WINGARA AG LIMITED (WNR)

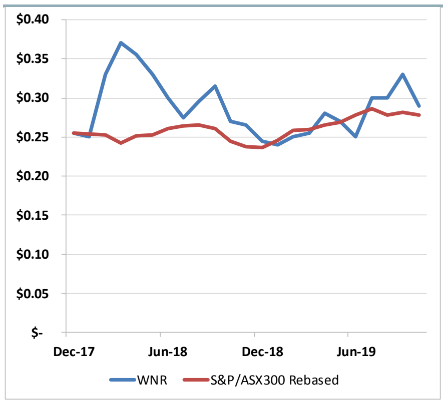
A diversified exposure to two agricultural export markets.
We initiate coverage with a BUY rating.

Analyst	Philip Pepe
Email	philpepe@boeq.com.au
Phone	+61 2 8072 2921
Date	14 October 2019

We say	Price	Target	Strategic Target
BUY	0.29	0.50	0.65

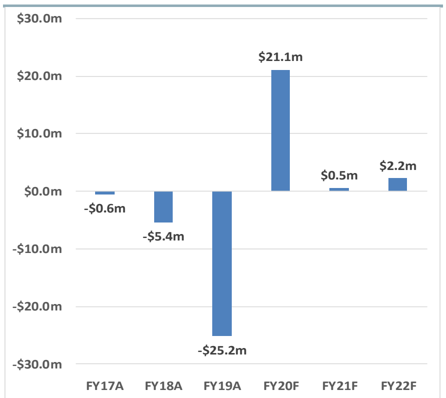
Wingara AG provides investors with exposure to two high quality agricultural export markets with strong international demand: Hay and Frozen Red Meat. Revenue and profit increased significantly in FY19, driven by both organic growth and a strategic acquisition. The company also invested to increase its capacity and operating efficiency during this period, which should benefit future free cash flow. We believe WNR is a well-run company and we initiate research coverage with a BUY rating.

SHARE PRICE CHART



Source: IRESS, BOEQ

WNR FREE CASHFLOW



Source: WNR, BOEQ

COMPANY DATA & RATIOS

Enterprise value	$36.2m
Market cap	$30.5m
Issued capital	105.1m
Free float	~ 60%
12 month price range	$0.21 - $0.35
GICS sector	Agricultural Products
Implied total return	~ 72%

WINGARA AG LTD: A DIVERSIFIED EXPORTER

Wingara AG Ltd (WNR) owns and operates value-add, mid-stream assets specializing in the processing, storage and marketing of high-quality Australian agricultural produce for export markets. WNR operates two business divisions: JC Tanloden (hay processing & trading) and Austco Polar Cold Storage (meat freezing, storage & distribution).

PROFIT AND FREE CASH FLOW TO GROW

WNR's profit and cash flow should benefit as its revenue grows, given the operating leverage in the business and the benefits of increased operating efficiencies. We forecast that Profit Before Tax will grow from $1.0m in FY19 to $3.0m FY22. We also forecast that that free cash flow will reach $2.2m by FY22. WNR is looking to make further acquisitions.

WE INITIATE COVERAGE WITH A BUY RATING

We value WNR at $0.50/s (base case) using a DCF valuation. Further, we believe WNR could be worth $0.65/s in the event of a takeover. WNR is a well-run company benefiting from its expansion plans and operating leverage. Given the discount WNR is trading at versus our base-case valuation, we initiate research coverage with a BUY rating.

CONTENTS

COMPANY OVERVIEW

COMPANY DESCRIPTION

Wingara AG Limited (ASX: WNR) owns and operates value-add, mid-stream assets specializing in the processing, storage and marketing of high-quality Australian agricultural produce for export markets, namely hay and frozen meat. Wingara's service-orientated platform is export focused in sectors with high barriers to entry that also offer diversification from weather-related events. The company has and will continue to invest in strategic logistics and processing assets in the food supply chain to provide additional leverage to rising Asian demand for protein and high-quality agricultural produce. We forecast strong earnings growth over the next few years as Wingara realises efficiency gains, increases storage and processing capacity, and further diversifies its infrastructure asset base. Wingara AG has a March year end and operates two business divisions: JC Tanloden and Austco Polar Cold Storage. The company listed on the Australian Securities Exchange in February 2016.

JC TANLODEN

JC Tanloden (JCT) formed 58% of Wingara's FY19 Revenue and 45% of its FY19 EBITDA (pre corporate costs). The Wingara AG founders purchased JCT in February 2015 for $4 million plus stock and inventory of $2 million (total spend ~$6 million).

JCT specialises in the processing, packaging and export of hay products, predominately into Asian markets. The company has an operating history of over 19 years in regional Victoria and operates two hay processing plants, one in Epsom Victoria (located 8km from Bendigo) and one in Raywood Victoria (located 25km from the Epsom facility), with an option to build a third in Horsham Victoria. The Bendigo region is a central location to many of the hay growers and suppliers in the South-Eastern region of Australia with good road transport access to the Port of Melbourne. JCT has a combined production capacity in excess of 110,000mt pa across Epsom and Raywood. The division produced around 33,000mt of hay in FY18 and its production capacity was increased to approximately 110,000mt pa in FY19. The company has a target of increasing this further to around 250,000mt pa within three years.

Oaten hay is the main product produced by JCT, with the remainder being wheaten hay and wheaten straw. Oaten hay is mostly used as a feed source for dairy cattle for its positive impact on milk production. It is also used in cattle feedlots. This is a strong factor underlying the demand for oaten hay in the emerging China market, and the established Asian market where there is typically no access to this type of hay domestically. JCT acts as a niche supplier to several large Asian dairy farms, as the business can provide the flexibility that some other larger suppliers find difficult with regard to packaging, delivery schedule and size of orders.

JCT liaises with its dairy farm customers and agents around 12 months ahead of the domestic hay availability. Discussions involve the potential volumes and prices of the hay to be purchased. Concurrently, JCT negotiates with the local producers of hay to secure their output at either a negotiated price or at the spot price at the time of purchase. The price is ultimately a function of the hay's characteristics. JCT tests for dampness, sugar content, fibre content, nutrient levels, etc. These discussions involve around 30 Victorian hay growers from a database of over 200 hay growing farmers in rural Victoria and New South Wales that can supply the cut hay for processing.

WINGARA AG CEO INSPECTING FRESHLY CUT HAY WITH A LOCAL HAY GROWER

DELIVERY OF CUT HAY FROM THE HAY GROWER TO WINGARA'S ONSITE STORAGE FACILITY

Source: Wingara AG prospectus

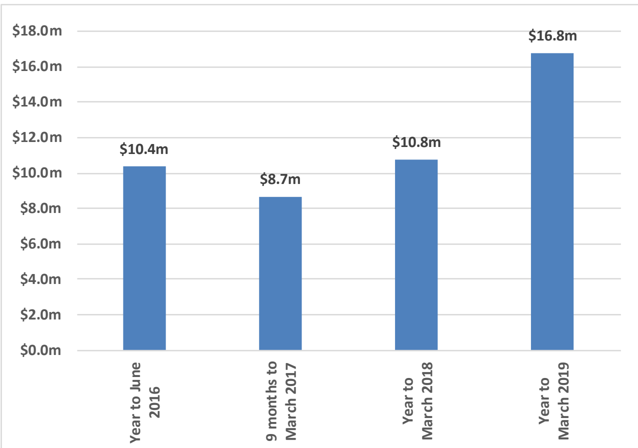
The hay purchased by JCT is either stored on one of JCT's properties or on-farm. Once ready for processing, the hay is cut and pressed into solid bales, loaded into containers and fumigated before being inspected to meet export standards. The JCT sales team then finalises the sales contract and pricing of the processed hay with the customers. Following this, the JCT logistics team organises the export of the hay through the port of Melbourne to the Asian destination. JCT has established relationships with several large hay importers throughout Asia (predominantly South Korea, Japan and Taiwan). It also has an established export license / registration with the Department of Agriculture and Water Resources, which then allows it to apply for import permits to the various countries that it intends to export hay to, and a highly sought-after license to export hay to China, one of only 3 granted in the last 3 years.

HAY BALES BEING COMPRESSED

PROCESSED HAY PACKED READY FOR EXPORT

Source: Wingara AG prospectus

JC TANLODEN REVENUE HISTORY



Source: Wingara AG

AUSTCO POLAR COLD STORAGE

Austco Polar Cold Storage (Austco) formed 42% of Wingara's FY19 Revenue and 55% of its FY19 EBITDA (pre corporate costs). Wingara AG purchased Austco in March 2018 for $18.5 million and the transaction settled in April 2018.

Austco was established in 1987 and is based in Melbourne's Laverton North, strategically close to the Melbourne / Geelong port. Austco specialises in temperature-controlled facilities, blast freezing, storage and distribution, for domestic and international clients in the meat sector. With a storage capacity of approximately 100,000m^2, Austco can store around 10,000 standard size pallets of product.

Austco operating business structure is summarised below:

BLAST FREEZING

- Contains assorted sizes of blast freezers.
- Capacity for ~8,000 units per day / 50,000 tonnes pa of meat and poultry to be blast frozen.
- The blast freezers and refrigeration programs are monitored 24 hours per day and have a respectable uptime history.
- Austco has implemented a Glycol system on the site to increase efficiency in the freezing process.

COLD STORAGE

- Austco has a maximum storage capacity of around 14,000 pallets.
- The business bases its general business on 11,000 pallets and has 3,000 of pallet space in use by tenants.
- Storage rooms can be interchanged between temperature configurations within a few days.
- 10,000 pallets of the site's storage capacity is in drive-in racking.
- The drive-in racking is ideal for bulk lines, with groupings of 20, 25 and 35 pallets per rack.

LEASING

- Austco has various rooms available for lease with both managed and unmanaged services depending on tenant requirements and needs.
- The business has production rooms available for boning and cooking, as well as humidity controlled, chilled and frozen configurations.

TRUCK AND CONTAINER LOADING / UNLOADING

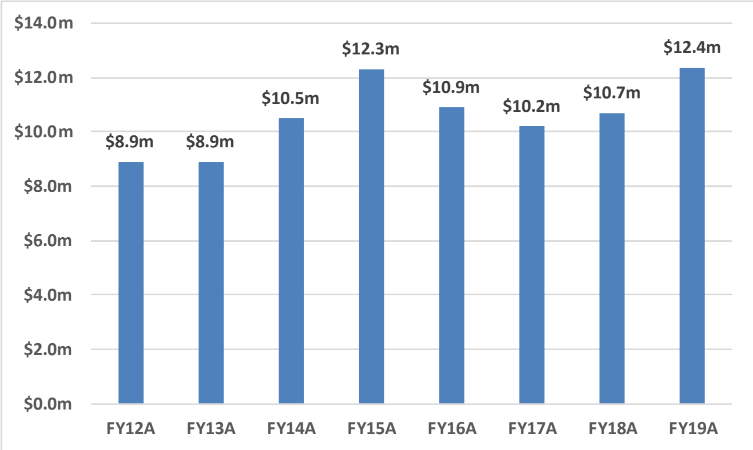
- Austco can load up to 15 containers per day.
- Austco averages 8-10 containers per day for its current client base, therefore strong upside capacity remains.
- Austco has several areas for trucks to be loaded and unloaded, each catering to different needs and capabilities of transport companies, vehicles and client product.

Source: Wingara AG

At the time Austco was acquired by Wingara AG, its revenue breakdown was approximately: Warehouse income 29%, Blast freezing 24%, Storage income 29%, Rental income 15%, and Other income 3%. Wingara views Austco as a strategic asset required for its journey to become a provider of diversified agricultural products. Austco provides Wingara with: access to suppliers, full export capabilities, tangible facilities to control logistical bottlenecks and provide value added services, and multiple products in multiple regions in multiple currencies.

Austco is accredited to export to key regions including China, the European Union, Japan, Korea, the Middle East, and the USA, with halal certification. Its revenue history is summarised in the following chart:

AUSTCO POLAR COLD STORAGE REVENUE



Source: Wingara AG

Austco's revenue spiked in FY15 and FY19, two years of drought in parts of Australia. During droughts, livestock turnoff usually increases, providing Austco with additional throughput and higher revenue. This provides Wingara's JC Tanloden business with a good degree of diversification, for in times of drought, the price of hay usually increases which in turn increases JCT's cost of goods sold.

Wingara completed significant capital improvement works at Austco in January 2019. The upgrade will give Austco greater capacity for blast freezing and an improvement in overall cost efficiency. Works were undertaken based on greater demand for Austco's services from some of Australia's largest lamb and beef exporters. During the capital works, the plant was only able to run at 60-65% capacity. The plant has operated at full capacity since that time. Demand from Asian markets for meat commodities is high and the capital improvement works should provide new revenue opportunities for Wingara AG.

Wingara's $18.5 million (plus $1.5 million costs and working capital) purchase of Austco was funded by a combination of $15 million in debt and $5 million in equity raisings. In July 2019, Wingara announced a sale and leaseback of the property upon which Austco is located. The property was sold for $21 million, crystallising a capital gain of $5.06 million. The property was leased back to Austco on a 15-year lease with two 10-years options and an 8.5% rental yield. Wingara retains the first right to acquire to property if the lessor decides to sell during the lease period.

FODDER INDUSTRY OVERVIEW

DESCRIPTION

Fodder is used to feed animals when there is not enough pasture or land on which to graze an animal, when grazing is not feasible due to weather (such as during the winter or drought periods), or when lush pasture by itself would be too rich for the health of the animal. It is also fed when an animal is unable to access pasture, e.g. the animal is being kept in a stable or barn. Operators in the Australian fodder industry grow crops such as hay, silage and alfalfa. Some also grow other niche crops like peanuts, ginger, coffee, chicory and lavender.

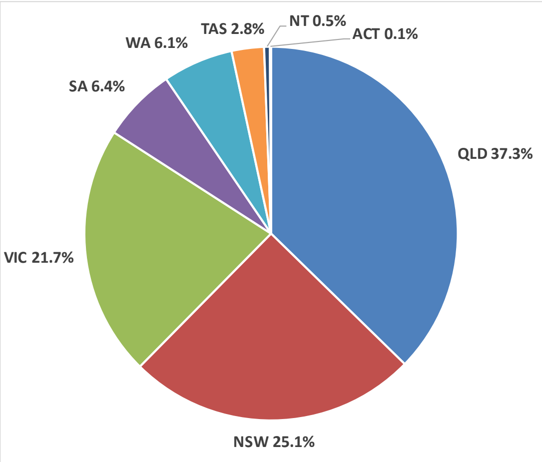
Hay making is the process of turning green, perishable forage into a product that can be safely stored and easily transported without danger of spoilage, while keeping nutrient loss to a minimum. This involves reducing its moisture content by drying the forage in the sun. The process of drying the green crop without significant change in aroma, flavour and nutritive quality of forage is called "curing". This involves reducing the moisture content of green forages, so that they can be stored without spoilage or further nutrient loss.

Hay growers / farmers grow hay then transport it to a processor for processing, packing or baling, and sale to the end customer, either domestically or internationally. Hay can be safely stored for up to 12-18 months if stored in the appropriate conditions.

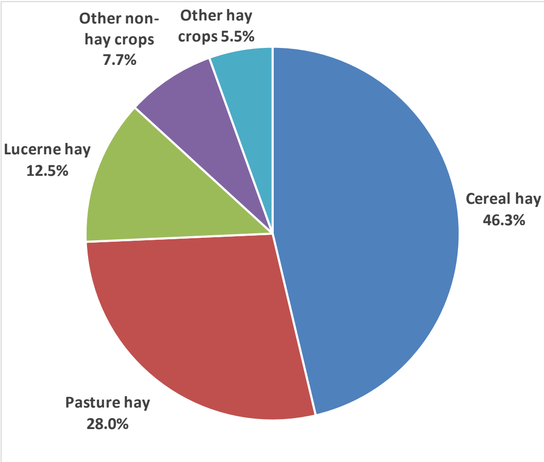
KEY STATISTICS

Fodder is a $2.1 billion revenue industry according to IBIS World, that grew by 8.9% pa from 2014-2019 and is expected to grow by 1.5% pa from 2019-2024. There a no major players in this industry and operators are spread throughout Australia.

AUSTRALIAN FODDER ESTABLISHMENTS LOCATIONS



MAIN FODDER CROPS PRODUCED IN AUSTRALIA

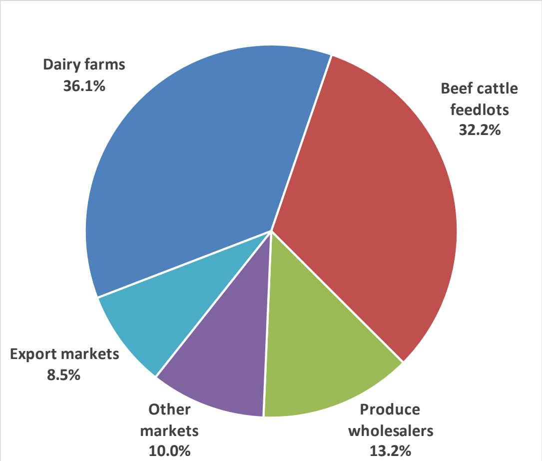


Source: IBIS World

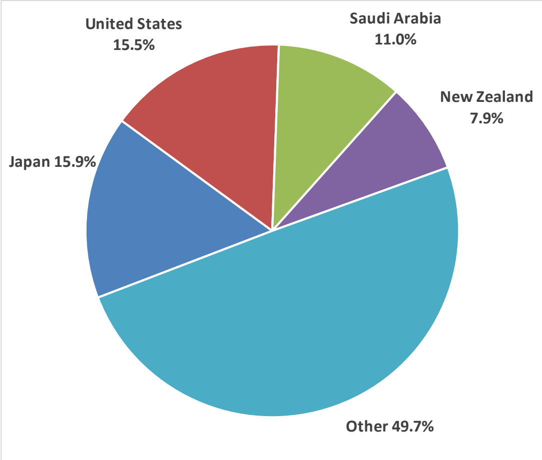
The main fodder products produced in Australia are Cereal hay (wheat, oats, barley), Lucerne hay (alfalfa), Other hay crops (eg clover, brassica), Other non-hay crops (eg peanuts, fish meal, meat and bone meal, molasses), and Pasture hay (grass, herbs).

Dairy farms are the largest consumer of Australian fodder, followed by beef cattle feedlots. Export markets comprised around 8.5% of Australian fodder revenue in 2018-19.

MAJOR MARKET SEGMENTATION



MAJOR EXPORT MARKETS



Source: IBIS World

Export revenue totalled $180.4 million in 2018-19. Japan and New Zealand are the key destinations for industry crops. Saudi Arabian demand has been strong given the growth in the local dairy industry and generally dry climate, however Saudi Arabia has increased its hay imports from the United States and Argentina at Australia's expense given the relatively lower hay prices in those countries.

KEY DEMAND DRIVERS

The key drivers of demand for Australian fodder include:

KEY EXTERNAL DRIVERS

Domestic wheat price	Wheat feed is a substitute for hay. The lower the wheat price, the lower the demand for hay.
Annual rainfall	The level and timing of rainfall is important. Higher rainfall levels can mean a greater hay crop size but also reduced demand given the greater reliance on grass.
Beef cattle feedlot demand	Feedlot operators use hay crops for finishing livestock before slaughter. A rise in feedlot use will increase demand for hay.
Dairy cattle farming demand	Dairy farms use hay and other fodder crops as cattle feed. A rise in dairy farming will increase demand for hay.
Trade-weighted index	A rise in the value of the Australian Dollar will make Australian hay and other crops relatively more expensive to offshore customers.

Source: IBIS World, BOEQ

INDUSTRY STRUCTURE

The Australian fodder industry structure is summarised as follows:

AUSTRALIAN FODDER INDUSTRY STRUCTURE

Life Cycle Stage	Growth	Regulation Level	Light
Revenue Volatility	Medium	Technology Change	Low
Capital Intensity	High	Barriers to Entry	Low
Industry Assistance	Medium	Industry Globalisation	Medium
Concentration Level	Low	Competition Level	Medium

Source: IBIS World

MEAT PROCESSING INDUSTRY OVERVIEW

DESCRIPTION

Australian meat processing industry operators primarily process live animals into meat products. Processors slaughter, bone, freeze, preserve, pack and can meat. Businesses that primarily manufacture meat from abattoir by-products and render lard or tallow are also included in the industry definition.

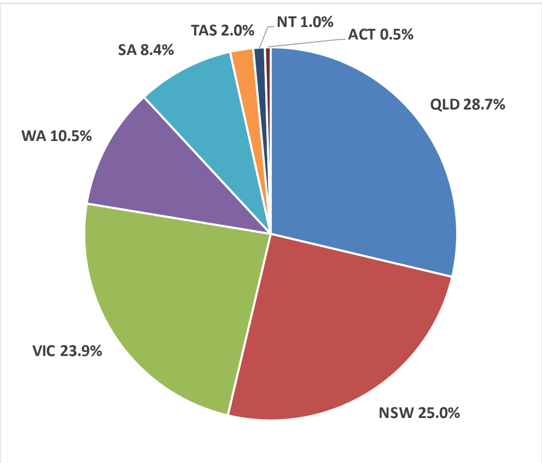
The primary activities of the industry include:

- Abattoir operation,
- Animal meat packing and freezing,
- Meat manufacturing (except bacon, ham, and poultry),
- Meat meal or bone meal manufacturing (except fish or poultry meal),
- Meat packing (except poultry),
- Canned meat manufacturing (except poultry, bacon, ham and corned meat),
- Dehydrated meat manufacturing (except poultry),
- Frozen meat manufacturing (except poultry),
- Unrefined animal oils or fats manufacturing, and
- Lard of tallow rendering.

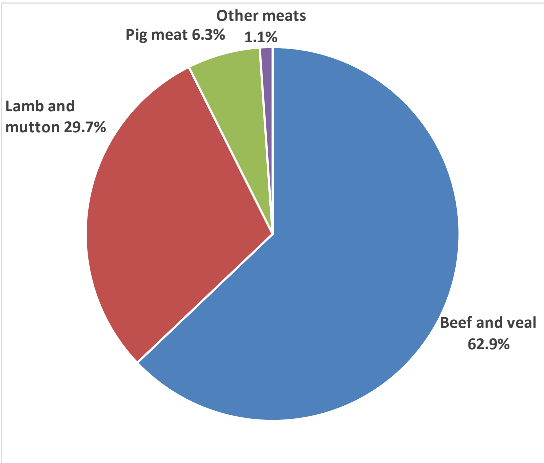
KEY STATISTICS

Meat processing is a $20.5 billion revenue industry according to IBIS World, that grew by 4.5% pa from 2014-2019 and is expected to grow by 0.6% pa from 2019-2024. The three largest players account for 40.9% of industry revenue (Industry Park 22.4%, Teys Australia 11.7%, Thomas Foods International 6.8%). Establishments are spread throughout Australia.

MEAT PROCESSING ESTABLISHMENTS LOCATIONS



MAIN MEAT PRODUCTS PRODUCED IN AUSTRALIA

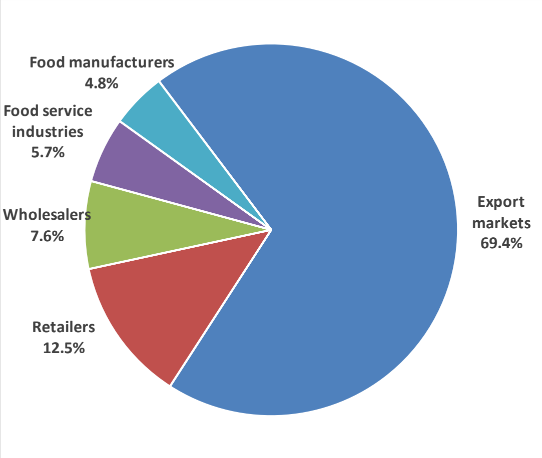


Source: IBIS World

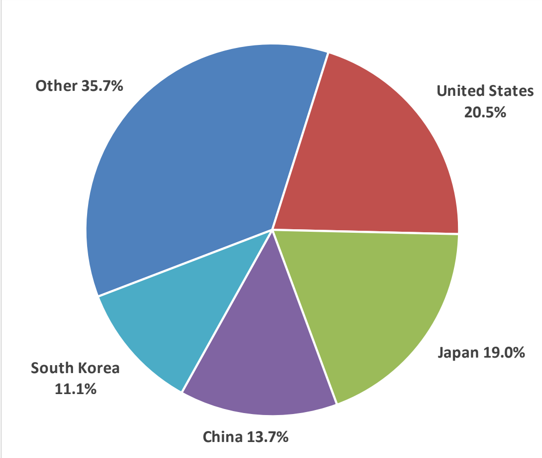
The major products and services in the industry include beef and veal, lamb and mutton, pig meat, and other meats (eg goat, kangaroo).

Due to the small size of Australia's population relative to the land available for animal production, Australia exports most of its total meat production (69.4% of 2018-19 revenue).

MAJOR MARKET SEGMENTATION



MAJOR EXPORT MARKETS



Source: IBIS World

Export revenue totalled $14.3 billion in 2018-19. The United States is the largest purchaser of Australian meat products, although US purchases were impacted by the import quota imposed in September 2015. Japan and South Korea remain significant destinations for Australian meat, whilst China has grown in significance due to its rapidly-growing middle class.

KEY DEMAND DRIVERS

The key drivers of demand for Australian meat products include:

KEY EXTERNAL DRIVERS

Trade-weighted index	A rise in the value of the Australian Dollar will make Australian meat products relatively more expensive to offshore customers.
Domestic beef price	Higher beef prices typically increase revenue for most meat processors.
Domestic lamb price	Higher lamb prices typically increase revenue for most meat processors.
Food retailing demand	Increased demand from supermarkets and butchers can increase meat processor revenue, offset by import substitution from these customers.
Beef and veal production	Rising production volumes typically boost industry revenues, unless offset by price reductions.
Demand from cafes, restaurants & takeaway food services	Major chains typically purchase meat directly from large processors. Smaller chains typically purchase meat through wholesalers. Rising demand from these operators typically boosts industry revenue.

Source: IBIS World, BOEQ

INDUSTRY STRUCTURE

The Australian meat processing industry structure is summarised as follows:

AUSTRALIAN MEAT PROCESSING INDUSTRY STRUCTURE

Life Cycle Stage	Mature	Regulation Level	Heavy
Revenue Volatility	High	Technology Change	Medium
Capital Intensity	Medium	Barriers to Entry	Medium
Industry Assistance	Low	Industry Globalisation	High
Concentration Level	Medium	Competition Level	Medium

Source: IBIS World

BOEQ EARNINGS FORECASTS

The following table summarises our Wingara AG earnings forecasts:

Wingara AG Limited Year ended 31 March	FY18A (A$m)	FY19A (A$m)	FY20F (A$m)	FY21F (A$m)	FY22F (A$m)
Revenue	**10.8**	**29.1**	**34.7**	**49.1**	**58.2**
Hay Trading	10.8	16.8	21.4	34.8	42.9
Cold Storage	0.0	12.4	13.3	14.3	15.4
Other	0.0	0.0	0.0	0.0	0.0
EBITDA	**1.1**	**4.8**	**3.9**	**6.1**	**7.9**
Hay Trading	1.1	2.7	2.5	5.2	6.4
Cold Storage	0.0	3.4	3.3	3.6	3.8
Corporate / other	0.0	-1.3	-1.9	-2.7	-2.3
Depreciation & Amortisation	-0.6	-2.1	-4.2	-4.5	-4.5
EBIT	**0.5**	**2.6**	**-0.3**	**1.6**	**3.4**
Net interest	-0.4	-1.8	-0.7	-0.5	-0.5
Other items	-0.9	0.1	0.0	0.0	0.0
Profit before income tax expense	**-0.8**	**1.0**	**-1.0**	**1.2**	**3.0**
Net profit after tax (pre abnormal)	**-0.4**	**0.9**	**-0.7**	**0.8**	**2.1**
Net profit after tax	-0.4	0.9	**2.8**	0.8	2.1
Net cash from operating activities	**0.0**	**0.2**	**2.6**	**3.1**	**4.9**
Net capital expenditure	**-5.4**	**-25.3**	**18.5**	**-2.6**	**-2.6**
Basic EPS (cents)	-0.6	0.9	-0.7	0.8	2.0
Diluted EPS (cents)	-0.6	0.9	-0.7	0.8	1.9
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Ratio Analysis	FY18A	FY19A	FY20F	FY21F	FY22F
Revenue growth	23.9%	170.6%	19.2%	41.4%	18.5%
EBITDA growth	79.7%	336.4%	-18.4%	57.2%	30.3%
EBITDA margin	10.1%	16.3%	11.2%	12.4%	13.6%
NPAT growth	nm	++	-	++	++
EPS growth	nm	++	-	++	++
Tax rate	42.4%	4.9%	30.0%	30.0%	30.0%

Source: Wingara AG Ltd, BOEQ forecasts

DELIVERING ON ITS STRATEGY TO GROW AND DIVERSIFY

Wingara AG has cemented its position as an integrated provider of diversified, high quality, Australian agricultural products for domestic and export markets.

Notable highlights that demonstrate this progress include significant improvements in production volumes leading to revenue increasing from $10.8 million in FY18 to $29.1 million in FY19 (up 171%) and EBITDA increasing from $1.1 million in FY18 to $4.8 million in FY19 (up 336%). This is a step-change in the size and scale of the business, achieved with the help of an acquisition.

Over this timeframe, cashflow from operations (before interest and tax) increased from $0.39 million to $1.97 million, with only an ~11-month contribution from Austco.

Wingara's profit and cash flow should continue to benefit as its revenue grows, given the operating leverage in the business and the benefits of increased operating efficiencies.

We forecast that the Group's Profit Before Tax will grow from $1.0 million in FY19 to $3.0 million in FY22, an increase of 211%. This is in addition to the $5.06 million gain on asset sales in FY20.

Wingara management has plans to further expand its capacity and make additional acquisitions. We do not include this potential additional revenue in our base-case forecasts.

HAY TRADING

The strong increase in Hay Trading revenue in FY19 was driven by continued growth in demand from China, Japan, South Korea, and Taiwan. Both Wingara's Epsom and Raywood sites now have export licenses to China, Japan, South Korea and Taiwan for oaten hay and other fodder products.

In January 2019, the Raywood processing facility received approval to export oaten hay to China. Wingara is one of only three processing facilities to receive an export licence in the last three years. China only imports oaten hay from Australia. This gives the company greater potential to increase its sales in the Asian fodder market which may lead to greater market share and improvements in margins.

We forecast that Wingara's hay throughput will reach 110,000mt gradually over time. Given the operating leverage in the business, the division's EBITDA margin should grow with volume.

COLD STORAGE

The Austco acquisition settled in April 2018 and Wingara completed significant capital improvement works at Austco in January 2019. The upgrade will give Austco greater capacity for blast freezing and an improvement in overall cost efficiency. Works were undertaken based on greater demand for Austco's services from some of Australia's largest lamb and beef exporters.

During the capital works, the plant was only able to run at 60-65% capacity. Following the completion of the works, the plant returned to operating at full capacity. Asian demand for Australian meat products is high and the capital improvement works provides new revenue opportunities for the company.

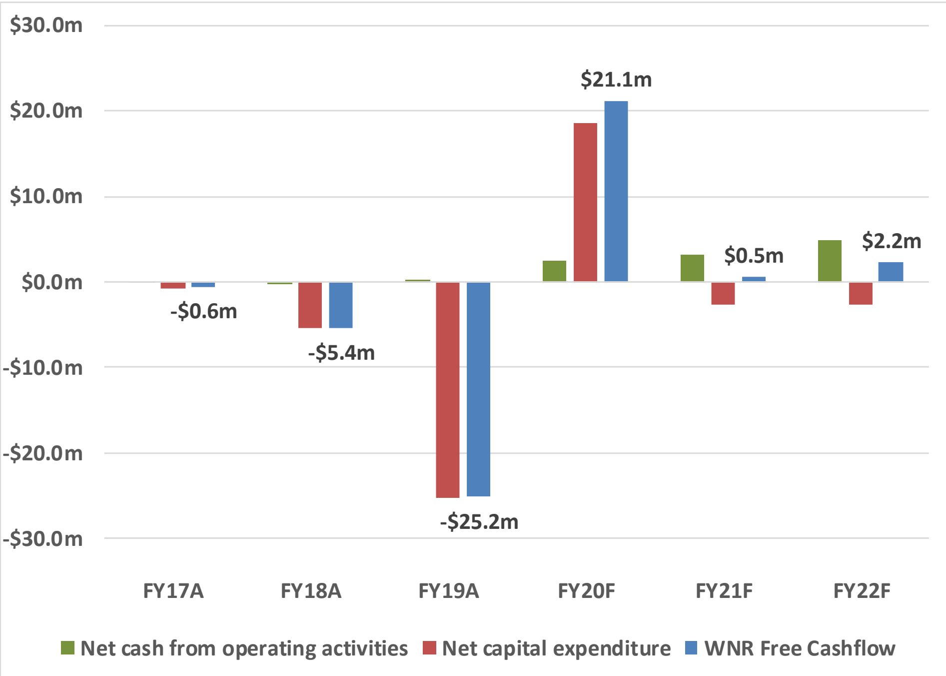
We forecast an increase in revenue for FY20 as the result of the capital improvement works and the plant returning to near-full capacity. Margins can potentially improve over time due to the increased revenue and operating efficiencies.

Given the sale and leaseback of the Austco site effective August 2019, we forecast that the Austco EBIT will be impacted by the new lease costs and that group interest will be reduced from a reduction in debt. We have also processed the $5.06 million gain on sale as a one-off item.

WINGARA'S FREE CASH FLOW TO GROW

As Wingara grows its revenue and benefits from its operating leverage, its free cash flow should grow materially. Our base-case forecasts assume that sustainable free cash flow will reach $2.2 million by FY22.

WNR FREE CASHFLOW FORECASTS



Source: WNR, BOEQ forecasts

NEAR-TERM CATALYSTS

Wingara produced around 33,000mt of hay in FY18. Production capacity was increased to approximately 110,000mt pa in FY19 and the company has a target of increasing this further to around 250,000 mt pa within three years. As the company adds (and fills) capacity to meet its growing customer demand, profits should increase, and this growth should be reflected in the share price.

Demand for Austco Polar's blast freezing and logistic services is at a historically high level. Wingara has invested to increase Austco's efficiency and capacity which should lead to further improvement in underlying EBITDA over time. This growth should be positively received by the share market.

Finally, should the company make further value-accretive acquisitions that also provide further diversification of earnings, the additional shareholder value created should be reflected in the WNR share price.

VALUATION AND RISKS

DCF VALUATION

We value WNR at $0.50 per share using a Discounted Cash Flow valuation.

The key assumptions underlying our valuation are a Beta of 1.3, WACC of 8.6%, and terminal growth rate of 3.0% pa.

STRATEGIC VALUATION

The Australian agriculture sector experienced a major drought during much of FY18 and FY19. This contributed to increased merger and acquisition activity given the depressed assets prices and an increased need for revenue diversification by some companies.

We believe that Wingara may be of interest to a potential buyer given its strategic assets and size. Accordingly, our Strategic Value is based on what we believe WNR could fetch in the event of a takeover. Our Strategic Value is $0.65 per share (calculated as a 30% premium to our base-case valuation).

KEY RISKS

The key risks to our forecasts include:

- We assume that Wingara's Hay Trading business can increase its throughput and therefore also increase its market share. Should Wingara's throughput decrease, there is downside risk to our forecasts.
- We assume that any increase in domestic hay prices, which is a cost of goods sold for Wingara, can be passed on to Wingara's customers over time. There is downside risk to our forecasts if this is not the case.
- We assume that Wingara can continue to grow its Cold Storage revenue over time. If livestock turnoff decreases significantly once the Australian drought finally breaks, this could have a materially negative impact to our forecasts.
- We assume that the capital works at Austco will result in increased operating efficiencies over time and therefore higher profits. There is downside risk to our forecasts if this is not the case.
- Given that Wingara targets the export market for revenue growth, there is downside risk to our forecasts should the Australian Dollar appreciate materially.

FINANCIAL SUMMARY

Profit & Loss Analysis

Periods ended 31 March (A$m)	FY18A	FY19A	FY20F	FY21F	FY22F
Revenue	**10.8**	**29.1**	**34.7**	**49.1**	**58.2**
Hay Trading	10.8	16.8	21.4	34.8	42.9
Cold Storage	0.0	12.4	13.3	14.3	15.4
Other	0.0	0.0	0.0	0.0	0.0
EBITDA	**1.1**	**4.8**	**3.9**	**6.1**	**7.9**
Hay Trading	1.1	2.7	2.5	5.2	6.4
Cold Storage	0.0	3.4	3.3	3.6	3.8
Corporate / other	0.0	-1.3	-1.9	-2.7	-2.3
Depreciation & Amortisation	-0.6	-2.1	-4.2	-4.5	-4.5
EBIT	**0.5**	**2.6**	**-0.3**	**1.6**	**3.4**
Net interest	-0.4	-1.8	-0.7	-0.5	-0.5
Other items	-0.9	0.1	0.0	0.0	0.0
Profit before income tax expense	**-0.8**	**1.0**	**-1.0**	**1.2**	**3.0**
Net profit after tax (pre abnormal)	**-0.4**	**0.9**	**-0.7**	**0.8**	**2.1**
Net profit after tax	-0.4	0.9	**2.8**	0.8	2.1

Basic EPS (cents)	-0.6	0.9	-0.7	0.8	2.0
Diluted EPS (cents)	-0.6	0.9	-0.7	0.8	1.9
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Ratio Analysis

Revenue growth	23.9%	170.6%	19.2%	41.4%	18.5%
EBITDA growth	79.7%	336.4%	-18.4%	57.2%	30.3%
EBITDA margin	10.1%	16.3%	11.2%	12.4%	13.6%
NPAT growth	nm	++	-	++	++
EPS growth	nm	++	-	++	++
DPS growth	-	-	-	-	-
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Tax rate	42.4%	4.9%	30.0%	30.0%	30.0%

Cash Flow Analysis

(A$m)	FY18A	FY19A	FY20F	FY21F	FY22F
EBITDA	1.1	4.8	3.9	6.1	7.9
Increase in working capital	0.9	-3.3	-0.9	-2.1	-1.7
Capital expenditure	-5.4	-25.3	-2.5	-2.6	-2.6
Income taxes paid	-0.1	0.0	0.3	-0.3	-0.9
Proceeds from issue of shares	6.7	0.1	0.0	0.0	0.0
Proceeds from borrowings (net)	3.1	19.2	-17.4	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Other	-4.4	-4.0	20.3	-0.5	-0.5
Net increase in cash	**1.9**	**-8.6**	**3.7**	**0.5**	**2.2**

Balance Sheet Analysis

(A$m)	FY18A	FY19A	FY20F	FY21F	FY22F
Cash and cash equivalents	8.7	0.1	3.8	4.3	6.6
Trade and other receivables	0.4	1.5	1.7	2.5	2.9
Inventory	1.2	5.4	6.7	10.0	12.5
Trade and other payables	1.9	3.8	4.5	6.4	7.6
Working Capital	**-0.2**	**3.0**	**3.9**	**6.1**	**7.8**
Property, plant and equipment	8.3	37.7	18.5	16.6	14.7
Intangibles	1.8	1.8	1.8	1.8	1.8
Deferred tax	0.3	0.3	0.3	0.3	0.3
Other assets	2.6	0.2	0.2	0.2	0.2
Total assets	**23.4**	**46.8**	**33.0**	**35.7**	**39.0**
Debt	9.3	26.9	9.5	9.5	9.5
Total liabilities	**11.3**	**31.7**	**15.0**	**16.9**	**18.1**
Contributed equity	18.0	20.0	20.0	20.0	20.0
Reserves	0.0	0.2	0.2	0.2	0.2
Retained profits	- 5.9	- 5.0	- 2.2	- 1.4	0.7
Other	-	-	-	-	-
Total equity	**12.1**	**15.1**	**18.0**	**18.8**	**20.9**

Ratio Analysis

	FY18A	FY19A	FY20F	FY21F	FY22F
P/E ratio	nm	32.7x	-43.2x	37.5x	14.7x
P/E ratio (valuation)	nm	56.3x	-74.5x	64.6x	25.3x
Enterprise value	31.1m	57.3m	36.2m	35.7m	33.5m
EV/Sales	2.9x	2.0x	1.0x	0.7x	0.6x
EV/EBITDA	28.5x	12.1x	9.3x	5.9x	4.2x
EV/EBIT	63.8x	21.7x	-115.6x	21.8x	9.7x
Debt / Equity	77%	178%	53%	51%	46%
Debt / (Debt + Equity)	43%	64%	35%	34%	31%
EBIT /Net Interest	1.3x	1.5x	-0.5x	3.4x	7.2x
Capex / Sales	50.4%	87.0%	7.1%	5.3%	4.5%
Capex / Depreciation	9.0x	12.0x	0.59x	0.58x	0.58x
Return on Assets	-2.3%	2.6%	-1.8%	2.4%	5.6%
Return on Equity	-4.7%	6.7%	-4.3%	4.4%	10.5%
Return on Capital	4.1%	7.8%	-0.6%	4.6%	9.6%

Source: Wingara AG Ltd, BOEQ forecasts

BOARD & MANAGEMENT

Gavin Xing (Chief Executive Officer and Executive Chairman)

Mr Gavin Xing served as Executive Director and CEO of Vision Fame International Holding Ltd (1315:HK) during 2013-2014 prior to establishment of Wingara AG Ltd with co-founder Kellie Barker. Mr Xing has over 17 years of experience in the investment banking and financing field with an infrastructure, natural resources and commodities background. He held several sales, origination and structuring positions with the Global Market division at Deutsche Bank AG Asia from 2007 to 2013. These positions include Director – Principal Finance (Hong Kong), Head of Commodities Structuring (China) and Head of Origination – Commodities, Asia.

Prior to his positions at Deutsche Bank he was also a Director of Project / Infrastructure Finance with HSBC Asia (Hong Kong) and Vice President of Structured Finance for Sumitomo Mitsui Banking Corporation (Singapore) during 2001 to 2007. Prior to that, Mr Xing worked at the investment banking division at Deutsche Bank AG and ANZ in Melbourne, Australia between years 1996 to 2000 with a focus on infrastructure investment and financing.

Mr Xing graduated from Royal Melbourne Institute of Technology with a bachelor's degree in accounting and Economics in 1995. He received a Graduate Diploma in Applied Finance and Investment from Security Institute of Australia in 1998 and a master's degree in applied finance from Macquarie University in 1999.

Mark Hardgrave (Non-Executive Director)

Mr Mark Hardgrave is a member of ACA (Australian Chartered Accountant) & GAICD (Graduate of the Australian Institute of Company Directors).

Mr Hardgrave has over 35 years' experience having held previous positions in corporate finance, funds management and various C-suite roles. He is currently a non-Executive Director of ASX listed Traffic Technologies Limited, a non-Executive Director of Nimble Finance Limited and Director of Reclink Australia.

Mr Hardgrave is a co-founder and former joint Managing Director of M&A Partners, a Melbourne based boutique corporate advisory group. Prior to that, Mr Hardgrave was involved in funds management, equity capital markets and mergers & acquisitions in various roles at firms such as Bennelong Group, Thorney Investment Group, Merrill Lynch and Taverners Group. Mr Hardgrave holds a Bachelor of Commerce from the University of Queensland.

Zane Banson (Chief Financial Officer / Executive Director)

Mr Banson is an experienced Chartered Accountant specialising in Board Advisory, Corporate Governance and Financial Reporting for small and micro-cap listed companies. Mr Banson comes with over 10 years of experience in CFO Advisory, Company Secretarial, and Financial Reporting from KPMG, Exxon Mobil and boutique advisory firms. He has managed and advised a wide range of emerging, growth-stage listed companies.

Mr Banson has worked with Wingara AG since 2015 in an advisory capacity before becoming the CFO in November 2018.

Mr Banson graduated from RMIT University with a bachelor's degree of Accounting and Finance and is a qualified Chartered Accountant.

Jeral D'Souza (Non-Executive Director)

Mr Jeral D'Souza was appointed as a Non-Executive Director in September 2019.

Mr D'Souza spent over 30 years in senior regional management roles with Cargill, a leading global producer and distributer of food and agricultural products with operations in over 70 countries / regions. Mr D'Souza has also been a Director of Teys Australia (Cargill's and Teys family JV), and Chairman of Allied Mills (Cargill and GrainCorp's Australian JV). The two businesses were diverse and included meat export, flour milling, bakery products, and agriculture product marketing in Asia, Europe, USA and Australia.

Mr D'Souza's expertise in Cargill spans across strategic agricultural asset investment, business and financial risk management, statutory reporting, business model transformation, and change management. Mr D'Souza worked successfully with business and commercial leaders in developing key business strategies and has a wealth of experience in strategy execution, implementation and business growth in agribusinesses.

Mr D'Souza holds a bachelor's degree with Honours in Accounting and Business Finance from the University of Manchester in England and is a Chartered Accountant with the Institute of Chartered Accountants in England and Wales. Mr D'Souza joined Cargill in 1983 after six years in the accounting profession with one of the UK big firms.

BOEQ COMMENTS

The Wingara AG Board has considerable business acumen, project management experience, and project finance experience. We believe the Board is well-equipped to lead Wingara AG and welcome the appointment of the new board member who brings with him considerable agriculture sector experience. However, we also believe the Wingara AG Board may benefit from an Independent Chairperson, who perhaps also offers additional agriculture company experience.

CONTACTS

ANALYST
Philip Pepe
Senior Research Analyst
P +61 2 8072 2921
E philpepe@boeq.com.au

AUTHORITY
David O'Halloran
Executive Director
P +61 2 8072 2904
E doh@boeq.com.au

David O'Halloran
Executive Director
P +61 2 8072 2904
E doh@boeq.com.au

Philip Pepe
Senior Industrials Analyst
P +61 2 8072 2921
E philpepe@boeq.com.au

Stuart Turner
Senior Industrials Analyst
P +61 2 8072 2923
E stuartturner@boeq.com.au

Steuart McIntyre
Senior Resources Analyst
P +61 2 8072 2909
E steuartmcintyre@boeq.com.au

Michael Gerges
Investment Analyst
P +61 2 8072 2935
E michaelgerges@boeq.com.au

Justin Pezzano
Investment Analyst
P +61 2 8072 2926
E justinpezzano@boeq.com.au

Mathan Somasundaram
Market Portfolio Strategy
P +61 2 8072 2916
E mathan@boeq.com.au

Adam Stratton
Executive Director Dealing
P +61 2 8072 2913
E adamstratton@boeq.com.au

Scott Calcraft
Institutional Dealing
P +61 2 8072 2920
E scottcalcraft@boeq.com.au

Doc Cromme
Institutional Dealing
P +61 2 8072 2925
E doccromme@boeq.com.au

Mark Wallace
Institutional Dealing
P +61 2 8072 2922
E markwallace@boeq.com.au

Jess Crawford
Desk Assistant
P +61 2 8072 2931
E jesscrawford@boeq.com.au

HEAD OFFICE

Blue Ocean Equities Pty. Ltd.
AFSL No. 412765
ABN 53 151186935

P +61 2 8072 2988
E info@boeq.com.au
W blueoceanequities.com.au

Level 29, 88 Phillip Street
Sydney NSW 2000
Australia

DISCLAIMER

This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of Blue Ocean Equities Pty Limited. This is general investment advice for Institutional and Sophisticated Investors only and does not constitute personal advice to any person. Because this document has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives you should consult your own investment adviser before any investment decision is made on the basis of this document.
While this document is based on information from sources which are considered reliable, Blue Ocean Equities Pty Limited has not verified independently the information contained in the document and Blue Ocean Equities Limited and its directors, employees and consultants do not represent, warrant or guarantee, expressly or by implication, that the information contained in this document is complete or accurate. Nor does Blue Ocean Equities Limited accept any responsibility for updating any advice, views opinions, or recommendations contained in this document or for correcting any error or omission which may become apparent after the document has been issued.
Except insofar as liability under any statute cannot be excluded. Blue Ocean Equities Pty Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of this document or any other person.

DISCLOSURE

Blue Ocean Equities Pty Limited, its employees, consultants and its associates within the meaning of Chapter 7 of the Corporations Law may receive commissions, underwriting and management fees from transactions involving securities referred to in this document, and may from time to time hold interests in the securities referred to in this document. Blue Ocean Equities Pty Limited and associates may hold shares in Wingara AG Limited at the date of this report and this position may change at any time without notice. The Analyst of this report does not hold any shares in Wingara AG Limited.