



# Wellard

ASX Announcement

29 August 2024

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FY2024 headwinds switch to a strong tailwind in last quarter and into FY2025.

FOR YEARS ENDED 30 JUNE		2024	2023	Movement
Revenue	US\$'000	34,943	38,655	(9.6%) ↓
Cost of Sales	US\$'000	(30,539)	(38,930)	(21.6%) ↓
Gross Profit/(Loss)	US\$'000	4,404	(275)	1701.5% ↑
Gross Profit Margin	%	12.6%	(0.7%)	(1900.0%) ↑
Other Income <sup>1</sup>	US\$'000	3,577	-	100.0% ↑
General and Administrative expenses	US\$'000	(3,872)	(3,850)	0.6% ↑
EBITDA <sup>2</sup>	US\$'000	4,109	(4,431)	192.7% ↑
Operating Profit Margin	%	11.8%	(11.5%)	(202.6%) ↑
Net Loss After Tax	US\$'000	(815)	(15,487)	(94.7%) ↓

AS AT 30 JUNE		2024	2023	Movement
Loans and borrowings	US\$'000	271	2,588	(89.5%) ↓
Negative net debt <sup>3</sup>	US\$'000	(8,511)	(4,832)	76.1% ↑
Ship loan to asset book value ratio	%	0%	0%	- ↔

\*Note: All figures contained in this announcement are in United States Dollars (US\$) unless specified.

<sup>1</sup> Other income refers to the receipt of insurance claims following the M/V Ocean Swagman's starboard engine repair in the prior financial year.

<sup>2</sup> EBITDA equals profit/(loss) from continuing operations before income tax, less depreciation and amortisation expenses, less net finance costs, less other gains arising from other activities and less impairment expenses.

<sup>3</sup> Net debt equals loans and borrowings less cash and cash equivalents. A negative net debt indicates that cash and equivalents exceed the entire debt balance.

Wellard Ltd (ASX:WLD) (**Wellard** or **Company**) advises it recorded a net loss after tax of US\$0.8 million for the financial year ended 30 June 2024 (FY2024), a significant improvement on the US\$15.5 million loss recorded in FY2023, despite ongoing market challenges.

In filing its FY2024 audited accounts, the Company posted EBITDA of US\$4.1 million, which was a substantial improvement on FY2023 when a negative EBITDA of US\$(4.4) million was reported.

Additionally Wellard has agreed to sell its oldest livestock vessel, the MV Ocean Ute for US\$12.0 million, with delivery expected in September 2024. The vessel is now classified as an Asset Held for Sale, with a US\$276,000 reversal of impairment loss recognised in the Consolidated Statement of Comprehensive Income. The results do include a non-cash depreciation and amortisation expense of US\$4.4 million (down from US\$10.6 million in FY2023) and US\$3.6 million in insurance proceeds related to an engine breakdown on the M/V Ocean Swagman, the costs of which impacted Wellard's FY2023 results.

Wellard's balance sheet remains in a strong position with US\$8.8 million in cash and cash equivalents contributing to negative net debt of US\$8.5 million as of 30 June 2024. This will be bolstered with the M/V Ocean Ute sale proceeds, the majority of which will then be progressively returned to shareholders.

Apart from a US\$0.3 million lease liability, Wellard currently has no debt from loans or borrowings.

FY2024 was another year of excellent employee safety. The Company recorded zero lost time injuries and zero medically treated injuries for FY2024, the third successive year it achieved this result.

Despite the trading challenges in H1 FY2024, our vessels recorded better utilisation in FY2024 compared to FY2023, which was the key to the improved financial performance in the most recent reporting period. However, live export trading conditions for all exporters, ship operators and importers remained highly variable.

Wellard's board and management have been actively managing both ever-changing supply and demand factors during FY2024 and the Company's views on the outlook by:

- Relocating the large-sized M/V Ocean Drover away from the Australian market to the reactivated South America to Türkiye trade at the end of FY2023. The mid-sized M/V Ocean Swagman was then subsequently relocated there too.
- Redelivering the M/V Ocean Swagman to its owner in February 2024 at the expiration of its time charter.
- Further reducing overheads, including substantial staff reductions as Wellard's operations were concentrated in Singapore and the Australian office was reduced to Board members only in late FY2024.
- Selling the M/V Ocean Ute, with settlement in September 2024, and making a capital return of AUD 2 cents a share from some of the sale proceeds, subject to shareholder approval at Wellard's upcoming AGM scheduled for 22 November 2024.
- Continuing productive engagement with the liquidators of Ruchira Ships Limited (In Liquidation) ("Ruchira"), the registered owner of the M/V Ocean Drover, to seek a commercial resolution that will result in the return to Wellard of full, unencumbered legal title to the vessel.

## Outlook

"Wellard is commencing FY2025 with an excellent charter book, with the M/V Ocean Drover, our remaining and largest ship, contracted for the entire financial year, a forward commitment position we have never enjoyed previously", said Wellard Executive Chairman John Klepec said.

"This is largely due to the increased trading activity from South America to Türkiye, where the Drover was located for a large part of FY2024.

"After working hard for several years to overcome very strong headwinds, it is certainly welcome to have a tailwind as we enter FY2025."

Once the M/V Ocean Ute is delivered to her new owners in September 2024, Wellard will become a one-ship company with the M/V Ocean Drover. The dynamics of ship size and underlying market demand means that the M/V Ocean Drover is currently competitive in only two of the four markets where Wellard has traditionally operated – the long haul South American export market to Türkiye and other Middle Eastern countries, and high value breeders from Australia (and New Zealand once that market re-opens for exports) to China.

"Looking forward, the market demand for breeder cattle into China is best described as patchy, with lower volumes expected in FY2025, which has been reflected in the sustained material price correction that has taken place for Australian dairy breeders," Mr Klepec said.

"The M/V Ocean Drover is contracted on multiple charters to service the Brazil/Uruguay to Türkiye market for the rest of FY2025. Food security is driving demand for cattle in this region, and despite a surplus of livestock ships, the charter demand for the M/V Ocean Drover remains high given its proven record on animal welfare and ship safety, and we see no change for calendar year 2025."

The Australia to Indonesia feeder cattle market for FY2025 is adjusting to the structural change that has occurred in that important customer market, with demand now being the fundamental market driver after several years of constrained supply.

"Most analysts are predicting that the entry of the US cattle herd into a rebuild cycle will cause Australian cattle prices to rise, however the impact that Brazil, which possesses the largest cattle herd in the world and is the largest global beef exporter by some margin, can have on markets cannot be ignored," Mr Klepec said.

Wellard expects the Australian slaughter cattle to Vietnam market will remain opportunistic as several alternative avenues exist for abattoirs in that country, making it a very price sensitive market. Activity is therefore directly correlated to the landed price of Australian cattle. Our expectation is similar volumes and fluctuations that occurred in FY2024 will continue into FY2025.

Investors should refer to the Company's FY2024 Annual Report for further details.

This announcement has been authorised by the Board of Wellard Limited

**For further information:**

**Investors**

Executive Chairman, John Klepec  
Phone: + 61 8 9432 2800

**Media**

FTI Consulting, Cameron Morse  
Mobile: +61 (0) 433 886 871