



ASX Announcement

26 March 2020

2 pages total

Wellard completes capital restructure through sale of M/V Ocean Shearer for US\$53 million

Highlights

- Sale of MV Ocean Shearer completed for US\$53.0 million (approx. A\$89.8 million¹) to reduce Wellard financial debt² to US\$16.9 (approx. A\$28.7 million);
- US\$40.8 million (approx. A\$69.1 million) reduction in existing debt;
- US\$12.2 million (approx. A\$20.7 million) increase in cash on hand;
- Wellard's fleet right-sized to three vessels;
- Successful sale transaction will complete company recapitalisation without further shareholder dilution, providing greater financial flexibility.

Wellard Limited (ASX:WLD) (**Wellard** or the **Company**) is pleased to announce that it has completed the sale of its vessel, the MV Ocean Shearer, for US\$53.0 million, completing the Company's recapitalisation program and strengthening the Company's working capital position.

The recent devaluation of the Australian dollar has increased the \$A amount received from the sale by A\$12.0 million from \$A77.8 million at the time the term sheet was signed (see ASX announcement 12 December 2019) to approximately A\$89.8m at today's exchange rate. While this does not impact the Company's debt repayments, which are also in US\$, it does significantly increase the A\$ value of the cash retained from the sale.

Wellard paid approximately US\$40.8 million (approx. A\$69.1 million) of the sale proceeds to reduce the Company's financial debt to just US\$16.9 million (approx. A\$28.7 million), a level more appropriate to current activities and market conditions. The remaining US\$12.2 million (approx. A\$20.7 million) will be retained as cash for operations.

The Company will focus exclusively on maximising earnings and profits from the MV Ocean Drover and MV Ocean Ute, and the long-term chartered MV Ocean Swagman, said Wellard Executive Chairman John Klepec.

"The sale of the MV Ocean Shearer reduces Wellard's debt to very manageable levels, crystallises value from an under-utilised vessel in our fleet, and significantly de-risks the business providing working capital for the Company in the present circumstances,"

¹ US\$/A\$ exchange rate of 1.6941 as at 26 March 2020

² Financial Debt includes future non-cancellable lease obligations

Mr Klepec said.

“We are noticing that countries with food security concerns or fresh meat requirements are becoming increasingly reliant and/or focussed on livestock imports as global airlines shut down operations, delaying imports of chilled meat.

“While COVID-19 travel restrictions are creating some logistics issues with respect to stockmen/women, crew and veterinarians, we have been able to manage these to date. At present, all of our fleet are in demand by Australian exporters.”

From the funds received, Wellard will pay out the remaining associated vessel finance to Intesa Sanpaolo Bank S.p.A. (“Intesa”) and pay out in full the debt owed to noteholders.

Funds will be directed to the following:

- US\$36.9 million (approx. A\$62.5 million) to full repayment of vessel finance to Intesa;
- US\$3.9 million (approx. A\$6.6 million) to full repayment of debt to noteholders; and
- US\$12.2 million (approx. A\$20.7 million) minus transaction costs, will be retained as Wellard cash reserves and working capital.

The reduction in debt will reduce Wellard’s annual principal and interest costs by approx. US\$8 million (approx. A\$13.6 million).

Subsequent impacts

In discharging the Intesa loan, the remaining “key-man” restrictions relating to the Balzarini family will also cease to exist. Accordingly, parties owned or controlled by former Wellard CEO Mr. Mauro Balzarini will no longer be required to hold a minimum 12.5% shareholding in Wellard Limited. Wellard has been advised that when this restriction is lifted, creditors associated with Mr. Balzarini’s private interests will take possession of the majority of those previously restricted shares. Wellard has no influence over the timing and execution of that transfer, and an appropriate announcement will be made in due course.

For further information:

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BACKGROUND:

On 12 December 2019, Wellard announced the sale of the MV Ocean Shearer to Livestock Transport & Trading Co KSC, Kuwait, a company controlled by Al Mawashi Limited, a Kuwaiti publicly listed company, which trades in Australia as Kuwait Livestock Transport and Trading Company (“KLTT”) and which, among other activities, is one of the largest exporters of sheep from Australia to the Middle East.

The vessel, which was delivered in 2016, is the world’s largest purpose-built livestock vessel. It has just completed another successful voyage to the Middle East. There were just 83 mortalities from 60,047 sheep loaded (0.138 per cent) and zero mortalities from the 696 cattle. The vessel discharged livestock in four separate ports and there were no reports of heat stress from the Australian Government-accredited veterinarian on-board.