



ASX Announcement

17 July 2017

### Market Update

Wellard Limited (ASX:WLD) provides the following market update.

The Company is currently finalising its FY2016/17 audit and annual results, and expects that its trading losses for the second half of the financial year are likely to be significantly higher than the A\$16M loss<sup>1</sup> reported in the Company's first half. The total loss for the financial year will also be impacted by asset impairments and write-downs, and will not be fully known until nearer to end-August 2017.

There are a series of reasons for these results, including a reduction of demand from South East Asian markets due to sustained high cattle prices in Australia resulting in extended favourable conditions for growers after the end of the Northern Australian wet season, and an extraordinary loss on one voyage in South America.

Industry results for the calendar year-to-June for feeder and slaughter cattle exports were 38% lower, compared to the prior corresponding period.<sup>2</sup> The price of cattle in Australia has remained uneconomically high, with live exporters and abattoirs facing considerable competition for cattle from growers both holding stock and building their herd. These sustained high prices have meant that the traditional Indonesian and Vietnamese live export markets have been depressed, with buyers reducing the number of cattle purchased and not willing to absorb or pass on the increased costs.

Wellard has completed the sale of its ship, the M/V Ocean Outback, and this will return approx. A\$17.6M cash to the Company, and retire approx. A\$15.6M in debt. An impairment of approx. A\$13.1M will be realised, as previously announced.

Following this year's capital raising, Wellard's cash position remains positive, and its banks supportive. As previously announced, there are ongoing breaches of various banking facilities at 30 June 2017, however the Company is working with its banks on the provision of waivers.

Wellard has continued its operational review and costs-out programme, and has reduced headcount and overheads in both international and Australian domestic locations. The Company has improved its trading

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<sup>1</sup> **28 Feb 2017:** Appendix 4E. p. 8: "Wellard's Statement of Comprehensive Income for the half-year ended 31 December 2016" Total comprehensive (loss) for the period (\$16.038M)

<sup>2</sup> The Australian Livestock Export Corporation, **LiveLink Report** – July 2017 (11/07/2017)

terms with key supplier partners, and is continuing to charter vessels to third parties where possible, which assists to cover outgoings on the vessels and avoids long periods of under-utilisation.

“Wellard is disappointed to be in this position. Our previous expectations of market improvement at this point in the season have not materialised, with conditions remaining extremely difficult. This is evidenced by more than 60% drop in exports to Indonesia in June, compared to the same period last year<sup>3</sup>. Our markets continue to defy normal seasonal trends, with previous positive signals being brief and not sustaining.”

“Wellard remains focussed on improving operational flexibility to be ready when markets improve. Our stronger balance sheet with higher cash and lower debt, plus a lower fixed cost base will help us to sustain this market downturn and will allow us to return to profitability once conditions improve.” said MD Mr Mauro Balzarini.

Wellard is due to release its final FY2016/17 results at the end of August.

#### **For further information:**

##### **Investors**

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

##### **Media**

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

Visit [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 operate 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.

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<sup>3</sup> The Australian Livestock Export Corporation, **LiveLink Report** – July 2017 (11/07/2017)