

ASX Announcement  
22 February 2024

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## Insurance proceeds help return Wellard to profitability.

FOR HALF-YEAR ENDED 31 DECEMBER (US\$'000)		2023	2022	Movement
Revenue	US\$'000	17,985	22,815	(21.2%) ↓
Gross Profit	US\$'000	1,591	3,030	(47.5%) ↓
Gross Profit Margin	%	8.8	13.3	(33.8%) ↓
Other income <sup>1</sup>	US\$'000	3,577	0	N/A ↑
General and Administrative expenses	US\$'000	(1,997)	(2,063)	(3.2%) ↓
EBITDA <sup>2</sup>	US\$'000	3,171	661	379.7% ↑
Operating Profit Margin	%	17.6	2.9	506.9% ↑
Net Profit/(loss) After Tax	US\$'000	554	(5,007)	111.1% ↑
AS AT		31 Dec 23	30 Jun 23	Movement
Negative Net Debt <sup>3</sup>	US\$'000	(4,125)	(4,832)	(14.6%) ↓
Ship loan to asset book value ratio	%	0	0	0.0% ↔

\*Note: All figures contained in this announcement are in United States Dollars (US\$) unless specified.

<sup>1</sup> Other income refers to the receipt of insurance claims following the M/V Ocean Swagman's starboard engine breakdown and repair in the prior financial year.

<sup>2</sup> EBITDA equals profit from continuing operations before income tax, depreciation and amortisation expenses, net finance costs, other gains/(losses) arising from other activities and impairment expenses.

<sup>3</sup> Net debt equals loans and borrowings less cash and cash equivalents. A negative net debt indicates that the cash and equivalents exceed the entire debt balance.

Wellard Ltd (ASX:WLD) ("Wellard" or the "Company") advises that it posted Net Profit After Tax (NPAT) of US\$0.6 million for the first half of FY2024, an improvement of 111% on the Company's US\$5.0m Net Loss After Tax (NLAT) in H1 FY2023.

Earnings Before Interest Tax Debt and Amortisation (EBITDA) also improved year-on-year, rising US\$2.5 million from US\$0.7 million in H1 FY2023 to US\$3.2 million in H1 FY2024.

Earnings included payment of a US\$3.6 million hull and machinery insurance claim, resulting from the February 2023 starboard engine breakdown of the M/V Ocean Swagman, received in December 2023. This was reported as 'Other Income' and had a positive and significant impact on the Company's reported earnings.

Revenue reported in the half fell 21% to US\$18 million, primarily a product of two vessels spending various periods at anchor late in the reporting period.

The Company's balance sheet remains in a strong position with US\$6.5 million in cash and cash equivalents contributing to negative net debt of US\$4.1 million as of 31 December 2023.

As at 31 December 2023 Wellard had net tangible assets of US\$37.7 million comprising net cash of US\$4.8 million and vessels of US\$31.5 million. With 531.3 million shares on issue, this equates to net tangible assets of US 7.1 cents per share (10.7 cents per share in AUD).

Wellard again recorded zero Medically Treated Injuries and zero Lost Time Injuries in H1 FY2024, building on the zero-result achieved for each during FY2022 and FY2023.

### **Profit and Loss**

Falling prices for export feeder cattle to Indonesia – from approximately AU470 cents a kilogram at the start of CY2023 to less than AU300c/kg in the last quarter – did little to stimulate greater demand for Australian cattle from Indonesian importers, and therefore demand for Wellard's vessels. And similarly, charter demand from Chinese importers for dairy cattle was non-existent in mid-CY2023, prompting Wellard to relocate both the M/V Ocean Drover and M/V Ocean Swagman to the South America to Middle East route.

With all three vessels working in Q1 (the M/V Ocean Ute was servicing Australia to Indonesia and Vietnam), Wellard was operating profitably.

However, once the Türkiye quotas were filled in early Q2 FY2024, demand for the M/V Ocean Drover and M/V Ocean Swagman dried up, and both vessels spent time at anchor.

Ultimately this dragged revenue 21% lower for the reporting period, and while the cost of sales reduced accordingly, largely through lower fuel prices and consumption, gross profit halved.

There were no reportable livestock mortality incidents aboard Wellard vessels in the reporting period, as has been the case since 2017. A success rate of 99.83% was achieved, with Wellard delivering 84,498 animals in the reporting period, a 25.6% increase on the 67,260 cattle discharged in the prior corresponding period.

Wellard's costs were lower. Shipping fuel (bunker) is Wellard's largest operating cost, and the Company benefited from a global reduction in Very Low Sulphur Fuel Oil (VLSFO) prices compared to the prior corresponding period.

### **Balance sheet and cashflow**

Wellard's cash and cash equivalents exceeded the Company's entire debt balance, so the Company again recorded negative net debt, this time of US\$4.1 million at 31 December 2023. This was a slight reduction on the US\$4.8 million negative net debt a year earlier, but still a strong position.

Cash was unaffected by the settlement of a class action against Wellard in December 2023, with all payments made from insurance proceeds.

**Fleet**

Wellard has not negotiated a new time-based charter of the M/V Ocean Swagman with its owner, Heytesbury Singapore Pte Limited and the vessel will be redelivered on or before the time-charter expiry on February 29, 2024.

Whilst being an excellent vessel, the Ocean Swagman has not been working commercially having had only one charter since November 2023 and Wellard was unable to secure sufficient charters at a rate to enable a positive financial contribution.

**Outlook**

The M/V Ocean Drover has just completed an Australia to North Asia voyage and is currently en route to South America where it has been fully chartered for back-to-back voyages for the remainder of the financial year and into FY2025.

Due to the absence of import permits, there were no shipments from Australia to Indonesia in January 2024, however following the recent Indonesian national elections, it has been reported that the Indonesian Government has released permits allowing for the import of 650,000 head this year, issued to 28 feedlots. The M/V Ocean Ute will load a shipment for Indonesia at the end of February after being at anchor awaiting the permits being released.

As per our previous reports significant structural issues exist in the Indonesian market with strong competition from frozen Indian Buffalo Meat and processed Brazilian beef, where quotas were issued for both over a month ago.

The Vietnam trade, whilst resurgent in H1 FY2024 with the M/V Ocean Ute completing multiple shipments, remains a market entirely dependent on cattle pricing.

The trade in breeder cattle from Australia to North Asia has enjoyed a return to activity after a hiatus in the middle of the year with Wellard completing a shipment on both the M/V Ocean Drover and M/V Ocean Swagman at the start of CY2024.

As yet, there is no set timeframe for the restart of the live export trade between New Zealand and China.

Wellard expects little increased activity in the live sheep sector in the short-term and therefore believes it is unlikely that any of its vessels will embark on a Middle East sheep voyage in the next six months. Even with current very low mutton prices in Western Australia, Middle East importers have demonstrated little interest in additional supplies.

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

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