



Wellard

ASX announcement

1 June 2017

Wellard to sell M/V Ocean Outback for A\$34.9 million

Wellard Limited (“Wellard”) (ASX:WLD) has signed a binding Memorandum of Agreement (“MoA”) to sell one of its livestock vessels, the M/V Ocean Outback, for USD26 million (approx. A\$34.9 million).

The vessel will be purchased by Israeli company, Dabbah Slaughterhouse Limited (or its nominee) (“Buyer”).

The sale of the mid-sized M/V Ocean Outback, which was built in 2010, is part of Wellard’s ongoing review of its fleet to match its shipping capacity to current market conditions and future fleet additions.

The sale of the M/V Ocean Outback will result in an estimated:¹

- USD12.17 million (approx. A\$16.34 million²) reduction in existing debt;
- USD13.57 million (approx. A\$18.22 million) increase in cash on hand; and
- USD9.7 million (approx. A\$13.02 million) non-cash accounting loss resulting from the impairment in the book value of the asset and related inventory.³

Wellard expects completion of the sale of the M/V Ocean Outback to occur in first quarter of FY2018.

The sale is subject to 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 includes certain provisions, such as a final inspection of the vessel that may result in minor adjustment to the cash received. The vessel has undergone recent drydocking in Singapore and is considered in good working condition.

The sale proceeds (net of vessel finance) will be used for working capital.

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¹ The accounting outcomes contained in this release will be finalised in conjunction with the completion of the sale of the vessel and of the Company’s 2017 financial statements in August 2017, however they are not expected to change materially from the estimates presented.

² USD:AUD exchange rate of 1.34:1.00 as at 31 May 2017.

³ Assuming a post 30 June 2017 settlement.

Wellard CEO, Mauro Balzarini said:

“Wellard regularly reviews the make-up of its fleet to match it to current and expected future capacity demands. As previously announced in the Company’s 3 April 2017 Offer Document, Wellard had received several approaches from parties interested in purchasing our vessels, so we used the opportunity to progress the sale of the M/V Ocean Outback to right-size our fleet. The cash-realisation and efficiencies Wellard gains in our view outweigh the capital loss on this transaction.

“Wellard continues to work through very difficult trading conditions, which have remained soft in the second half of the financial year. As previously announced, there will be trading losses reported in the Company’s year-end accounts.

“The Company is reviewing the carrying value of its assets, and subject to valuation, this may result in impairments when it finalises its accounts at year-end, which, together with expected higher trading losses, will lead to a second half loss higher than the first half. The quantum of such losses is yet to be determined as the year is not complete.

“Notwithstanding the very tough year, we are managing our way through. The completion of the Company’s A\$53 million capital raising, our Costs Out Programme, and the sale of the M/V Ocean Outback leaves Wellard with an improved liquidity position. The market signals for the beginning of the new financial year FY2018 are more promising than FY2017, which leads us to expect some improvement in performance in FY2018.”

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Background – Wellard

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

Wellard has supplied quality dairy and beef cattle, sheep and goats to the world for more than 30 years. Based in Fremantle, Western Australia, the company’s operations spans 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 specialised “floating farms livestock carriers”.

Wellard is also involved in meat trade and owns and operates a modern abattoir in Western Australia, Beaufort River Meats, which processes up to 2,500 sheep and lambs a day, enabling Wellard to meet customer demand for both livestock and chilled meat.

Visit www.wellard.com.au for further details.