



# Wellard

ASX Announcement  
28 February 2017

## Half Year Results for the Period Ended 31 December 2016

### **Summary**

- Record high cattle prices in H1FY17 impacted margins and therefore financial results
- Streamlining operations and pursuing opportunities to improve working capital in preparation for a market recovery
- Establishing platform to capitalise on China live export trade
- Market leadership position in most important live cattle export markets

Wellard Ltd (ASX:WLD) has today reported its financial results for the six months ended 31 December 2016, an underlying EBITDA\* loss of \$1.3 million (pcp: \$26.9 million profit) and a statutory net loss of \$17.9 million (pcp: \$23.9 million loss).

Although revenue increased 2% to \$281.9 million (pcp: \$275.5 million) due to commissioning of a new vessel, record high cattle prices in Australia impacted on cost of sales which increased 18% to \$265.6 million (pcp: \$225.9 million) resulting in a 67% decrease in gross profit to \$16.3 million (pcp: \$49.6 million).

Net assets at the end of the period were \$172.7 million (30 June 2016: \$188.7 million). Net debt increased \$17.2 million to \$188.8 million (30 June 2016: \$171.6 million) due to an increase in working capital debt plus reduced cash and cash equivalents, but was partially offset by a reduction in ship and other asset debt. The drawn balance of ship and other asset debt facilities decreased \$7.0 million to \$179.0 million (30 June 2016: \$186.0 million). Cash and cash equivalents as at 31 December 2016 were \$15.0 million (pcp: \$30.9 million). Undrawn working capital debt facilities secured against inventories and accounts receivables as at 31 December 2016 were \$44.1 million (pcp: \$51.3 million).

As with its FY2016 results, breach of covenants on 31 December 2016 required Wellard to categorise all debt as current. Loans and borrowings of \$150.6 million in the normal course are due to mature beyond 12 months until 2026, despite their classification as current liabilities (30 June 2016: \$168.9 million).

The Company has remedied all bank undertakings and has either received or expects to receive waivers for all covenant breaches that occurred on 31 December 2016.

“As previously indicated, Wellard continues to be impacted by the scarcity of cattle available for sale in Australia which has resulted in record high cattle prices and historically low trading margins as the increase in cattle purchase prices was unable to be fully passed on to customers. Wellard paid 76%

---

more per kg for its cattle in the first half of FY2017 than it paid in the first half of FY2015.” said Wellard CEO Mauro Balzarini.

“Wellard is actively seeking to strengthen its working capital position through negotiating improved trading terms with suppliers as well as assessing options including the possible sale of asset values and/or raising additional debt and/or equity,” Mr Balzarini said.

## **Outlook**

Trading conditions currently remain difficult and working capital requires strict management. Cattle supply numbers from Northern Australia are expected to remain low and therefore cattle purchase prices to remain high during the third quarter of this financial year. This is in line with normal seasonal trends. However, as more cattle become available during the dry season, an increase in cattle is expected to be matched by an increase in customer demand resulting in a return to profitable trading for the group in the fourth quarter of this financial year. Given the herd rebuilding underway in Northern Australia matched with an expected growth in demand from China, we expect to return to full year profitability in the 2018 financial year.

The new market for slaughter cattle in China is yet to generate material volumes, however we expect to undertake our first shipment to Chinese customers before the end of this financial year. As the China market grows we expect to see an increase in demand for our specialised vessels, resulting in increases in margins.

Cattle purchase prices in South America are below current Australian prices and this provides a diversity of supply to the traditional Australian sources. Although, normal export markets including to the middle east have been volatile, we expect trading conditions to improve as stability returns to the region. We are currently restructuring our South American operations to better reflect the market volatility and opportunities.

“Trading conditions remain tough in the current quarter but market signs lead us to expect conditions to improve in the final quarter of this financial year as cattle supplies return to more normal conditions. In the meantime, we are focussing on improving our market presence, as others reduce their exposure to the sector, pulling costs out of our business and improve our working capital position. We expect to return to full year profit in FY2018.” Mr Balzarini said.

\*\*Prior corresponding period - pcp

\*Underlying EBITDA excludes non-recurring costs. For further information, refer to the “Other Financial Matters” section in the Directors Report.

## **For further information:**

### **Investors**

Managing Director, Mauro Balzarini  
Phone: + 61 8 9432 2800

### **Media**

Cameron Morse, FTI Consulting  
Phone: + 61 8 9485 8888  
Mobile: +61 (0) 433 886 871

[www.wellard.com.au](http://www.wellard.com.au)

---

## Background – Wellard

Wellard is Australia’s largest cattle exporter and a vertically integrated agribusiness.

Wellard has supplied quality dairy and beef cattle and sheep and goats to the world for more than 30 years. Based in Fremantle, Western Australia, the company’s operations span the world and cover every aspect of the livestock export chain, including livestock selection and aggregation, pre export quarantine facilities, feed milling, and a modern fleet of specialized “floating farms livestock carriers”.

Wellard’s is also involved in meat trade and owns and operates a modern abattoir in Western Australia, Beaufort River Meats, which processes up to 2500 sheep and lambs a day, enabling Wellard to meet customer demand for both livestock and chilled meat.

Visit [www.wellard.com.au](http://www.wellard.com.au)