ASX ANNOUNCEMENT

21 February 2022 TOTAL PAGES: 3

WELLARD RELEASES INTERIM FINANCIAL RESULTS FOR FY2022

FOR HALF-YEAR ENDED 31 DECEMBER (US$'000)		2021	2020	Movement	
Revenue	US$'000	23,204	18,216	27.4%	↑
Gross Profit	US$'000	8,395	5,688	47.6%	↑
Gross Profit Margin	%	36.2	31.2	16.0%	↑
General and Administrative expenses	US$'000	(2,131)	(2,263)	(5.8%)	↓
EBITDA[1]	US$'000	6,264	3,417	83.3%	↑
Operating Profit Margin	%	27.0	18.8	43.6%	↑
Net Profit/(loss) After Tax	US$'000	500	(1.600)	131.3%	↑

AS AT		31 Dec 21	30 Jun 21	Movement	
Net Debt[2]	US$'000	6,370	7,283	(12.5%)	↓
Ship loan to asset book value ratio	%	19.9	25.5	(22.0%)	↓

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

Wellard Ltd (Wellard, ASX:WLD) advises that it recorded a profit of US$0.5 million in H1 FY22, a marked improvement on the US$1.6 million loss incurred in the prior corresponding period ("H1 FY21" or "pcp").

The most significant factors driving Wellard's financial results were excellent vessel availability and utilisation, which helped offset falling numbers of live export cattle and rising Very Low Sulfur Fuel Oil ("VLSFO") prices.

Live cattle exports from Australia suffered a 27% fall from H1 FY21 to H1 FY22, down to 334,417 cattle, which reduced charter opportunities and placed considerable pressure on livestock vessel freight rates. Wellard's prudent decision in the latter half of H2 FY21 to lock in forward-dated charters early in H1 FY22 helped shield the Company from that very competitive commercial environment.

Bunkers (ship fuel) is Wellard's largest cost, and rising fuel prices also impacted Wellard's operating profit margins. In the pcp, VLSFO prices (ex Singapore) commenced the period at approx. US$320/tonne and rose to US$410/tonne. In H1 FY22, VLSFO prices commenced the half at US$550/tonne and six months later had risen to US$650/tonne. They have since lifted to their current rate of approximately US$720/tonne.

Wellard Limited – ABN 53 607 708 190
Suite 20, 1st Floor, Manning Buildings, 135 High Street, Fremantle, WA 6160
Telephone (08) 9432 2800 - Facsimile (08) 9432 2880
Email: info@wellard.com.au – Website: www.wellard.com.au

Wellard Executive Chairman John Klepec said Wellard was pleased to be able to post a profit during some of the toughest trading conditions the live export industry has experienced.

"Efforts in previous years to strengthen Wellard's balance sheet plus a decision late in FY2021 to lock in a series of forward-dated charters well into H1 FY22 were crucial to achieving a profit in the first six months of FY2022," Mr Klepec said.

"Low live export volumes and high cattle prices, rising bunker (fuel) prices and continuation of additional COVID-19 related costs all caused profitability pressures in the past six months, which meant we had to be nimble and focussed on minimising costs.

"High vessel availability and very good utilisation were important contributors to the Company's profitable result, however, utilisation did start to taper late in the reporting period.

"Charter rates for small to medium livestock vessel charters are under pressure as ship owners compete for a smaller number of available charters, however, there is stronger demand for large livestock vessels due to the economies of scale they provide exporters and importers.

"The South America to Middle East/North Africa route is showing increased activity, a development we are monitoring closely.

"The January 2022 receipt of a US$12.0 million arbitration award will provide an important buffer to help the Company navigate current trading conditions."

FINANCIAL RESULT

Revenue for H1 FY22 was US$23.2 million. This was a 27% improvement on the pcp (H1 FY21: US$18.2 million) which was impacted by the extended off-hire duration of the M/V Ocean Ute's last drydock.

Wellard's EBITDA of US$6.3 million was an 83% increase on the US$3.4 million EBITDA recorded by the Company in H1 FY21.

This result included a US$5.1 million non-cash depreciation and amortisation expense, primarily relating to the depreciation of the Group's vessels (H1 FY21: US$4.5 million).

BALANCE SHEET

At the completion of the first half, Wellard's Net Tangible Assets were US$42.6 million, compared to US$41.8 million at 30 June 2021, while its net debt fell by 12% to just US$6.4 million.

Wellard remains in full compliance with all of its financial covenants, and a number of key indicators and ratios continue to improve.

The Company's ship-loan-to-asset book value ratio improved by 22 percentage points reducing from 25.5% to 19.9%, compared to the six months prior, while its debt-to-capital ratio improved by 19 percentage points from 24.4% to 19.7% in the same period.

COVID-19 IMPACTS

The pandemic continued to challenge our operations with regulatory restrictions and logistics obstacles, requiring our vessels to incur costly and time-consuming deviations to complete crew changes in ports outside our trading routes.

OUTLOOK

The outlook for H2 FY22 is mixed with the larger M/V Ocean Drover expected to be fully utilised, whereas Wellard's medium-sized vessels, the M/V Ocean Swagman and M/V Ocean Ute, are currently at anchor and not expected to be fully utilised again until April, when export cattle volumes are expected to return.

With ex-Australia live export cattle prices now above A$5.00 a kilogram live weight due to scarcity of any cattle, Australian exporters are finding it very difficult to keep major Indonesian importers supplied.

Inquiries the Company is receiving indicate that importers in traditional Australian live cattle markets (breeder and slaughter in particular) are increasingly looking to South America to supply cattle at considerably cheaper prices when compared to high-priced Australian cattle, which requires large vessels and the greater efficiencies they offer on long-haul voyages.

As these are ultra-long-haul voyages, they also have the added advantage of removing a vessel out of the Australian market for two months per completed voyage, thereby improving the supply/demand dynamics in this market.

Wellard's vessel monitoring indicates an increase in trading activity between South America and Middle East/North Africa. The costs to relocate a vessel to this route are considerable, so although Wellard has no immediate intentions of relocating a vessel to those routes, sustained demand would help to remove the oversupply of livestock shipping capacity that existed in CY21.

Meat and Livestock Australia is predicting live cattle exports from Australia will fall marginally further (3%) in CY22, before rebounding by 11% year-on-year in CY23. Wellard concurs with the CY22 MLA outlook however expects the rebound will be higher than MLA is forecasting in CY2023.

The breeder cattle market to Northern Asia for CY22 is expected to remain robust at similar levels to the previous two years of CY20 and CY21 albeit with a change in the mix of sourcing and remain a very high proportion of Wellard's ship chartering activities in CY22.

Wellard has progressed its feasibility study for the building of a new vessel, preliminary design emphasis is on determining optimum vessel size, highest possible animal welfare standards, and strong environmental and sustainability credentials throughout the vessel.

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

For further information:

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

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