



Wellard

2018 Financial Results

29 August 2018

Disclaimer and Additional Information



This presentation has been prepared by and concerns Wellard Limited (Wellard) and consists of these slides and any accompanying commentary. By reviewing/attending this presentation, you acknowledge the following statements / information in this disclaimer.

FORWARD LOOKING STATEMENTS

This presentation contains forward looking statements that are subject to risk factors associated with all industry segments in which Wellard operates, including livestock selection, aggregation and transportation, pre-export quarantine facilities and feed milling. All statements other than the statements of historical facts included in this presentation, including, without limitation, those regarding Wellard's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to Wellard's products and services and forecasts) are forward looking statements. In addition to the categories of risk set out here, such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Wellard, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

While Wellard considers the assumptions on which these statements are based to be reasonable, whether circumstances actually occur in accordance with these statements may be affected by a variety of factors. These include, but are not limited to, levels of actual demand, currency fluctuations, human factors, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risk, project delay or advancement, approvals and cost estimates. These could cause trends or results to differ from the forward looking statements in this presentation.

NOT FINANCIAL PRODUCT ADVICE

This presentation is for information purposes only and is not financial product or investment advice, nor a recommendation to acquire Wellard shares. It has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal and taxation advice appropriate to their jurisdiction.

PAST PERFORMANCE

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Nothing in this presentation should be interpreted to mean that future earnings per share of Wellard will necessarily match or exceed its historical published earnings per share.

All references to dollars, cents, or \$ in this presentation are to Australian currency, unless otherwise stated.

References to "Wellard", or the "Company", are references to Wellard Limited ACN 607 708 190, or its subsidiaries.

Key Financial Results – P&L



Improved financial result in FY2018, but more work remains to return to positive profit.

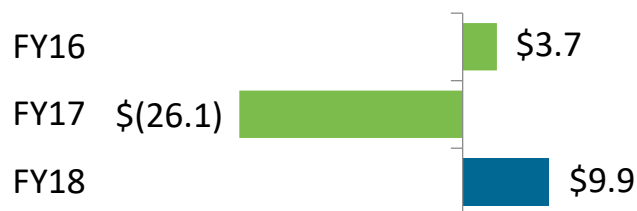
Commentary

- Lower revenue on the back of reduced trading activity and increased chartering activity
 - 70% of shipping capacity utilised on external charters versus 15.6% in FY2017
- EBITDA back to positive territory
 - Turnaround of \$36.0m
 - Default of a multiple long-term charter on the MV Shearer in Q3 FY18 negatively impacted the full year result
 - Profitable trading in Q4 FY18 offset Q3 FY18 loss and has continued into Q1 FY19
 - Successful cost-out program. Saving of \$18.8m in FY2018 bettered target of \$10m
 - Net Loss After Tax improved by \$38.9m, but loss is still unacceptable

Revenue (m)



EBITDA (m)



NPAT (m)



Results displayed are statutory results therefore include IPO costs in FY16

Key Financial Results – Balance Sheet

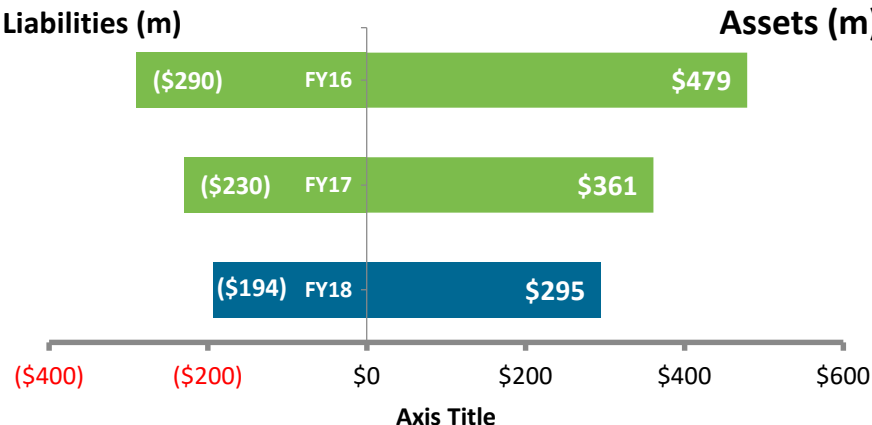


Net assets (m)



Liabilities (m)

Assets (m)



Commentary

- Net assets reduced from \$131.2 million to \$101.5 million
 - Impairment of the MV Ocean Kelpie represents half of this reduction.
- Net debt reduced from \$143.3 million to \$136.6 million
- Interest cover ratio improved from (2.6):1 to 1:1
- Total loan to total asset book value decreased from 76.4% to 70.1%
- \$30m working capital facility undrawn and positive net working capital movement for the year
- All debt servicing commitments paid, plus an additional unscheduled debt repayment
- Breach of banking covenants as at 30 June 2018
 - Wellard's long-term debt classified as being current
 - As in prior years, in discussions with respect to waivers
 - Good relationship with and ongoing support from lenders
- Balance sheet rebuild a board priority
 - Better translation of earnings to NPAT
 - More competitively priced export/charter offering

Results displayed are statutory results so include IPO costs in FY16



Operational Update

Looking Back

- Significant opportunities for vessel charters from South America to the Mediterranean.
- Ability to export cattle to South East Asia at profitable margins improved considerably in Q4 FY18 due to lower cattle prices, increased cattle supply and better in-market trading conditions.
- 2nd Half FY18 results were impacted by a failed long haul charter contract default that took place in Q3 FY18. Legal action commenced.
- Wellard is not directly affected by live sheep trade issues due to non-material exposure to live sheep exports.

Looking Forward

- Trading margins from Q4 FY18 extending into Q1 FY19.
- Climate conditions in the Eastern States to impact on supply and price.
- Large number of external charters locked in until end of 1st Half FY19, providing earnings visibility and certainty.
- Next Sri Lanka dairy heifer shipment due to depart late in 1st Half FY19.

Eastern Young Cattle Indicator (Source: MLA)



Major Demand Centres



Europe / Mediterranean

- South America to Mediterranean trade is currently very active
- Major markets are Turkey, Lebanon, Egypt, Jordan, Iraq

STRATEGY: *Participate via external charters in the short-term and perform Wellard-managed trades as opportunities arise*

Middle East

- Wellard currently has little exposure to this market
- Animal welfare concerns during transport have sparked a review of standards
- 1.8m sheep annually exported from Australia to Middle East

STRATEGY: *Monitor activity and respond to opportunities with the appropriate risk/reward profile*

China

- Huge potential but slow start for slaughter cattle
- Limited number of facilities near ports that can receive volume. Infrastructure still developing
- Few importers with limited holding capacity create a bottleneck at the Chinese end leading to price competition

STRATEGY: *Focus on opportunities in the breeding and dairy cattle segment. Monitor trends in the slaughter cattle segment and working actively in regards feeder cattle*

South East Asia

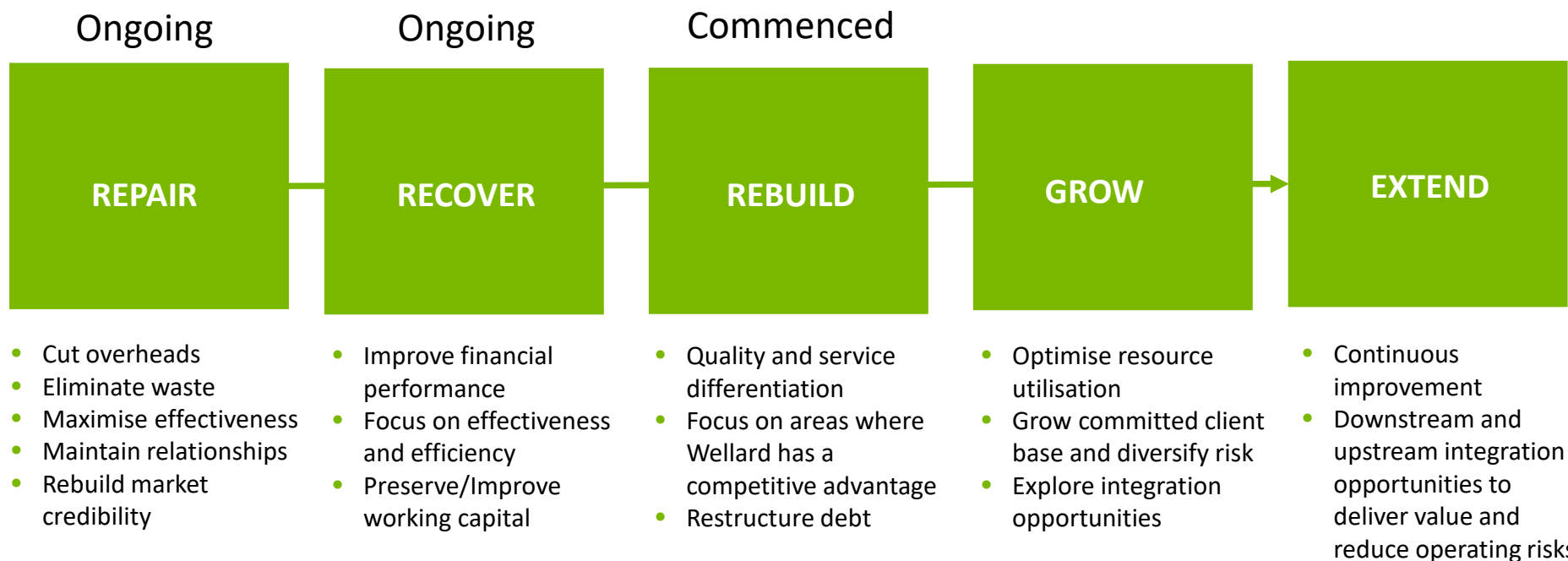
- As Australian cattle prices have eased we are seeing more interest from Vietnam and Indonesia
- Indian buffalo meat has taken some market share in Indonesia
- Indian beef has had a presence in Vietnam for years – demand for cattle is still strong

STRATEGY: *Continue to attack this market as it presents the biggest opportunities for Wellard*

The proposed regulatory changes favour Wellard

- 60 Minutes program highlighting animal welfare issues onboard a competitor's vessel has caused a major review
- Incident has precipitated reviews of live export standards and livestock shipping standards
- Recommendations are being adopted by Government and drafted into regulation and legislation
- Reduction in stocking densities and mandatory independent observers on vessels
- Constraints around exports during northern hemisphere summer
- Phasing out of grandfathering clauses for older vessels, prohibiting ships with double tiers, inadequate ventilation, manual water distribution systems, poor drainage, etc.
- The proposed changes favour Wellard. Our vessels already comply with proposed amendments
- Competitors with sub-standard vessels will need to invest significant sums to make them compliant or scrap them. In either case, demand for higher quality vessels is a likely consequence

Operational Reset – Longer Term



FY 2018

- Successful cost-out program
- Expenses reduced 28.3%
- Saving of \$18.8m versus target of \$10m
- \$36m turnaround in EBITDA to positive \$9.9m
- Net Loss After Tax improved to \$36.4m versus \$75.3m in FY2017.
- Returning to sustainable profit remains a management priority

Strategy Refocus

- Prioritising vessel utilisation towards lower volatility charter earnings that are sustainable throughout the market cycle, supplemented by higher margin opportunistic trading activities where market and risk conditions are favourable
- 70% of shipping capacity utilised on external charters versus 15.6% in FY2017

Operational Outlook



MARKET

Improved chartering and export margins compared to this time 12 months ago

Actively seek charter opportunities to provide less volatile revenue mix

Refocus on the trading business we know best: export cattle to South East Asia, plus high quality breeding and dairy cattle

ASSETS

Fleet allows for charter opportunities, premium rates and significant ability to capture any improvement in market conditions

Sale of non-core assets and redeployment of funds to higher value business activities

FINANCING

Board focussed on strengthening balance sheet

Multiple options being assessed

Financiers have remained supportive of Wellard and we anticipate their continued support

OPPORTUNITIES

Regulatory changes favouring younger, more advanced fleets

China is a work in progress

Process optimisation driving cost savings through efficiencies

Partnerships to drive greater utilisation of assets

RISKS

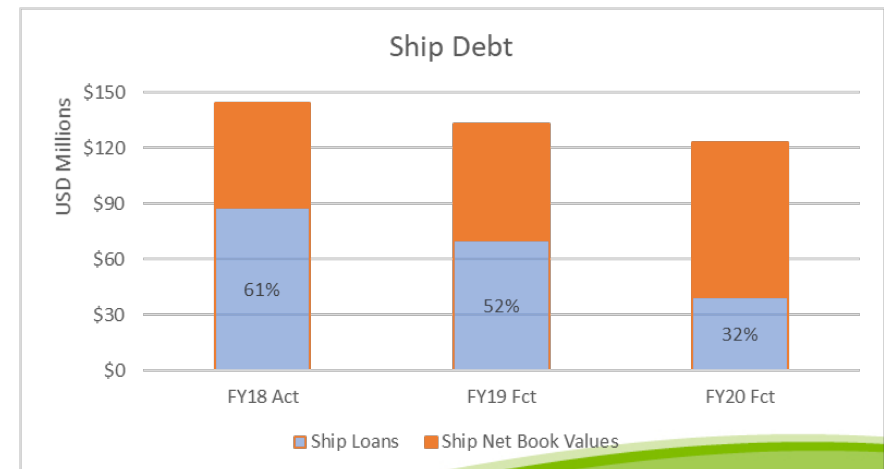
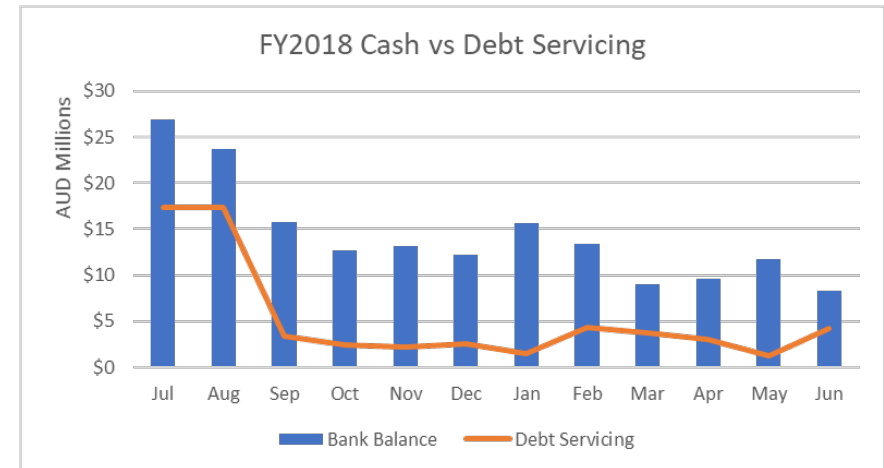
Turkish currency devaluation impacts on live cattle imports

Drought breaking rains constrict Australian cattle supply and drive up prices

Debt Restructuring Targets

Targets within the next 5+ years are to:

- Extend maturity to better align principal repayments with the underlying assets earnings potential
- Reduce total net debt to be within a range of 1.5x to 2.5x forecast EBITDA
- Reduce total ships loans to equate to a ratio of 50% or below Net Book Value
- Replace individual ship asset facilities with a single fleet facility
- Use cash saved from rescheduled debt servicing commitments to build up cash reserves to support working capital



Key Assets – Livestock Shipping Fleet



Ocean Shearer



20,000 cattle



Ocean Drover



20,000 cattle



Ocean Swagman



6,000 cattle



Ocean Ute



5,000 cattle

- One of the youngest fleets in the industry
- All vessels are fully AMSA compliant and can operate across the globe
- Superior ventilation, fresh water production and feeding systems
- Generates increased demand for vessels due to above average performance and animal welfare
- On-board stockmen and crew trained in low stress animal handling
- Fleet managed by Welltech Marine, Wellard's in-house ship management company

Regulatory changes will render some competitor vessels unable to trade to/from Australia from 2020



Questions and Answers

Questions can be submitted online
through the webinar platform



Thank You

Investors – John Klepec

T 08 9432 2800 E j.klepec@wellard.com.au

Media - Cameron Morse

T 0433 886 871 E cameron.morse@fticonsulting.com.au