ASX ANNOUNCEMENT

25 February 2021 TOTAL PAGES: 4

WELLARD RELEASES INTERIM FINANCIAL RESULTS FOR FY2021

	H1 FY21	H1 FY20	Movement
Revenue	US$18.2m	US$33.6m	(46%)
Gross Profit	US$5.7m	US$12.2m	(53%)
Gross Profit Margin	31.2%	36.4%	(14%)
General and Administrative expenses	US$(2.3)m	US$(4.3)m	(47%)
EBITDA	US$3.4m	US$8.0m	(57%)
Operating Profit Margin	18.8%	23.7%	(21%)
NPAT	US$(1.6)m	US$(1.4)m	(14%)

	31 Dec 20	30 Jun 20	Movement
Net Debt	US$8.6m	US$6.1m	41%
Ship loan to asset book value	29.2%	37.6%	(22%)

*Note: All figures contained in this announcement are in United States Dollar (US$) unless specified. Figures for H1 FY2020 have been restated into US$.

Wellard Ltd (Wellard, ASX:WLD) advises that it recorded a net loss after tax in H1 FY21, only slightly below its H1 FY20 result despite revenue almost halving.

The Group's interim financial results for FY21, reported in US dollars for the first time, show a net loss after tax of US$1.6m in H1 FY21, versus a loss of US$1.4m recorded in H1 FY20. The H1 FY21 result included a non-cash depreciation and amortisation expense of US$4.5m (H1 FY20: US$4.4m), primarily relating to the depreciation of the Group's vessels.

"We were on track to add to our FY20 profit in H1 FY21, but a couple of events in the middle of the period combined to prevent that from occurring, which is frustrating," said Wellard Executive Chairman John Klepec.

"As noted in our AGM presentation in November 2020, the temporary suspension of the NZ live cattle trade in September after the tragic loss of Gulf Livestock 1, her crew and cargo, caused us to reroute and part-load ships. In addition, an unscheduled extension to the dry docking of the M/V Ocean Ute negatively impacted its availability. These events increased costs and reduced revenue.

“Fortunately, the Cost Out program and balance sheet overhaul we have achieved in the past 18-24 months allowed us to weather these operational changes.

“The Group has had a promising start to the second half of FY21 with very high available vessel utilisation and high overall utilisation locked in for all of Q3 and for a large part of Q4 FY21. This utilisation is pleasing considering the fall in the number of live cattle and sheep exports from our Australian home market, which is placing pressure on vessel charter rates as ship owners compete for a smaller number of available charters.

“The work over the past 2-3 years fixing our balance sheet has made Wellard a more financially resilient business and that was borne out with these results.”

FINANCIAL RESULT

Revenue for H1 FY21 was US$18.2m. This was a 45.8% reduction on the prior corresponding period (H1FY20: US$33.6m), due in part to the sale of the M/V Ocean Shearer reducing the Group’s fleet size and the extended off-hire duration of the M/V Ocean Ute at its scheduled October drydock.

Wellard’s general and administrative expenses reduced by 46.9% or US$2.0 million in the first six months of FY2021, which helped to limit the impact of the operations on the Group EBITDA to a 57.1% decrease on a period-to-period basis, settling at US$3.4 million (H1 FY20: US$8.0 million).

Net finance costs reduced by 85.0%, or US$3.3m, in the first six months, falling to US$0.6m (H1 FY20: US$3.9m), due largely to the sale of the M/V Ocean Shearer as announced in March 2020, which enabled Wellard to repay noteholders in full and reduce its vessel finance load.

This reduction in finance costs reduced the net loss after tax to US$1.6m.

BALANCE SHEET

At the completion of the first-half, Wellard’s Net Tangible Assets were US$38.1m, compared to US$39.7m on 30 June 2020, while its net debt rose by US$2.5m to US$8.6m, largely as a consequence of a fall in cash and cash equivalents as at 31 December 2020.

Importantly, the Group’s ship loan to asset book value ratio improved again in the period, down to 29.2% as at 31 December 2020, from 37.6% on 30 June 2020 and from 57.9% at 31 December 2019.

Wellard remains in full compliance with all of its financial covenants.

COVID-19 IMPACTS

The pandemic continued to challenge our operations with regulatory restrictions and logistics challenges requiring our vessels to incur costly and time-consuming deviations to complete crew changes in ports outside our trading routes.

OUTLOOK

Wellard commenced H2 FY21 with a mixed outlook.

Promisingly, the Group has negotiated a good forward charter book. The M/V Ocean Ute is chartered until late June; the M/V Ocean Drover until late May; and the M/V Ocean Swagman until mid-May, ensuring available utilisation rates are likely to be very high for the second-half and overall utilisation will be high (impacted by the six-week scheduled dry dock by the M/V Ocean Drover commencing end-February).

The Group has elected to lock-in long-dated charters at slightly lower margins as the ongoing lack of supply sustains sheep and cattle prices at historical highs in Australia driving a material reduction in the number of head exported live.

With live export prices for feeder steers currently in excess of A$4/kilogram, consumers in destination countries are turning to alternative proteins, impacting on importer margins and therefore demand for Australian livestock.

This in turn is reducing exporter demand for charter vessels and creating greater competition among charter companies for the voyages that are being tendered.

The fall in volumes of cattle shipped from Australia between the first half and second half of CY20 is evidence of this supply/demand dynamic. The number of feeder steer exports dropped by 25%, while slaughter cattle exports dropped by 28%. Breeder cattle exports were less affected, falling by 7%.

Live sheep exports in CY20 declined by 27% compared to the prior calendar year, and only a handful of shipments were exported in the second half of the calendar year by vertically integrated, overseas-based exporters who run their own vessels.

This fall in feeder and slaughter cattle export numbers prompted Wellard to increase its activity on the New Zealand to China and South America to China trade routes for Breeders in H1 FY21, an advantage of operating mobile assets. This trend has continued into H2 FY21.

ANIMAL WELFARE

No reportable mortality voyages were recorded by Wellard during the current reporting period.

There were no Exporter Supply Chain Assurance System (ESCAS) breaches involving cattle exported by Wellard. As the last of the cattle exported by Wellard have now been processed, Wellard will no longer report on ESCAS while it remains exclusively a chartering company.

Under our charter-only business model, Wellard continues to ensure that every animal in our care is managed to the highest animal welfare standards. Given our larger than average, purpose-built vessels, our expert crew, and our rigorous emphasis on high standards of care, we continue to demonstrate that we can provide superior conditions for the transport of livestock to destination markets.

Wellard continues to support sensible and sustainable Australian regulations which move the industry away from mortality as the sole indicator of onboard animal welfare to alternative indicators.

Mortality does remain an important animal welfare indicator and of the 50,068 head of cattle loaded during the period, our vessels recorded a success rate of more than 99.9% or 50 head.

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CHANGE IN REPORTING CURRENCY

As stated in Wellard's FY20 Annual Report, and following a decision to focus on chartering activity, the presentation currency of the Group's financial information has changed from the Australian Dollar (A$) to the United States Dollar (US$) with effect from 1 July 2020.

This ASX release was approved by the Wellard Board of Directors.

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