



ASX Announcement

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

Highlights

- Sale of MV Ocean Shearer for US\$53.0 million (approx. A\$77.8 million¹) to reduce Wellard financial debt to US\$16.7 (approx. A\$24.6 million)²;
- US\$42.3 million (approx. A\$62.0 million) reduction in existing debt;
- US\$10.7 million (approx. A\$15.8 million) increase in cash on hand;
- Wellard's fleet right-sized to three vessels (two owned and one exclusively leased);
- 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 signed a Term Sheet to sell the MV Ocean Shearer for US\$53.0 million, which would complete the Company's recapitalisation program on successful closure of the transaction.

Wellard intends to apply approximately US\$42.3 million (approx. A\$62.0 million) of the sale proceeds to reducing the Company's financial debt to just US\$16.7 million (approx. A\$24.6 million), a level more appropriate to current activities and market conditions. The remaining US\$10.7 million (approx. A\$15.8 million) will be retained as cash for operations, significantly strengthening Wellard's working capital position.

The Company can now focus exclusively on maximising earnings and profits from the company-owned MV Ocean Drover and MV Ocean Ute, and the long-term chartered MV Ocean Swagman.

Wellard is selling 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.

¹ US\$/A\$ exchange rate of 1.4678 as at 11 December 2019

² Financial Debt includes future non-cancellable lease obligations

“The sale of the MV Ocean Shearer cuts Wellard’s financial debt to very manageable levels while crystallising value from an under-utilised vessel in our fleet,” Wellard Executive Chairman John Klepec said.

The sale is subject to final documentation under the Norwegian Shipbrokers’ Association’s Memorandum of Agreement for Sale and Purchase of Ships (BIMCO Form Rev, 2012), which provides standard terms and conditions adopted internationally for sale of oceangoing ships, and is subject to standard conditions precedent including final vessel inspections. The mortgage to Intesa Sanpaolo Bank S.p.A. (“Intesa”) will be paid out and discharged. The transaction is anticipated to complete no later than end-March 2020.

The principal terms of the transaction are attached.

Wellard’s Board will proceed with the transaction in absence of a superior offer.

Funds will be directed to the following:

- US\$38.4 million (approx. A\$56.3 million) full repayment of vessel finance to Intesa;
- US\$3.9 million (approx. A\$5.7 million) full repayment of debt to noteholders; and
- US\$10.7 million (approx. A\$15.8 million) minus transaction costs, will be retained as Wellard cash reserves and working capital.

The agreed price is slightly higher than the consolidated net book value of the vessel and the vessel will be treated as an asset held for sale when the Company’s interim accounts are lodged in February 2020.

Mr Klepec said that Wellard was paying approx. US\$8 million (approx. A\$11.7 million) in principal and interest costs on the MV Ocean Shearer annually, in addition to various other fixed costs such as maintenance and crewing.

“Given our comparable sized vessel, the MV Ocean Drover has completed three times the number of voyages as the MV Ocean Shearer in 2019, it makes financial sense to release value and reduce debt from an under-utilised asset, adding A\$15.8 million to our cash reserves and reducing our annual debt servicing by US\$8 million,” he said.

Wellard’s Executive Chairman, Mr John Klepec said Wellard’s high debt load, which had become a millstone around its neck, would be consigned to history on the successful settlement of the transaction.

“Wellard can now focus on charter utilisation and running its vessels efficiently. Our Company has changed its approach and has become an international livestock logistics business, with more robust systems and processes, best-in-class animal welfare outcomes, a leaner overhead structure, and a more reliable revenue stream from its highly specialised charter operations.

“The Ocean Shearer has been the biggest vessel in our fleet, but it has been consistently underutilised in the current very volatile environment. It has been predominantly deployed in the South America-Turkey trade route, which has twice been closed suddenly, leaving Wellard with fixed financing and overhead costs but without revenues.

“KLTT’s purchase offer of US\$53.0 million (approx. A\$77.8 million) represents a significant de-risking of Wellard’s business, and allows the Company to concentrate on the three remaining more economically attractive vessels, being the Ocean Drover, the Ocean Ute and the Ocean Swagman.

“KLTT will deploy the Ocean Shearer to the Australia–Middle East trade route, which I am pleased to note will likely be an ongoing benefit to Western Australian farmers and other businesses in the related supply-chain. Wellard certainly wishes KLTT every success in their ownership and operation of this very impressive vessel.”

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.

Shareholder approval not required

The transaction does not represent a substantial change in Wellard’s principal activities. ASX has advised that it will not exercise its discretion under Chapter 11 (Significant Transactions), and therefore Wellard’s shareholders are not required to approve this transaction.

This ASX announcement was approved by Wellard’s Executive Chairman, Mr. John Klepec.

For further information:

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ABOUT THE M/V OCEAN SHEARER

The MV Ocean Shearer is largely based on the proven and successful design of Wellard’s MV Ocean Drover. It is the world’s largest purpose-built livestock vessel.

Depending of the size of the animal and the regulation of the loading countries, the vessel has the capacity to transport approx. 20,000 cattle or 75,000 sheep or a combination of both and is suited to trans-hemisphere routes.

The major improvements that have been incorporated into the design of the MV Ocean Shearer include double hull construction, a quieter, stronger ventilation system, larger water generation and fodder storage systems, and a more efficient engine.

MV Ocean Shearer - Vessel specifications:

- **Year of build:** 2016
- **Length:** 189.5m
- **Breadth:** 31.1m
- **Gross tonnage:** 36,028 tonnes
- **Livestock area:** 23,473 square metres
- **Number of decks:** 9
- **Summer draft:** 8.8m
- **Freshwater capacity:** 4,042 m³
- **Freshwater production:** 850 m³/day
- **Fodder Capacity** (at 100% full): 6,277 m³
- **Speed:** 18 knots

KEY TERMS OF SALE:

Vessel: Ocean Shearer - Sale & Purchase Principal Terms <i>(summary of key terms only)</i>	
Sellers:	Ocean Shearer Pte. Ltd., Singapore (subsidiary of Wellard Ships Pte Ltd)
Buyers:	Livestock Transport and Trading Co KSC, Kuwait
Vessel:	The livestock carrier vessel with IMO No. 9590931, named "Ocean Shearer" which is registered in the name of Ocean Shearer Pt e. Ltd. under the flag of Singapore ("Vessel")
Purchase Price:	USD 53,000,000 (Fifty-Three Million United States Dollars)
Deposit:	As security for the correct fulfilment of this Agreement the Buyers shall lodge a deposit of USD 5,300,000 being 10 (ten) percent of the Purchase Price (the "Deposit") into an escrow account with a nominated Deposit Holder, within three (3) Banking Days after the date that: <ol style="list-style-type: none"> 1. MOA has been signed and exchanged by both parties as scanned copy, and 2. The escrow agreement is in place among the Buyer, Seller and Deposit Holder and the Deposit Holder has confirmed in writing that the escrow account has been opened and it is ready to receive the remittance.
Documentation:	MOA to be agreed and signed by December 20, 2019. MOA to be based on Norwegian Shipbrokers' Association's Memorandum of Agreement for sale and purchase of ships. Adopted by BIMCO in 1956. Code - name SALEFORM 2012 Revised 1966, 1983 and 1986/87, 1993 and 2012 ("NSF 2012").
Payment:	On delivery of the Vessel but not later than three (3) Banking days after the discharge of sheep at the last port of destination of the Pre- Delivery Voyage, and delivery to the Buyer of the Notice of Readiness: <ol style="list-style-type: none"> a the Deposit shall be released to the Sellers; and b the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this agreement shall be paid, in such manner and subject to such agreement and approvals as to be set in the MOA.

Vessel: Ocean Shearer - Sale & Purchase Principal Terms <i>(summary of key terms only)</i>		
Time and place of delivery and notices:	The Vessel shall be delivered and taken over safely afloat at the last discharge port within 3 (three) banking days of successful completion of the Pre-Delivery Voyage in the Arabian Gulf after all payments are made.	
Charter-free Upon delivery:	The Vessel is to be delivered to her new Owners (the Buyers) free of chartering obligations (unless otherwise agreed by the Buyers, such agreement in the Buyers' sole discretion) and free of mortgages, encumbrances, and maritime liens) or any other debts whatsoever and not subject to Port state or any other administrative detentions.	
Inspections:	<p>Vessels detailed inspection by Buyers' Surveyors week commencing around 3 February 2020, or other suitable date nominated by the Seller and accept able for the Buyer, in Fremantle Port in accordance with NSF 2012 Inspection clause 4 part (b).</p> <p>The Buyers shall have the right to inspect the vessel and declare whether the same is acceptable or not by issuing a written notice to the Sellers of acceptance within 72 hours after completion of such inspection, and in any event no later than 15 February 2020.</p>	
Divers Inspection:	Divers Inspection as per NSF 2012 week commencing 3 February 2020, or other suitable date nominated by the Seller and accept able for the Buyer in Fremantle Port.	
Vessel to be in class and free of recommendations:	On delivery the Vessel shall meet all the requirements of the classification society that has classed the Vessel and is free from any recommendations or conditions.	
Spares, bunkers and other items:	<p>List of spare parts to be delivered on board, Items excluded/hired items: to be agreed soonest.</p> <p>As per NSF 2012:</p> <p>The Sellers shall deliver to the Buyers the Vessel with everything belonging to her on board and ashore.</p> <p>The Buyers shall take over remaining bunkers/ unused lubricating and hydraulic oils, greases in storage tanks and unopened drums and pay for the quantity taken over, the actual net price (excluding barging expenses) as evidenced by invoices or vouchers.</p> <p>Paints, unused stores and Provisions to be included in the purchase price.</p>	
Place of closing:	Singapore	
Release of Liens and Mortgages:	<p>The Vessel will be, and Sellers will warrant the Vessel to be, free of any Maritime Liens, Mortgages encumbrances or any other debts whatsoever upon delivery.</p> <p>However, Sellers to liaise with Intesa Sanpaolo bank to obtain agreement to mortgage discharge and associated documentation to allow Intesa Sanpaolo to receive full payout of loan facility through any mechanism satisfactory to all three parties and Intesa Sanpaolo Bank to participate in</p>	

Vessel: Ocean Shearer - Sale & Purchase Principal Terms <i>(summary of key terms only)</i>	
	closing.
Condition on delivery:	The Vessel is to be delivered and taken over as she was at the time of inspection (except for the cargo area that will be delivered in its "as is" conditions at the last discharge port of the Pre-delivery Voyage and after the completion of the discharge operations), fair wear and tear excepted.
Law and Arbitration:	English law London arbitration as per 16 (a) of NSF 2012 Otherwise as per NSF 2012
Publicity & Announcements:	The transaction and the eventual sale to be kept strictly private and confidential between the parties involved except for such disclosure obligations as are required under the ASX listing rules (for the Sellers), or any similar rules or regulations (for the Buyers), or disclosure to affiliates, employees, actual or potential financiers, or as required by law or regulation.
Public Company Status :	<p>The parties recognise that each are public companies, and will have applicable regulatory and fiduciary obligations and processes. Both parties will immediately and transparently disclose any approvals or authorisations that may be required in order to complete this transaction to the other.</p> <p>The Sellers' fiduciary obligations include the requirement to allow for superior offers to be received and assessed, and accordingly, until a binding MOA is signed and the Deposit is received in full, the Sellers will be obliged to consider any superior offer received, taking into account all factors that it deems necessary.</p> <p>The Sellers will immediately notify the Buyers in the event that a substantive, credible competing and potentially superior offer is received.</p>