

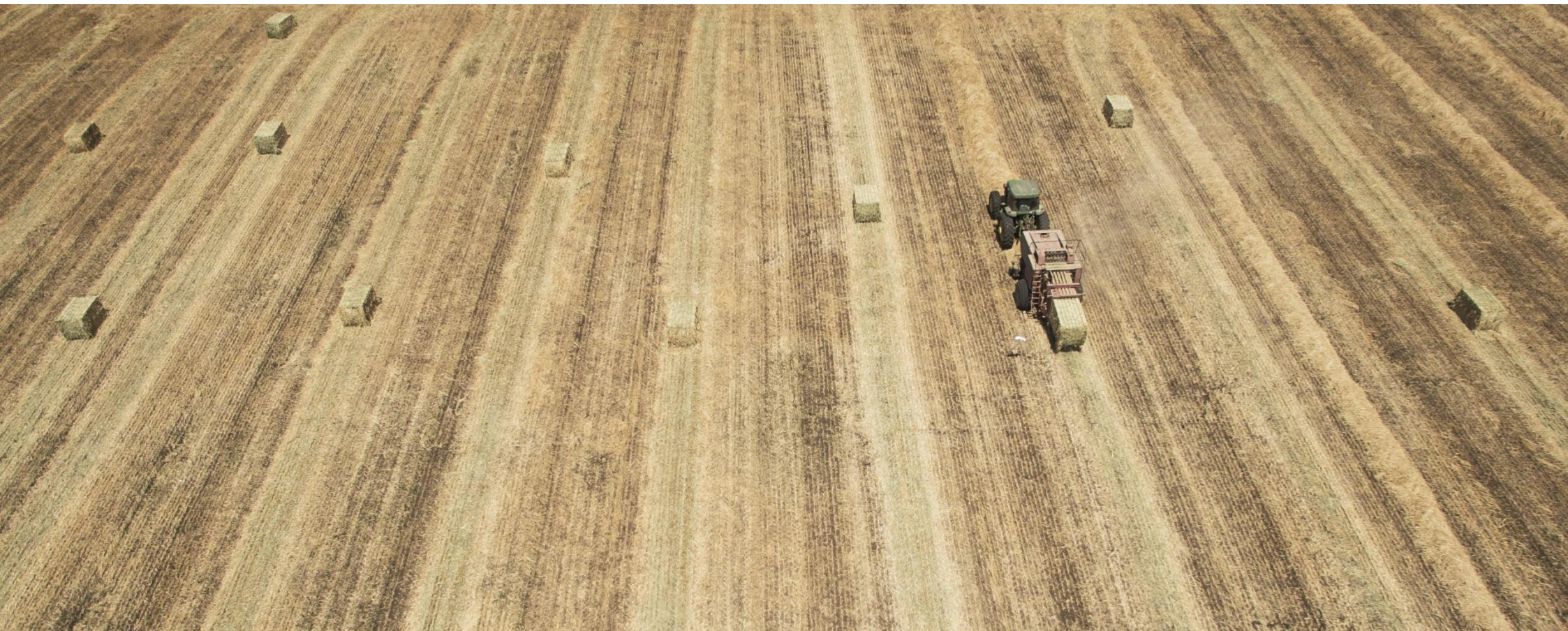


**Wingara AG  
Limited**

# **FY18 half year results and market update**

30 November 2017





## Wingara AG snapshot





## Annual volumes

**>35,000MT p.a.**

with plans to double to

**>70,000MT p.a.**

in the next two years



## Revenue

**\$6.5 million (1H18)**

Up from \$5.5 million in the prior  
corresponding period



## Major export destinations



**China**



**Taiwan**



**South Korea**



**Japan**



## 1H adjusted EBITDA

**\$0.8 million<sup>1</sup>**

1. Normalisation adjustments outlined on page 26

# Wingara AG market snapshot

- As at 28 November 2017:
  - Wingara AG's share price trades at \$0.285 per share with approximately 77.5 million shares outstanding
  - market capitalisation of approximately \$22.1 million
  - enterprise value of approximately \$21.5 million
- The top four shareholders of Wingara AG hold approximately 58.5% of total shares on issue
- Wingara AG is supported by approximately 1,200 shareholders

## Key market metrics

<b>ASX Ticker</b>	<b>WNR</b>
<b>ASX listing date</b>	<b>5 Feb 2016</b>
<b>Latest price (28 Nov 2017)</b>	<b>\$0.285</b>
Total basic shares (m)	77.55
<b>Market Cap. (\$m)</b>	<b>\$22.1</b>
52 Week high	\$0.34
52 Week low	\$0.23
6 month VWAP	\$0.26
12 month VWAP	\$0.28

Shareholder	Numbers of shares held	%
Mr Richard Gazal and Ms Laura Gazal	13,667,590	17.6%
NAOS Asset Management	11,678,146	15.1%
Ms Kellie Anne Barker	10,000,000	12.9%
Mr Gavin Xing	10,000,000	12.9%
<b>Top four shareholders</b>	<b>45,345,736</b>	<b>58.5%</b>
Others	32,200,842	41.5%
<b>Total shares outstanding</b>	<b>77,546,578</b>	<b>100.0%</b>



# Wingara AG overview

# Wingara AG's journey – hay is only the first step



*Step change increase in earnings from existing hay business*

*Step change increase in earnings from strategic acquisitions*

Continue to invest in increasing hay production to meet strong demand

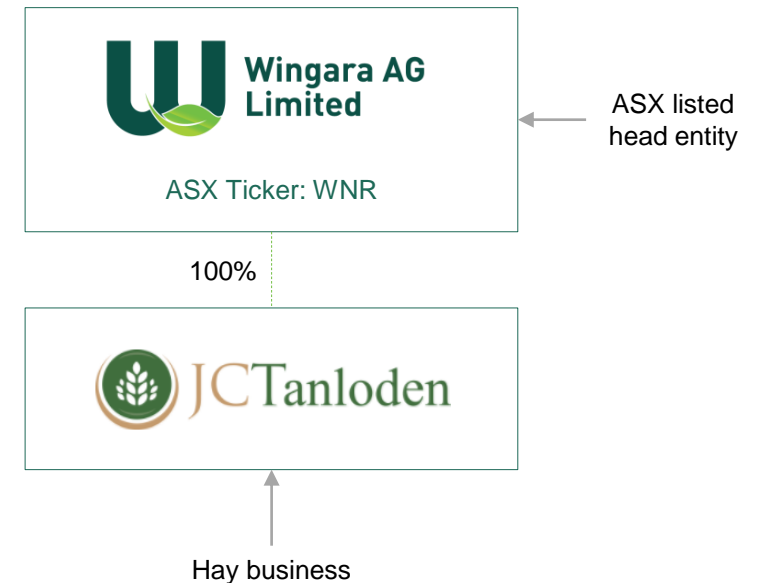
Undertake strategic acquisitions and become a provider and exporter of diversified agricultural products

**Focused on the thematic of feeding Asia**

# Wingara AG Agricultural Products

Wingara AG is focused on increasing the penetration of existing markets by growing our capacity to invest in complementary agricultural products

- Wingara AG is an Australian agribusiness focused on the export of agricultural products
- Currently exports approximately 35,000MT of hay products per annum to Asia:
  - oaten hay
  - wheaten hay
  - straw
- Processing facility located in Epsom, near Bendigo in Victoria
- Strong customer demand means Wingara AG is looking to increase its hay production, storage and trading capabilities:
  - two additional sites ready for development (Raywood and Horsham)
- **Wingara AG is also assessing acquisition opportunities to diversify the base of products its exports – this is a strategic focus**



While focused on the export market, Wingara AG will continue to develop the domestic business to provide a complete service to our growers. In addition to the risk management aspect, this will provide access to an even better range of quality hay and we will be able to better meet the needs of our overseas customers

01	<b>Attractive industry dynamics</b>	<ul style="list-style-type: none"><li>• Animal feed sector is experiencing strong growth fundamentals</li><li>• Driven by strong demand from Asia for high quality hay</li></ul>
02	<b>Positioned to expand</b>	<ul style="list-style-type: none"><li>• Wingara AG is well positioned to become the leading hay exporting business in Victoria and is assessing strategic opportunities in other locations to capitalise on the industry wide strong demand</li></ul>
03	<b>Excellent customer relationships</b>	<ul style="list-style-type: none"><li>• Wingara AG is a niche and preferred supplier to a number of large Asian dairy farms</li><li>• Differentiates itself by offering flexibility in relation to packaging, delivery schedule and size of orders</li></ul>
04	<b>Export license</b>	<ul style="list-style-type: none"><li>• Established export license/registration which can be a key barrier to potential businesses that are considering exporting to Asia</li></ul>
05	<b>Platform for growth</b>	<ul style="list-style-type: none"><li>• Currently focused on hay, but strong customer relationships and deep understanding of export market will assist Wingara AG expanding into other agricultural products – a number of opportunities are currently being assessed by senior management</li></ul>



# Hay processing

Wingara AG buys hay from growers, processes it and then exports the hay primarily to Asia



**Hay is grown**



**Transported to storage and processing facility**



**Stored in sheds, with quality maintained and moisture content monitored**



**Transported to the Port of Melbourne**



**Packaged into containers onsite**



**Processed using state of the art equipment**

**Capacity to operate 24/7, subject to overtime cost/benefit metrics**

**Shipped to Asian markets**



China



Taiwan



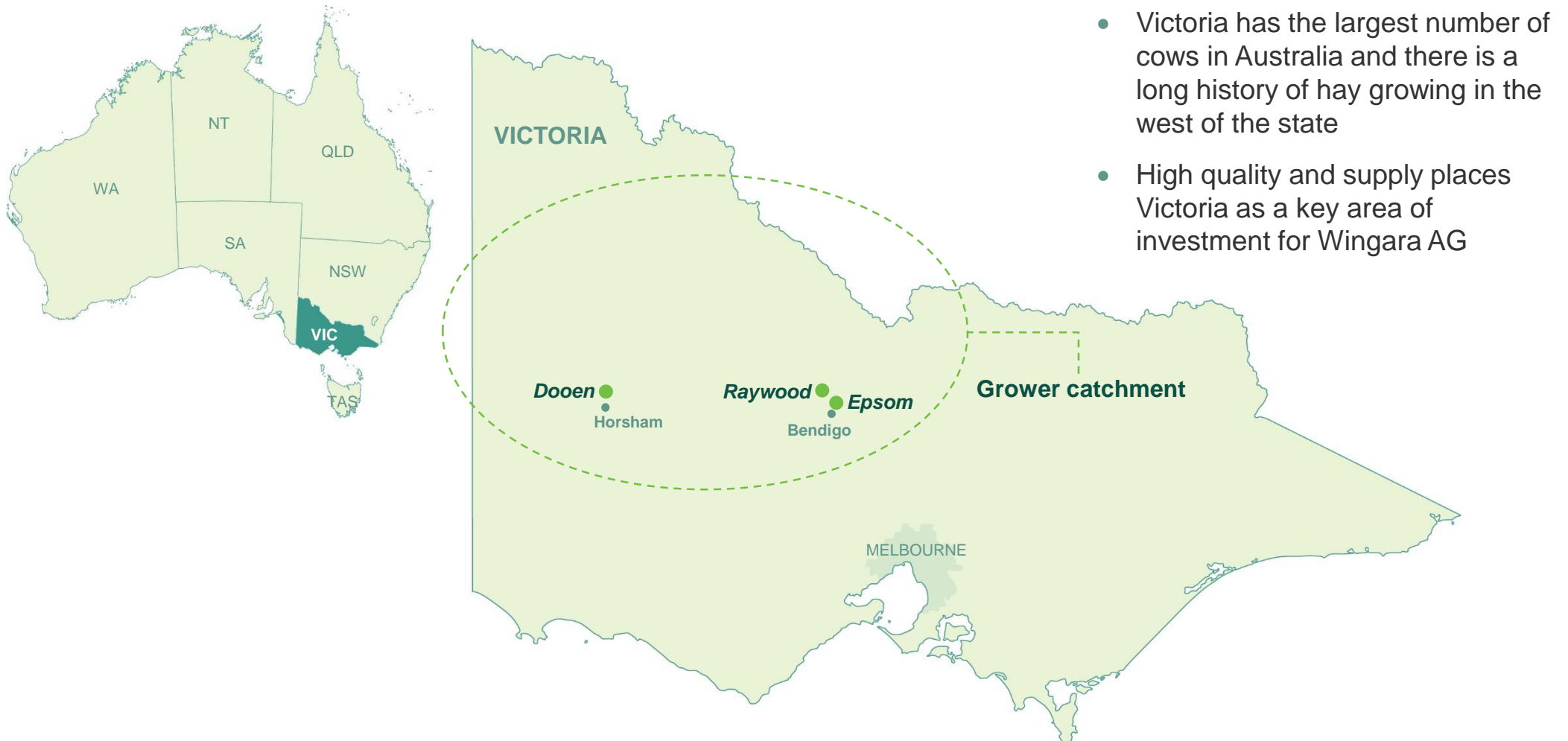
South Korea



Japan

# Wingara AG's current locations

Horsham and Bendigo geographic spread delivers approximately 80% catchment of the Victorian agricultural region which will assist Wingara AG's aim to grow/acquire into other commodity markets





# The Wingara AG advantage in hay

Wingara AG benefits from an advantageous operational position and high barriers to entry

01

Sourcing  
premium hay



- A broad geographic focus allows Wingara AG to source and sell premium hay, improving yield per tonne of hay production versus other grain and crop varieties
- Wingara AG's payment terms to suppliers are approximately 40% quicker than industry standard, ensuring access to premium hay
- Marketing strategy focuses on putting farmers first resulting in repeat business and foster efficiency in hay purchasing process

>

02

Hay processing



- Significant investment made in capital equipment and staff, implementing efficient operating standards and quality control
- Reduced operational risk and improved consistency of flow
- Focus on multi site strategy – state of the art processors and quality of hay to build scale

>

03

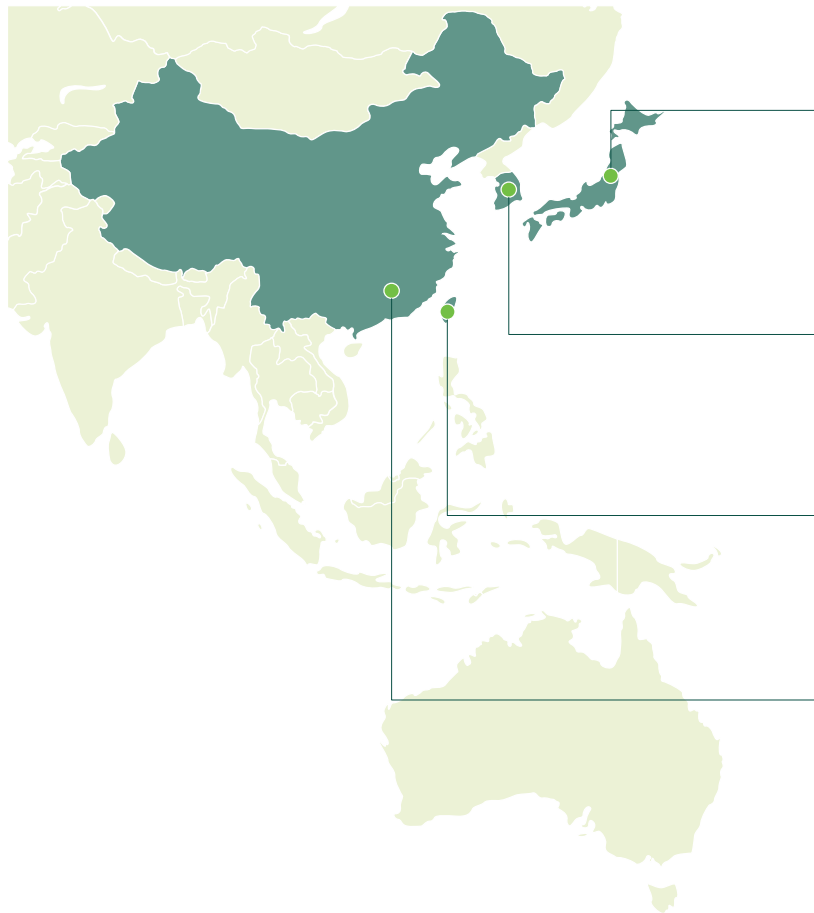
To port



- Strong established relationships with export customers in Asia
- Demand for premium oaten hay is increasing
- Payment terms ensure a positive working capital position
- Bendigo and Horsham are within close proximity to the Port of Melbourne

**Wingara AG provides high quality hay that meets clients' specifications – this is a key point of differentiation**

Wingara AG has long established relationships with its existing customers who have strong demand for other agricultural products which Wingara AG is looking to fulfil via strategic acquisitions



## Japan

- Significant presence in Japan through a strong relationship with Zen-Noh Group (National Federation of Agricultural Cooperative Associations)
  - One of the world's largest agricultural cooperatives with over US\$40 billion in annual sales



## South Korea

- Exporter to the top three marketers of hay in South Korea



## Taiwan

- Wingara AG is one of the largest hay providers to Southern Taiwan with approximately 30% market share



## China

- Clients include large multinational food and agri businesses including Bright Food (Group)

**Major customers are located in Asia**

**Wingara AG is aiming to meet strong demand for hay and other products from its existing customer base**





## Hay industry update



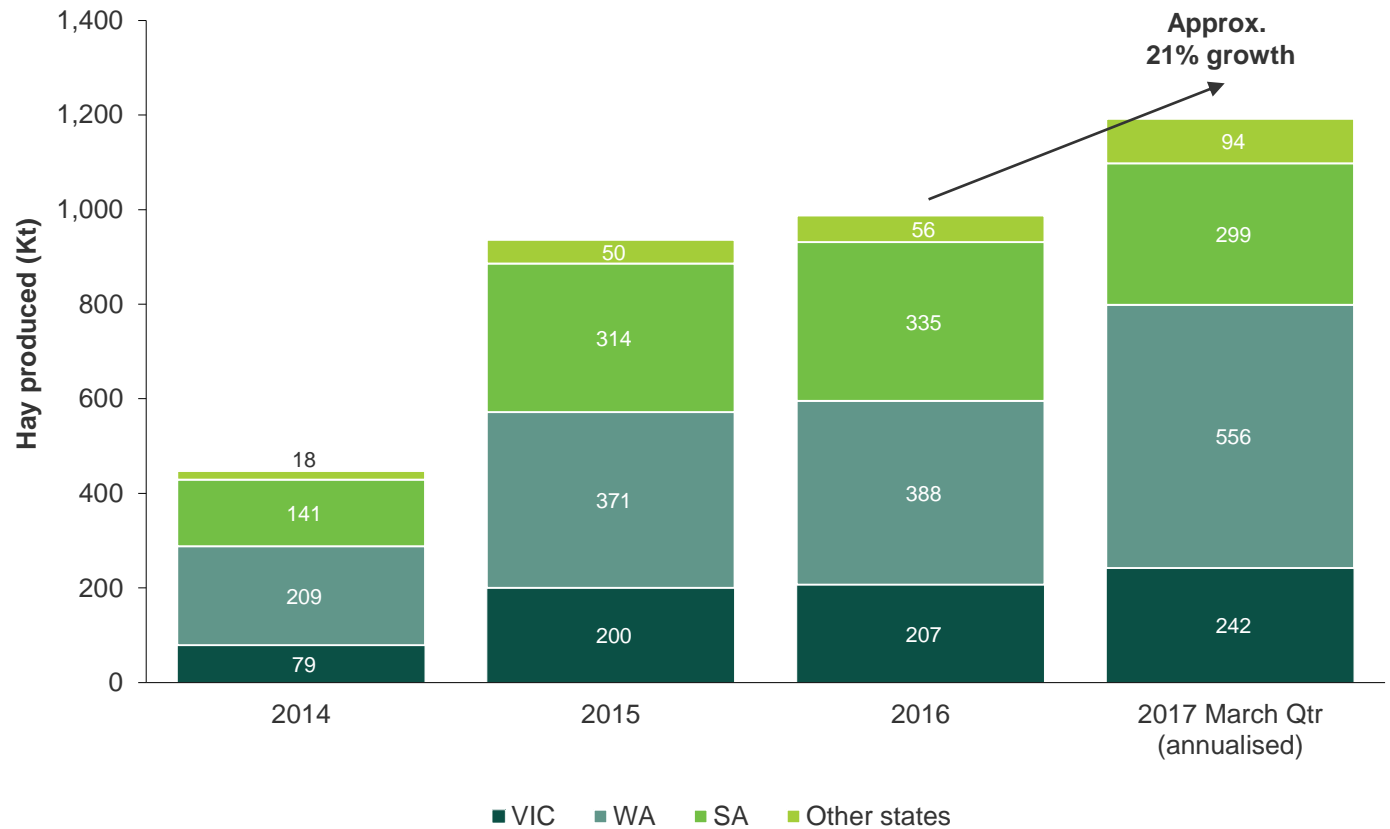


# Australian hay exports

Victoria's share of the hay export market has grown substantially

- Victoria's share of hay exports is currently around 20% of the total market (after WA and SA)
- Victorian hay export growth has been driven by strong Asian demand
- Wingara AG is focused on becoming the leading processor of export hay in Victoria
- Wingara AG may consider opportunities in South Australia and Western Australia to establish a presence in these key markets

Australian hay export market



Source: ABARE

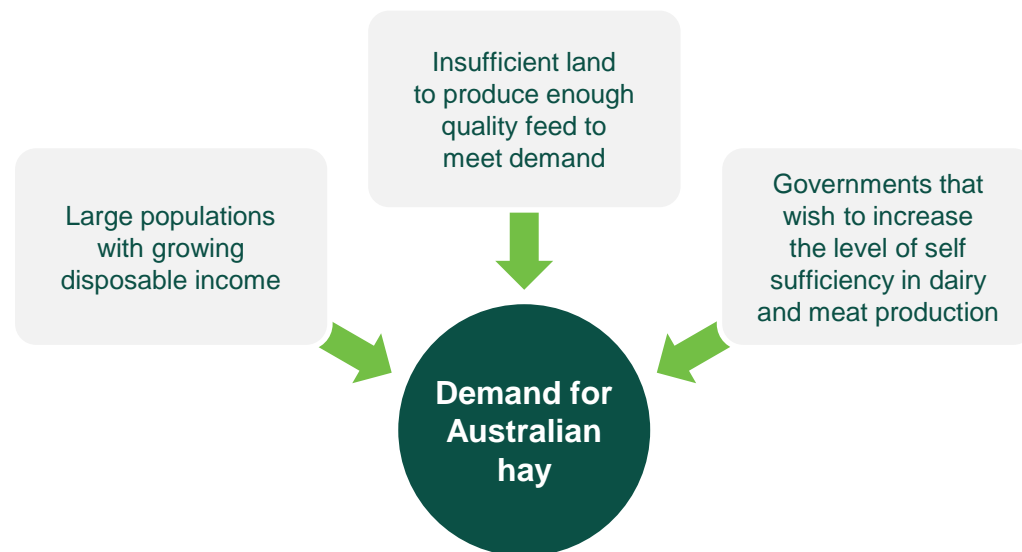


# Australian hay exports

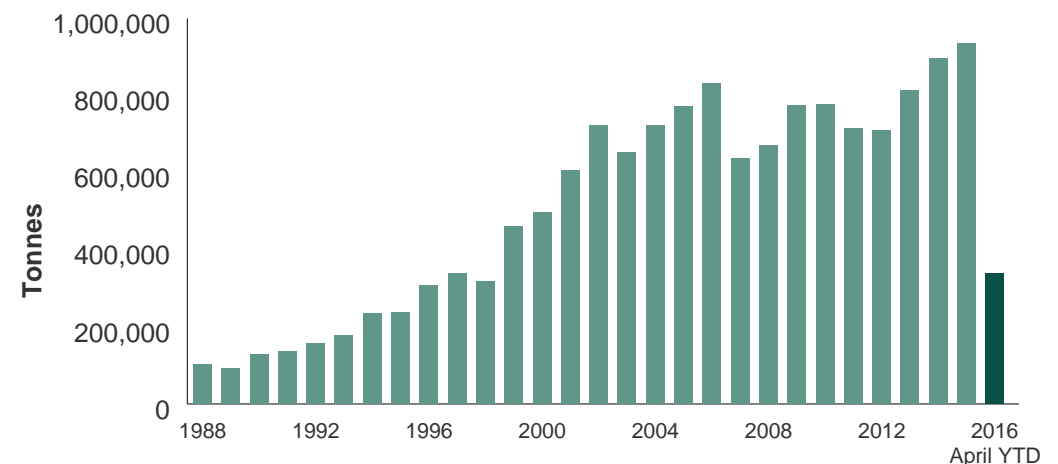
Rising demand for quality beef and milk among a growing Asian middle class is projected to boost the demand for quality Australian hay feed

- Oaten hay is the primary fodder product that Australian producers are exporting
- Exports as a share of overall hay production have increased materially over the last decade
- Stable hay quality and lack of contamination underpin the favourable reputation of Australian hay in export markets
- Oaten hay has been proven to increase milk production of dairy herds
- Under the Free Trade Agreement with China, only oaten hay from Australia is allowed to be imported

## Growth drivers from overseas markets



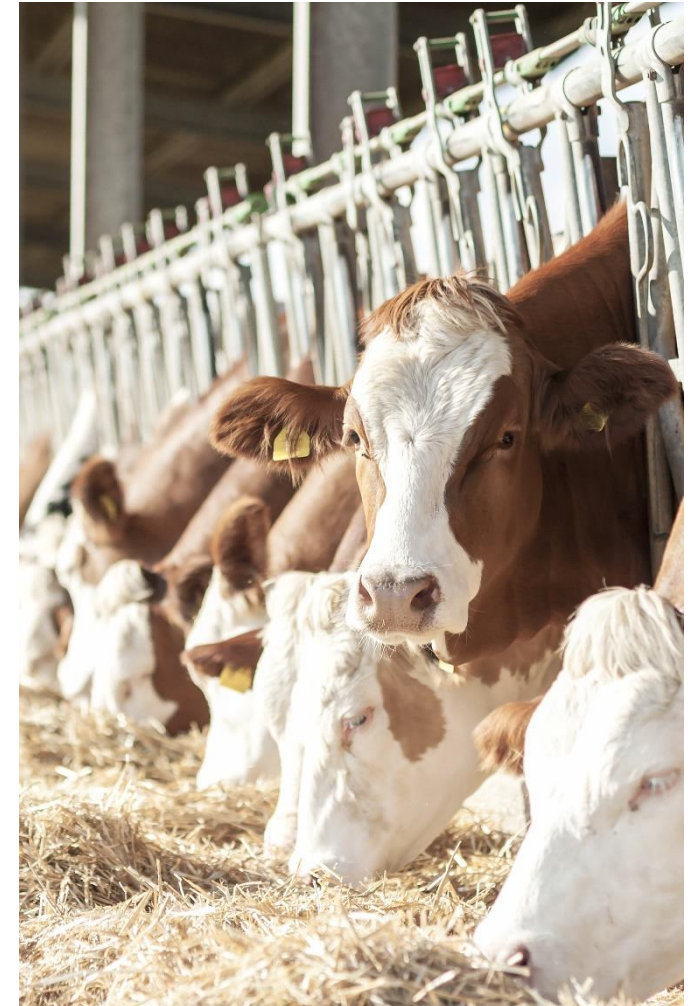
## Total Australian hay exports (1988–April 2016)



Source: Australia Fodder Industry Association ('AFIA') – Export statistics, 21 July 2016

## Australian oaten hay is a prime source of digestible fibre for dairy and beef cattle

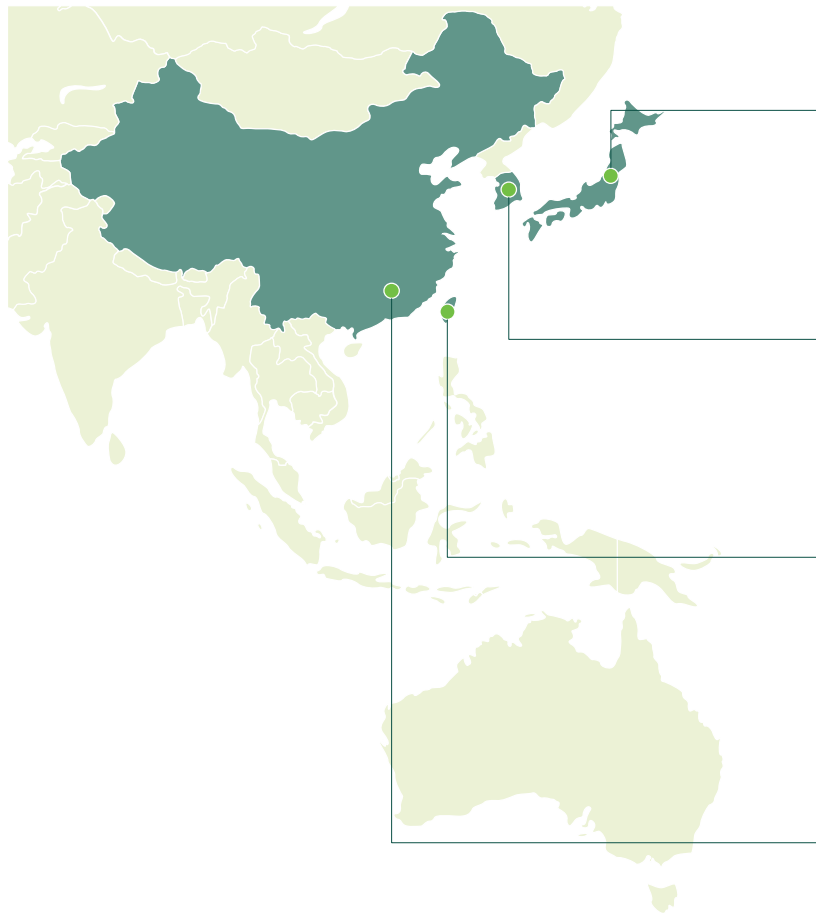
- Oaten hay is the primary fodder product that Australian producers export
- High demand from the global market as a reliable, high quality fodder that meets stringent animal production requirements
- As lucerne (or alfalfa) is the most widely exported fodder commodity worldwide, exporting oaten hay provides a point of differentiation for Wingara AG
- Key characteristics of oaten hay:
  - highly digestible fibre
  - palatable food source for livestock, including milking cows, dry cows and transition cows
  - consistently high quality
  - low levels of contamination
  - ability to be fed alone or a part of a total mix ration
  - low levels of nitrate nitrogen (<500ppm) and potassium
  - safe to feed





# Key export markets

Wingara AG exports to all major Australian export markets



## Japan

- Australia's largest export hay destination, taking 480,000MT in 2016
- The Japanese market has shown consistent and stable demand for Australian hay



## South Korea

- Typically taking lower price, mid quality hay, South Korea has emerged as a key export destination for Australian hay
- Over 160,000MT of Australian hay exported in 2016



## Taiwan

- Mature market for Australian hay with preference for high quality oaten and wheaten hay
- Over 60,000MT of Australian hay exported in 2016



## China

- Demand for hay exports has soared in recent years
- Over 220,000MT of Australian hay exported to China in 2016, up almost 37% on 2015
- Domestic demand for milk products has grown significantly along with demand for quality dairy cattle feed
- China is home to a burgeoning middle class and over 14 million head of cattle

**Well established exporter to key export markets in Asia**

**Opportunities to increase penetration of existing markets**

**Potential to expand into major new markets such as the Middle East, India and Indonesia**





## Strategic Update



# Wingara AG's strategy

Wingara AG's strategic aim is to use its strong export capabilities and customer relationships to become a successful and profitable provider and exporter of diversified Australian agricultural products

## Strategically focused on the thematic of feeding Asia



Wingara AG  
Limited

01

Develop hay  
business



- Epsom up and running
- Raywood and Horsham to come on line



- Assess strategic acquisition opportunities in other regions

02

Undertake strategic  
acquisitions



- Assess acquisition opportunities - other agricultural products providers



- Focus on opportunities which leverage Wingara AG's strong customer base, trading and logistics expertise

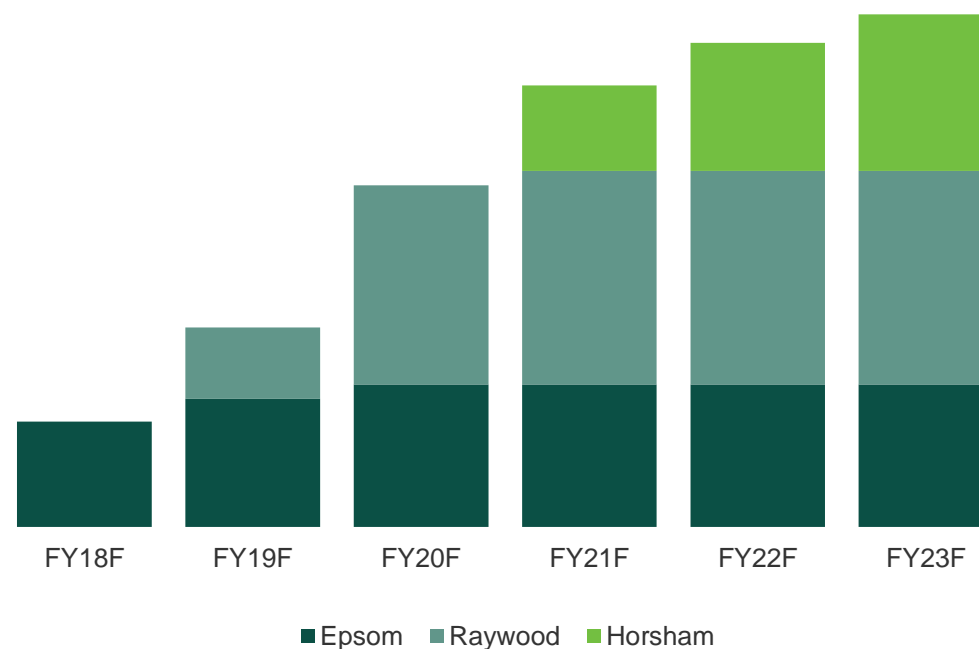
Hay is only the door opener and it is Wingara AG's strategic aim to have access to the entire suite of products that our growers grow... this will allow us to selectively trade products based on demand/supply opportunities in our destination countries. (Products might include: wheat, oat, lentils, canola, cotton seeds, cattle, sheep, poultry, to name a few)

# Wingara AG's facilities and volumes

## Increasing production in Bendigo and Horsham facilities to fulfil strong Asian demand

- Wingara AG's Bendigo facility is fourth largest processing site in Victoria
  - Processing capacity of 50,000 MT per annum
  - Constrained by storage capacity but will improve with planned capex in the next two years after agreement was reached on purchasing the land
- Could not delay demand from clients any longer and management decided to develop the Raywood site while Horsham is in the planning/approval process
- Raywood (near current Bendigo facility) is expected to start processing in Q3 2018
  - Target commissioning and production on track to commence Q3 2018
- Wingara AG has also purchased a strategically located 20 hectare land parcel in Horsham and will develop
  - Target commissioning and production in time for 2019 hay season
- Wingara AG is aiming to achieve total hay production capacity of over 200,000 MT from these three sites

Forecast hay volumes (MT)

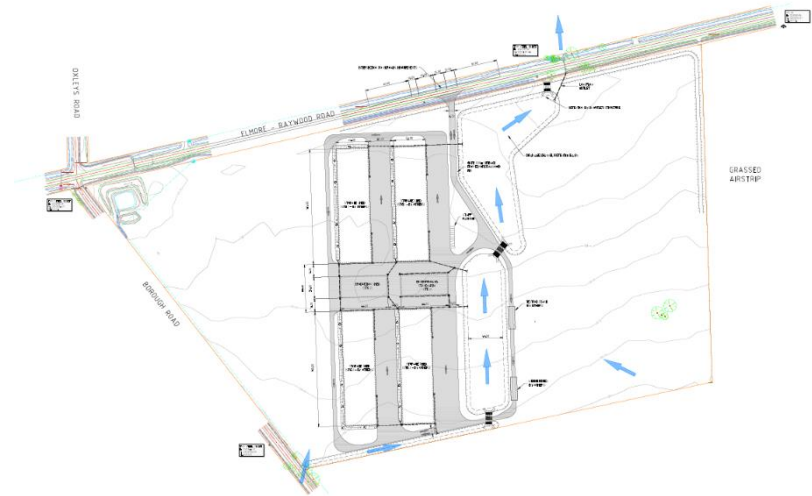


Source: ABARE



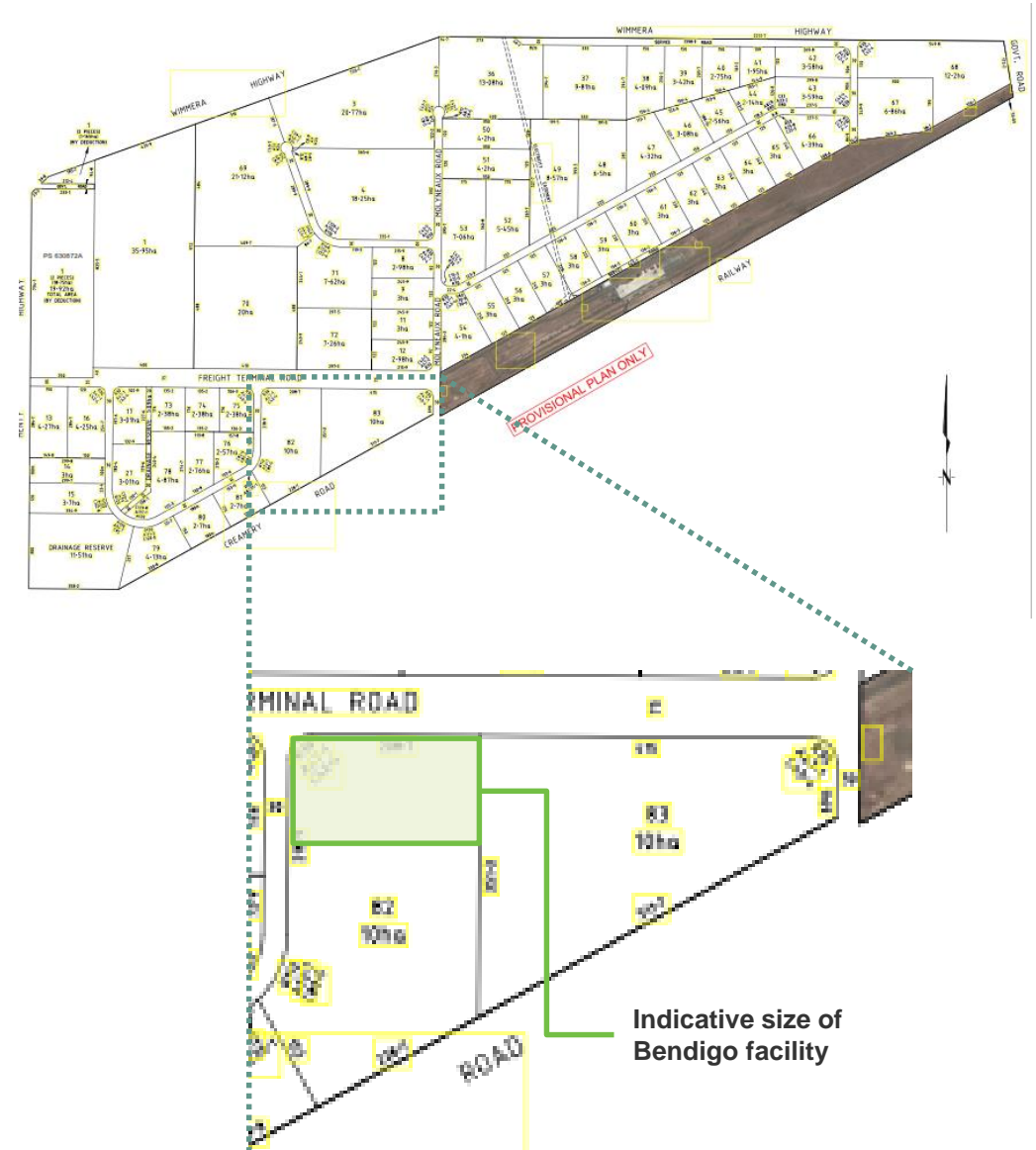
# Raywood development site

- Wingara AG is developing a site located 25 kilometres from the Epsom facility
- Strategic advantage of site:
  - additional storage capacity
  - connected power and water available
  - supportive council (approval to develop site expected soon)
  - sufficient land to grow into other commodities (e.g. grain storage, cotton, legumes etc.)
- Target commissioning and initial production in time for 2018 hay season
- Site will have the flexibility to build future production and/or other commodity businesses



# Horsham development site

- Wingara AG signed contract with HRCC to purchase 20 hectare land parcel in its new industrial development
- Strategic advantage of site:
  - adjacent to existing and operational Wimmera Freight Terminal
  - connected power and water
  - supportive council (purchase subject to hay processing facility permit being approved).
  - minimal competition (Johnsons only large competitor nearby)
  - sufficient land to grow into other commodities (e.g. grain storage, cotton, legumes etc.)
- Target commissioning in time for 2019 hay season
- Site will have the flexibility to build future production and/or other commodity businesses





## Bendigo site (Epsom)

- Strategic R&D development in lowering unit production cost and increasing volumes
  - limitation of waste material
  - best practice and training
  - integration of strategic domestic trading activities
- Continued investment in staff training and equipment
- Plant upgrades of existing 3400SP to introduce a teaser to improve product quality and incremental production volumes
  - template for Horsham and Raywood sites

## Horsham and Raywood sites

- Continue permit of sites and design
- Negotiating machinery plant orders to support targeted volumes
- Focus will be on using machines with teaser and decontaminator to cover all market segments and consistent product across all facilities
- Started preliminary negotiations with customers and farmers to lock in supply and demand
  - responses have been positive and well received from both customers and farmers
  - strong relationships with Asian customers will support Wingara AG's long term production volumes

## M&A – other agricultural products

- Continue to focus on acquiring strategic businesses that support Wingara AG's objective to expand its product base, leverage its Asian marketing opportunities and increase consolidated group EBITDA
- Wingara AG hopes to provide an update on potential acquisitions in the first quarter of 2018



## 1H FY18 results summary

# FY18 financial summary

(AUD 000's)	1H16 (6 months to 30 Sep 16)	1H17 (6 months to 30 Sep 17)	Movement (%)
Export volume (MT)	11,287	18,256	+62%
Domestic volume (MT)	3,317	1,407	-58%
<b>Total volume processed</b>	<b>14,604</b>	<b>19,663</b>	<b>+35%</b>
Revenue	5,494.9	6,475.0	+18%
COGS	(3,445.5)	(3,115.1)	-10%
Administration	(1,631.3)	(2,058.4)	+26%
Freight costs	(619.2)	(985.0)	+59%
Occupancy costs	(96.3)	(102.0)	+6%
<b>EBITDA</b>	<b>(297.4)</b>	<b>214.5</b>	<b>+172%</b>
<i>EBITDA margin</i>	<i>(5.4%)</i>	<i>3.3%</i>	

- Strong increase in overall volume processed (up 35%), driven primarily by continued strong Asian demand
- Solid increase in revenue from increase volumes
- Reduction in COGS offset by increased administration and freight costs
- Positive headline EBITDA for the half reflecting economies of scale from increased volume
- Importantly – Wingara AG is well positioned to achieve a positive step change in EBITDA once the benefits from the capacity increases start to flow through in 2018



# Normalised EBITDA

(AUD 000's)	1H16 (6 months to 30 Sep 16)	1H17 (6 months to 30 Sep 17)	Movement (%)
<b>Reported EBITDA</b>	<b>(297.4)</b>	<b>214.5</b>	<b>+172%</b>
Adjustments			
FX movements (USD/AUD of 0.75)		209.0	
Storage costs to meet strong demand		107.0	
Freight – Record grain shipments in 2016–17		95.0	
Growth expenditure not capitalised		175.0	
<b>Normalised EBITDA</b>		<b>800.5</b>	

- Normalised EBITDA of \$0.8 million for the half
- EBITDA adjustments include:
  - unbudgeted fees to store hay off-site to meet strong customer demand. The Raywood development under construction will deliver these savings in the future
  - a record 2016–17 grain harvest in Victoria (5.2 million MT) resulted in capacity constraints pushing up shipping rates during the period. Shipping rates have returned to previous levels and Victorian grain forecasts for 2017–18 are expected to be much lower at 3.5 million MT
  - USD/AUD Rates during the period were higher than our long term average forecast of 0.75 impacting on our revenue and USD bank deposits
- R&D cost for new process to be implemented in Epsom before construction of Raywood/Horsham to significantly reduce commissioning risk and cost
  - Management expects this to be 90% recovered from ATO
- The new set up will be energy efficient, waste efficient and productivity efficient
  - Management is aiming to put Epsom at the first quartile of operating costs when compared to other exporters

# Balance sheet

(AUD millions)	30-Sep-16	30-Sep-17
Cash	6.8	5.1
Trade and other receivables	0.5	0.5
Property, plant and equipment	2.2	2.5
Inventories	1.3	0.8
Other assets	2.8	3.3
<b>Total assets</b>	<b>13.6</b>	<b>12.2</b>
Trade and other payables	(1.2)	(0.9)
Total borrowings	(6.2)	(5.2)
Other liabilities	(0.1)	(0.1)
<b>Total liabilities</b>	<b>(7.4)</b>	<b>(6.2)</b>
<b>Net assets</b>	<b>6.2</b>	<b>6.0</b>

- Wingara AG is well capitalised with a liquid balance sheet
- Cash on hand of approximately \$5.1 million
- Wingara AG is in a strong position to fund its growth (organic and inorganic)

## Borrowings as at 30 September 2017

Facility	Current	Non current	Total
Commercial bill & loan	1.7	0.8	2.5
Asset finance loan	0.2	0.3	0.6
Lease liabilities	0.0	0.2	0.2
Convertible notes	-	1.9	1.9
<b>Total borrowings</b>	<b>1.9</b>	<b>3.3</b>	<b>5.2</b>
Total limits			9.4 <sup>1</sup>
Cash			5.1
<b>Available funds</b>			<b>9.3</b>

- Wingara AG's debt facilities are outlined in the adjacent table
- As at 30 September 2017, total borrowings amounted to approximately \$5.2 million
- Net debt balance was approximately \$0.1 million
- Funding facilities include the following:
  - commercial bill and loan, consisting of a commercial facility and revolving loan facility to fund working capital requirements
  - asset finance and leasing facilities loan to fund capital expenditure programme
  - finance leases over fixed assets with duration of five years
  - \$1.9 million in convertible notes with a conversion date in January 2018 and a final conversion date in July 2018
- Facility limits total approximately \$9.4 million (which includes \$1.9 million in convertible notes)
- With cash of \$5.1 million, Wingara AG has available funds of \$9.3 million<sup>1</sup>

1. Wingara AG secured additional banking facilities on 2 October 2017 to fund the development of Raywood. Total limits of \$9.4 million includes these additional banking facilities.



# Cash flow

(AUD millions)	1H17 (6 months to 30 Sep 17)
Opening balance	6.8
Net operating cash	0.6
Net investing cash	(1.4)
Net financing cash	(1.0)
Net increase/(decrease) in cash	(1.7)
Foreign exchange rate movements	(0.0)
<b>Closing balance</b>	<b>5.1</b>

- Higher operating cash flow driven by increased receipts from customers – expected to grow in the next period and beyond
- \$812,000 incurred for project development payment
- \$950,000 repayment of borrowings





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**[wingaraag.com.au](http://wingaraag.com.au)**