affected supply reductions

✓ Sale of Austco Polar concluded

✓ Net profit result (prior to significant items) from continuing operations

✓ Debt free following the Raywood facility sale 14 April 2023

Challenges

✗ Flood impacted 2023 hay harvest season impacting second half FY23 revenue, gross profit and overall profitability for the full year

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

Financial results

Consolidated P&L - FY23 Headlines

Wingara AG Limited

Financial performance ($'000)	FY23	FY22	Change
Revenue	33,756	39,346	(14%)
Gross profit	**14,704**	**16,072**	(9%)
GP Margin	*43.6%*	*40.8%*	2.7pp
Other income	130	63	106%
Freight expenses	(6,787)	(7,794)	(13%)
Employee expenses	(2,985)	(3,110)	(4%)
Foreign exchange losses	(714)	(1,390)	(49%)
Operating and overhead costs	(2,699)	(2,120)	27%
EBITDA before significant items	**1,649**	**1,721**	**(4%)**
EBITDA margin	*4.9%*	*4.4%*	0.5pp
Depreciation	(1,290)	(1,393)	(7%)
EBIT/(loss) before significant items	**359**	**328**	**9%**
Finance costs	(850)	(1,431)	(41%)
Income tax expense	505	(1,382)	(137%)
NPAT/(loss) from continuing operations before significant items	**14**	**(2,485)**	**(101%)**
Loss from discontinued operations	(1,567)	(1,381)	13%
Net loss before significant items	**(1,553)**	**(3,866)**	**(60%)**
Significant items	(2,059)	(5,832)	(65%)
Net loss after tax	**(3,612)**	**(9,698)**	**(63%)**
Consolidated EBITDA before significant items summary			
From continuing operations	1,649	1,721	(4%)
From discontinued operations	478	503	(5%)
Total consolidated EBITDA before significant items	**2,127**	**2,224**	**(4%)**

- **Revenue** decline of 14% driven by poor 2023 hay harvest season impacting product supply and therefore export sales.
- **Gross profit** decreased by 9% to $14.7m due to reduced sales volumes. GP margin, however, improved by 2.7pp with product demand remaining high, favourable FX and improved production efficiency.
- **Freight expenses** decreased by $1.0m to $6.8m (FY22: $7.8m) driven by reduced export sales volumes
- **Employee expenses** decreased from prior year by 4% to $3.0m as a result of lower headcount
- **Foreign exchange losses** of $0.7m (FY22: $1.4m), an improvement of $0.7m due to better portfolio management and favourable movements in the US dollar
- **EBITDA** showed year on year reduction ending FY23 on $1.6m, whilst **EBIT** showed a 9% improvement on prior year ending FY23 and $0.4m
- **Loss from discontinued operations** through to 7 October 2022 has increased by 13% due to income tax benefit charged in the prior year (Austco Polar).
- **Significant items** of $2.1m (FY22: $5.8m) comprised mainly of $1.0m of project/transaction costs pertaining to (i) sale of Austco Polar business; (ii) transactions with Balco Australia including the sale of the Raywood facility; and (iii) restructure costs, in addition to $2.4m impairment charge relating to available-for-sale assets (Raywood facility). This was offset partially by $1.3m gain on sale of the Austco Polar business.

Results by business unit

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

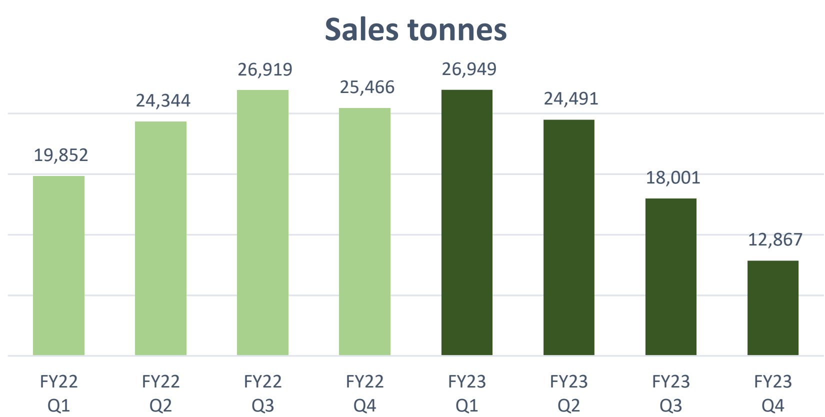
Fodder JC Tanloden includes both Raywood and Epsom sites.

31 March 2023	Fodder JC Tanloden	Corporate	Total continuing business	Discontiued operations (APCS)	Total
Revenue	33,756	0	33,756	6,139	39,895
Gross profit	14,704	0	14,704	2,103	16,807
EBITDA before significant items	3,198	(1,549)	1,649	478	2,127
EBIT before significant items	1,940	(1,582)	358	(359)	(1)

31 March 2022	Fodder JC Tanloden	Corporate	Total continuing business	Discontiued operations (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)

JC Tanloden P&L

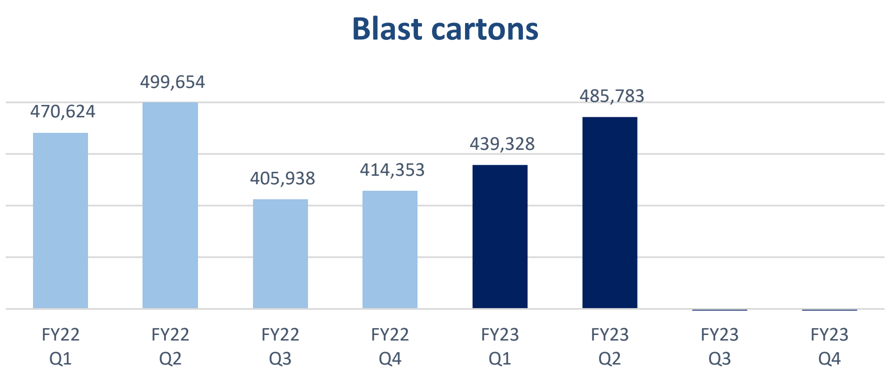
Financial performance ($'000)	FY23	FY22	Change
Revenue	33,756	39,346	(14%)
Gross profit	**14,704**	**16,072**	(9%)
GP Margin	*43.6%*	*40.8%*	2.7pp
Other income	75	63	19%
Operating and overhead costs	(11,581)	(12,177)	(5%)
EBITDA before significant items	**3,198**	**3,958**	**(19%)**
EBITDA margin	*9.5%*	*10.1%*	(0.6pp)
Depreciation	(1,257)	(1,333)	(6%)
EBIT/(loss) before significant items	**1,941**	**2,625**	**(26%)**
Production volumes (tonnes)	82,308	96,581	(15%)
Revenue per tonne	410	407	1%
EBITDA per tonne	39	41	(5%)
EBIT per tonne	24	27	(11%)



- **Revenue declined by 14% to $33.8m**
  - Sales volumes down 15%, poor 2023 season harvest leading to reduced Oaten hay supply
  - Export market demand though, remained strong
- **Gross profit down 9% to $14.7m; gross margins up 2.7pp to 43.6%**
  - Reduction in tonnes sold due to lack of product supply
  - Margins improved due to (i) high product demand (particulary in China); (ii) favourable FX; and (iii) more efficient production
- **Operating and overhead costs down 5% to $11.6m.**
  - Lower production
  - Lower headcount
  - Better FX portfolio management
- **EBITDA before significant items down 19% to $3.2m; EBITDA margins down by 0.6pp**
- **EBIT before significant items down 26% to $1.9m.**

Austco Polar Cold Storage P&L

Financial performance ($'000)	FY23	FY22	Change
Revenue	6,139	10,718	(43%)
Gross profit	**2,103**	**3,725**	(44%)
GP Margin	*34.3%*	*34.8%*	(0.5pp)
Other income	89	9	889%
Operating and overhead costs	(1,714)	(3,232)	(47%)
EBITDA before significant items	**478**	**502**	**(5%)**
EBITDA margin	*7.8%*	*4.7%*	3.1pp
Depreciation	(837)	(1,839)	(54%)
EBIT/(loss) before significant items	**(359)**	**(1,337)**	**(73%)**
Blast volumes (cartons)	955,274	1,790,569	(47%)
Revenue per carton	6.43	5.99	7%
EBITDA per carton	0.50	0.28	78%
EBIT per carton	(0.38)	(0.75)	(50%)



- The Austco Polar business was sold on 7 October 2022 for approximately $1.0m plus working capital adjustments resulting in a gain on sale of $1.3m recorded in FY23.
- Results for FY23 reflect approximately 6 months of operations (FY22: 12 months).

Balance sheet

Wingara AG Limited

Financial position ($'000)	31-Mar-23	31-Mar-22	Change
Cash	1,146	1,514	(24%)
Working capital	(1,253)	(1,648)	(24%)
Property, plant and equipment	809	13,481	(94%)
ROU assets	924	4,043	(77%)
Intangibles	0	1,816	(100%)
Assets classified as held for sale	14,414	20,813	100%
Other	8	21	(62%)
Total assets and working capital	**16,048**	**40,040**	**(60%)**
Lease liabilities	(1,891)	(2,775)	(32%)
Borrowings	(8,046)	(5,766)	40%
Liabilities classified as held for sale	(75)	(21,847)	(100%)
Total liabilities	**(10,012)**	**(30,388)**	**(67%)**
Net assets	**6,036**	**9,652**	**(37%)**

Net debt metrics* ($'000)	**31-Mar-23**	**31-Mar-22**	**Change**
Borrowings**	9,350	7,912	18%
Cash	(1,146)	(1,628)	(30%)
Net debt	**8,204**	**6,284**	**31%**
Net assets	6,038	9,650	(37%)
Net debt to net assets ratio	136%	65%	71pp

**Includes operations held for sale*

***Excludes AASB16 lease liabilities but includes lease liabilities owned to financial institutions*

- Assets and liabilities classified as held for sale are represented by:
  - As at 31 March 2023 – the asset and liabilities held in relation to the Raywood Facility sale to Balco Australia.
  - As at 31 March 2022 – the assets and liabilities held in relation to the Austco Polar sale.
- Other balances therefore reflect the JC Tanloden (single site) and Corporate business units on a go-forward basis only (continuing operations).
- Cash balance has decreased by 24% from prior year ending the year on $1.1m (FY22: $1.5m).
- The net increase in total borrowings of $1.4m (or 18%), as well as funds received from the sale of Austco Polar of $1.2m were used to fund inventory purchases, M&A transaction activity and the unwinding of working capital upon sale of the Austco Polar business.

Cash flow

Wingara AG Limited

Cash flow ($'000)	FY23	FY22	Change
EBITDA before significant items	1,649	1,721	(4%)
Cash outflow from significant items	(971)	(287)	238%
Working capital movements	(225)	1,560	(114%)
Cash flow from discontinued operations	(914)	870	(205%)
Gross operating cash flow	**(461)**	**3,864**	**(112%)**
Finance costs and tax payments	(716)	(1,256)	(43%)
Net operating cash flow	**(1,177)**	**2,608**	**(145%)**
Capital expenditure payments, net of proceeds received	(630)	(1,905)	(67%)
Settlement of lease obligations	(2,145)	(3,326)	(36%)
Free cash flow	**(3,951)**	**(2,624)**	**51%**
Cash conversion*	**-71%**	**152%**	**(223pp)**

**Calculated as net operating cash flow / EBITDA*

- Net operating cash outflow for FY23 ended the year on $1.2m (FY22: net inflow of $2.6m). The 145% decrease was due predominantly to
  - Higher transaction costs with increased M&A activity; and
  - The unwinding of working capital upon sale of the Austco Polar business; offset partially by
  - Reduced spend on finance related costs.
- Free cash outflow increased from last year by $1.3m ending FY23 with a net outflow of $3.6m (FY22: net outflow of $2.6m).
  - The unfavourable net operating cash flow result was partially offset by a $1.3m (or 67%) reduction in capital spend as the business prepared to sell the Austco Polar business and the Raywood facility; and
  - $1.2m (or 36%) reduction in lease payments due predominantly to the release of the Laverton lease for the Austco Polar business on 7 October 2022.

Wingara AG Limited

FY24 Outlook

FY24 Outlook

- Through FY23 Wingara has been able to rationalize its asset base and clean up its balance sheet removing outstanding debt and exiting loss making divisions.
- Management will be focused on two core pillars for growth through FY24

Growth Opportunities in Fodder

- Rebuild its Victorian hay processing business around its Epsom site in Bendigo
- Explore opportunities to expand hay processing into other geographically and environmentally diverse locations in Australia

Growth Opportunities in other Agricultural Commodities

- Wingara has a debt free platform as an ASX-listed Agricultural focused export business
- Explore opportunities in adjacent and synergetic Agriculture businesses

Fodder Market Outlook – Opportunities & Challenges

Opportunities/ Growth Drivers

- Wingara is debt free and a relatively clean vehicle for acquisition opportunities in the Agricultural space
  - *pursue opportunities that can leverage Wingara's platform*
- Hay demand for good quality hay still exceeds Australia's ability to supply, leverage existing relationships to rebuild JCT's business following a poor season.
  - *strengthen investment in market development*
- The industry has structural characteristics that support rationalization.
  - *pursue opportunities to build scale in hay processing*

Challenges

- Sale of Raywood Site has closed market access to China
  - *focus on rebuilding relationships with other markets and regaining China licence for existing business*
- Inflationary pressures across business input costs increasing
  - *Focus on efficiency and look to grow volume profitably*
- JCT business relative to competitors is now smaller
  - *Focus on customer service to differentiate from other competitors*
- JC Tanloden's current lack of geographic diversity increases operational risks
  - *Explore growth opportunities beyond Victoria*