

## WELLARD RECORDS THIRD SUCCESSIVE PROFITABLE YEAR WITH FY2022 RESULTS RELEASE AND COMPLETES REPURCHASE OF THE M/V OCEAN UTE

FOR YEARS ENDED 31 JUNE		2022	2021	Movement
Revenue	US\$ million	45.0	43.4	3.7% ↑
Gross Profit	US\$ million	14.3	16.1	(11.2%) ↓
Gross Profit Margin	%	31.8%	37.1%	(14.3%) ↓
Other Income <sup>1</sup>	US\$ million	12.0	0	↑
General and Administrative expenses	US\$ million	4.6	4.4	4.5% ↑
EBITDA <sup>2</sup>	US\$ million	21.6	11.6	86.2% ↑
Operating Profit Margin	%	48.0%	26.7%	79.8% ↑
Net Profit After Tax	US\$ million	9.9	1.9	421.1% ↑

  

AS AT		30 June 2022	30 June 2021	Movement
Loans and borrowings	US\$ million	7.7	14.0	(45.0%) ↓
(Negative net debt)/Net debt <sup>3</sup>	US\$ million	(7.5)	7.3	(202.7%) ↓
Ship loan to asset book value ratio	%	13.6%	25.5%	(46.7%) ↓

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

<sup>1</sup> Other income refers to the arbitration award obtained in London against the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, or "HBOR").

<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/(losses) 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 the cash and equivalents exceeds the entire debt balance.

Wellard Ltd (Wellard, ASX:WLD) advises that it has recorded its third successive profitable financial year, posting EBITDA of US\$21.6 million for FY2022 (up 86%) and Net Profit After Tax (NPAT) of US\$9.9 million (up US\$421%).

The strong financial performance had a significant, positive impact on Wellard's balance sheet, with cash at bank increasing to US\$15.3 million, loans and borrowings falling by 45% to US\$7.7 million, and the Company's ship loan to asset book ratio falling from 25.5% to just 13.6%.

Wellard Executive Chairman John Klepec said Wellard’s operational performance, high-quality assets and strengthened balance sheet, positioned the Company well to weather current trading conditions in the live export sector.

“Delivering another profitable result for shareholders is pleasing, however the Company had to navigate both head and tail winds to achieve that final result,” he said.

“Importantly, we enter FY2023 with a strong balance sheet, a resilient business and ships that perform for exporters.”

Mr Klepec also confirmed the successful repurchase of its vessel the M/V Ocean Ute from financier Ruchira Ships Limited.

### Profit and Loss

Wellard’s financial results in FY2022 were largely driven by three key factors.

1. The receipt of US\$12.0 million from successful arbitration proceedings to recover refund guarantees relating to the Uljanik shipbuilding contract;
2. High Australian cattle prices and low Australian export volumes;
3. High shipping fuel prices.

The receipt of the US\$12.0 million arbitration funds was a welcome result for the Company, after a complex and lengthy arbitration process, and helped Wellard to weather very difficult trading conditions in the live export market in the second half of the financial year, which caused many livestock vessels, including our own, to spend periods at anchor waiting for charters.

High Australian cattle prices and low availability in northern Australia were the principal cause of these trading conditions. Of particular note, there were 339,852 feeder and slaughter cattle shipped to Indonesia in FY2022. The only time fewer cattle have been exported to Australia’s chief livestock export destination in the past 20 years was during 2012<sup>1</sup> and resulted from the Australian Federal Government’s live cattle export ban.

Fortunately, the trade in breeder cattle to North Asia remained relatively strong, with 84% of Wellard’s charters occurring between Australia/New Zealand/Uruguay and China.

High fuel prices (in the form of Very Low Sulfur Oil or “VLSFO” used for shipping) compounded the issue of comparatively expensive Australian feeder and slaughter cattle in overseas markets. In some cases Wellard was forced to absorb at least part of these high prices rather than pass them through to Exporters.

In FY2021 the 20-port average for VLSO was US\$429.3/tonne, with a high of US\$545/tonne in June 2021. In FY2022, the average was US\$730.4/tonne, an increase of 63%, with a high of US\$1,084/tonne in June 2022<sup>2</sup>.

The 20-port average is obtained from large-volume ports globally, so the price paid at some of the smaller and more remote ports that Wellard requires service from, is usually even higher.

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<sup>1</sup><http://statistics.mla.com.au/Report/RunReport/dd750eaf-aeab-4aa0-ae45-0ea22cffdd22>

<sup>2</sup>[Average monthly price of VLSFO from Nov 2019 to June 2022.](#)

With all of these factors accounted for, Wellard was able to end FY2022 with a 3.7% increase in revenue to US\$45.0 million, an 86% increase in EBITDA to US\$21.6 million and NPAT, which grew from US\$1.9 million in FY2021 to US\$9.9 million in FY2022.

### Balance sheet

Wellard's strong cash generation – a product of its good earnings – assisted Wellard's balance sheet.

Cash and cash equivalents of US\$15.3 million (FY2021: US\$6.7 million) at 30 June 2022 alone more than offset US\$7.7 million in loans and borrowings to ensure the Company ended FY2022 in a negative net debt position of US\$7.5 million, which is effectively cash available for the Company. In the same period, the Company's total liabilities fell from US\$17.8 million to US\$10.0 million.

At the same time, Wellard's ship loan to asset value ratio finished the financial year at 13.6%, a reduction from the 25.5% at 30 June 2021 and 37.6% the year prior.

### Coronavirus impact

Similar to the past two years, COVID-19 continues to increase operating costs for Wellard, but has had little impact on demand for its vessels.

The biggest impact on the Company's operations remains the restricted ability to undertake crew changes. Wellard's crews mainly come from the Philippines. Pre-COVID-19, crew joining or leaving vessels were flown to and from convenient international ports to meet the vessel or to return home. Our vessels have been required to transit via Manila or Singapore on their ballast voyages to complete crew changes. This increases ballast voyage sailing times, which has both a direct and an opportunity cost to the Company.

There are also longer berth times at each port of call to comply with COVID-19 procedures.

### Outlook

"Wellard is starting FY2023 with good demand for charters for breeding cattle to North Asia, however there are some gaps in our forward order book that would usually be filled with Indonesian or Vietnam shipments," Mr Klepec said.

The outbreak of Lumpy Skin Disease (LSD) and Foot and Mouth Disease (FMD) in Indonesia has resulted in trade between Australia and Indonesia slowing to a comparative trickle as Indonesian feedlots are reluctant to purchase large numbers of high-priced Australian cattle, fearing that if cattle in their feedlots contract either disease, they will be forced to liquidate every single animal on their premises at reduced or no commercial value.

The Australian government and industry are highly active in monitoring and mitigating these risks. In the event that LSD or FMD reaches Australia, impacting significantly on Australian cattle growers and exporters, then Wellard will continue to focus on other international markets.

Trade to Vietnam is also sporadic.

Prices of feeder and slaughter cattle in the Australia's north have receded from their record levels, making the economics of importing cattle more financially attractive, but still remain high by historical standards.

"We remain of the view that following the 2022/23 wet season good volumes of northern Australian cattle will return in the last quarter of FY2023. Until then we will have some periods when not all our ships are chartered. In the interim, Wellard expects the predominance of breeder cattle voyages to North Asia to continue from FY2022 through to FY2023." Mr. Klepec said.

The Government of New Zealand will cease live export shipments on 30 April 2023, and current inquiry indicates that buyers will focus on this market while the opportunity remains open to secure quality New Zealand dairy genetics.

### Animal welfare and government regulation

Wellard continues to ensure that every animal in our care is managed to the highest animal welfare standards.

Wellard's fleet in FY2022 matched its FY2021 and FY2020 performance figures, with a success rate of 99.9% – 99.97% to be precise – from 141,259 cattle that boarded our vessels

Wellard remains of the view that the protection and enhancement of animal welfare in live export is a broad responsibility that extends beyond our vessels. The Company is therefore actively engaged in seeking to improve global livestock shipping standards. In late FY2022 the Company gained fresh momentum and looks forward to reporting to shareholders in FY2023 the positive change that it has created.

### Wellard completes repurchase of the M/V Ocean Ute

Wellard confirms that the repurchase of its vessel the M/V Ocean Ute has been successfully completed. The vessel was previously owned by Ruchira Ships Limited under sale-and-leaseback arrangements.

On 8 July 2022, Wellard paid all remaining balances (US\$2.846 million) to Ruchira. There will be no further payments to Ruchira between now and the title transfer date of the M/V Ocean Drover, which remains scheduled for 30 June 2023.

*This ASX release was approved by the Wellard Board of Directors.*

*Investors should refer to the Company's FY2022 Annual Report for further details.*

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