



Wynnstay Group plc Final Results Presentation

Year to 31 October 2020

27 January 2021



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Business Overview

Agriculture – 70% of total revenues

Feed

- Manufacture and supply of feeds for farm livestock
- Supply of raw feed materials for farmers and other manufacturers

Arable

- Processing and supply of seeds, fertiliser and agrochemicals
- Grain marketing services

Glasson

- Trades raw feed materials
- Manufactures specialist feed products
- Manufactures blended fertiliser

Specialist Agricultural Merchandising – 30% of total revenues

Wynnstay Depots

- Network of 54 depots
- Catering for farmers and the wider rural community

Youngs Animal Feeds

- Manufacture and distribution of equine products through Youngs Animal Feeds
- Network of 3 depots

Routes to Market

Wynnstay Depots

Delivery to Farms

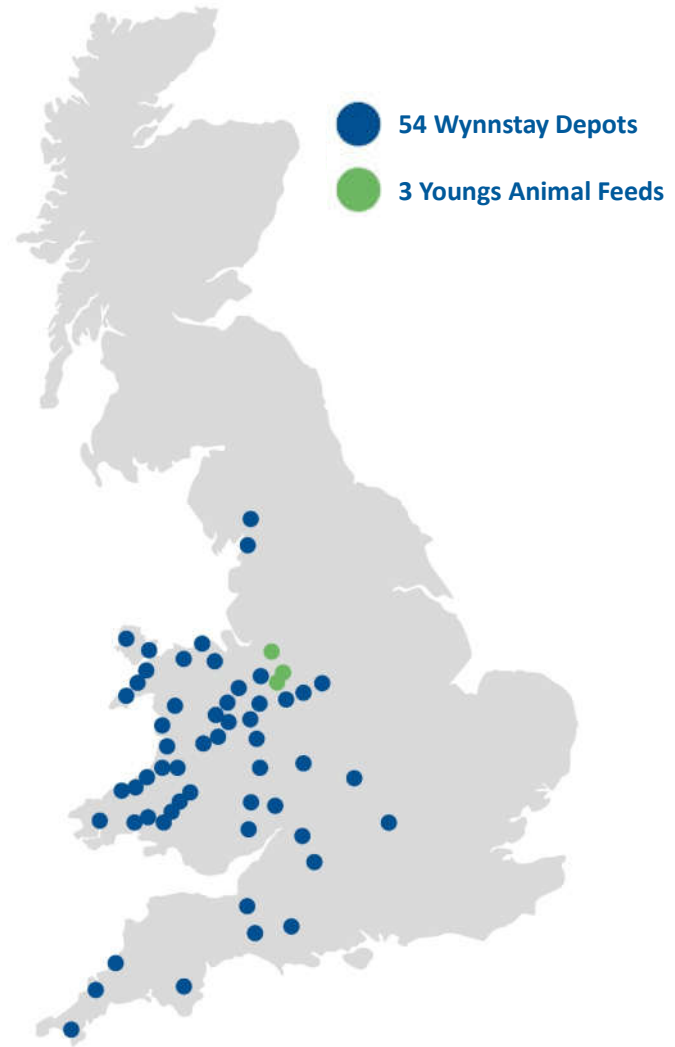
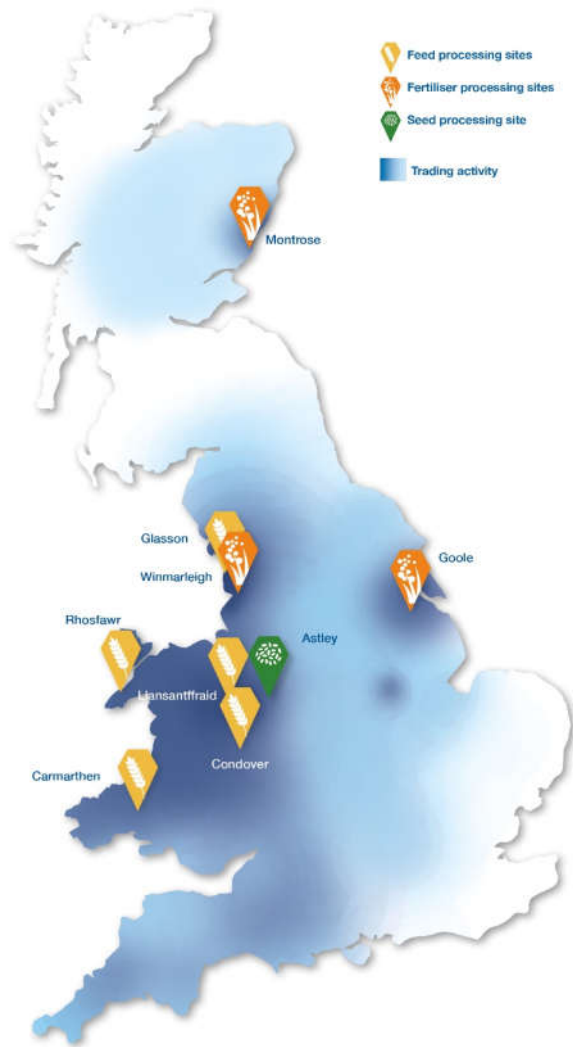
Specialist Catalogues

Expert Advisors





Geographic Reach





Operational Highlights

An unprecedented year of challenges

- coronavirus crisis
- Brexit uncertainties
- historic low arable sector

Resilient financial results

- supported by:
- balanced model
 - robust balance sheet

Underlying PBT up 4% to £8.37m

- ahead market expectations

Major reorganisation in H2

- underpins growth plans
- ESG manager appointed

Major investment plans

- focused on feed and seed processing

Total dividend up 4.3% to 14.6p

- 17 year record of increased dividends



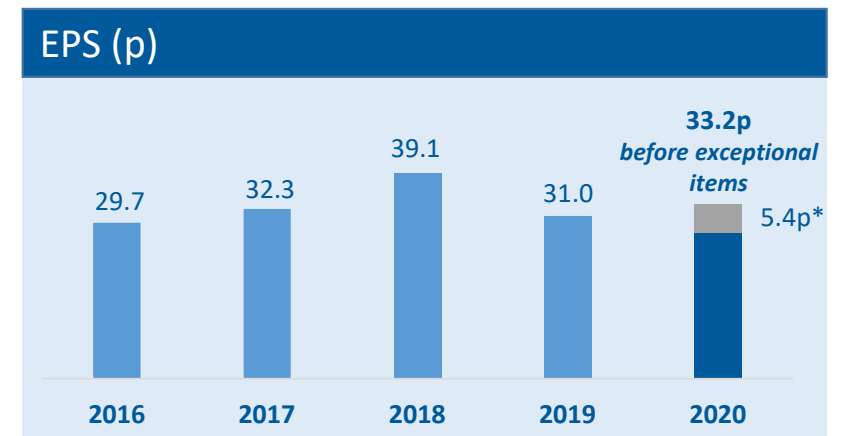
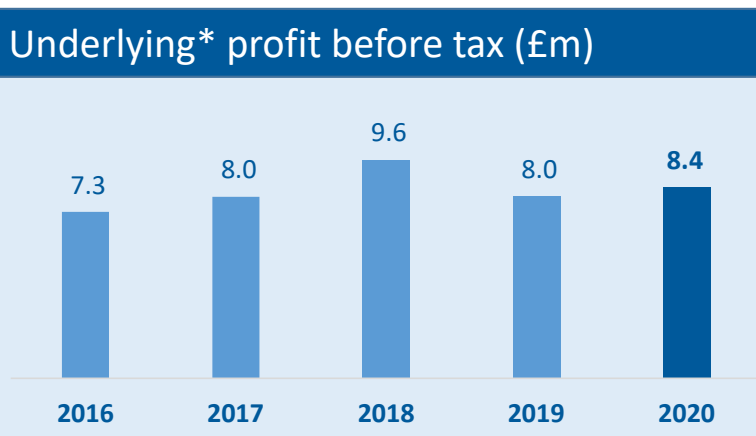
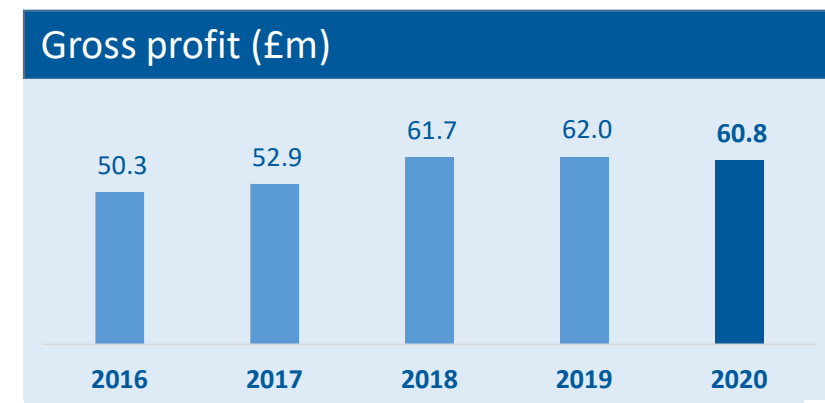
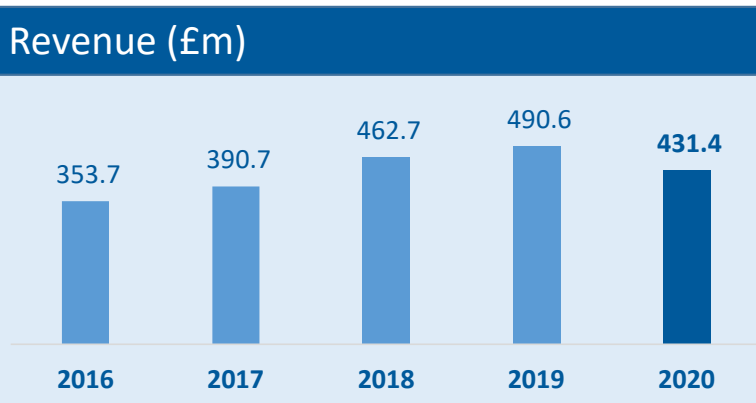
FY 2020 Financial Key Points

- Revenue decreased to £431.40m (2019: £490.60m)
 - reflected commodity price deflation and lower trading volumes in certain bulk categories, especially grain, feed raw material commodities, and fertiliser
- Underlying pre-tax profit up 4% to £8.37m (2019: £8.01m)
 - helped by stronger H2 and efficiency programme
- Basic EPS, after non-recurring items, of 27.73p (2019: 30.95p)
- Net cash excluding new ROU leases of £14.71m at year-end (31 October 2019: £3.84m)
 - buoyed by £4.8m higher opening net cash position, working capital management, reduced capex and lower acquisition expenditure
- Net assets up 3% at £98.18m/£4.92 per share at year-end (31 October 2019: £94.95m/£4.79)
- Return on net assets was 8.6% (2019: 8.5%)
- Proposed final dividend of 10.00p, up 6.4% (2019: 9.40p), takes total for the year to 14.60p (2019: 14.00p), a 4.3% rise



Financial Track Record

Continuing Operations



*exceptional items

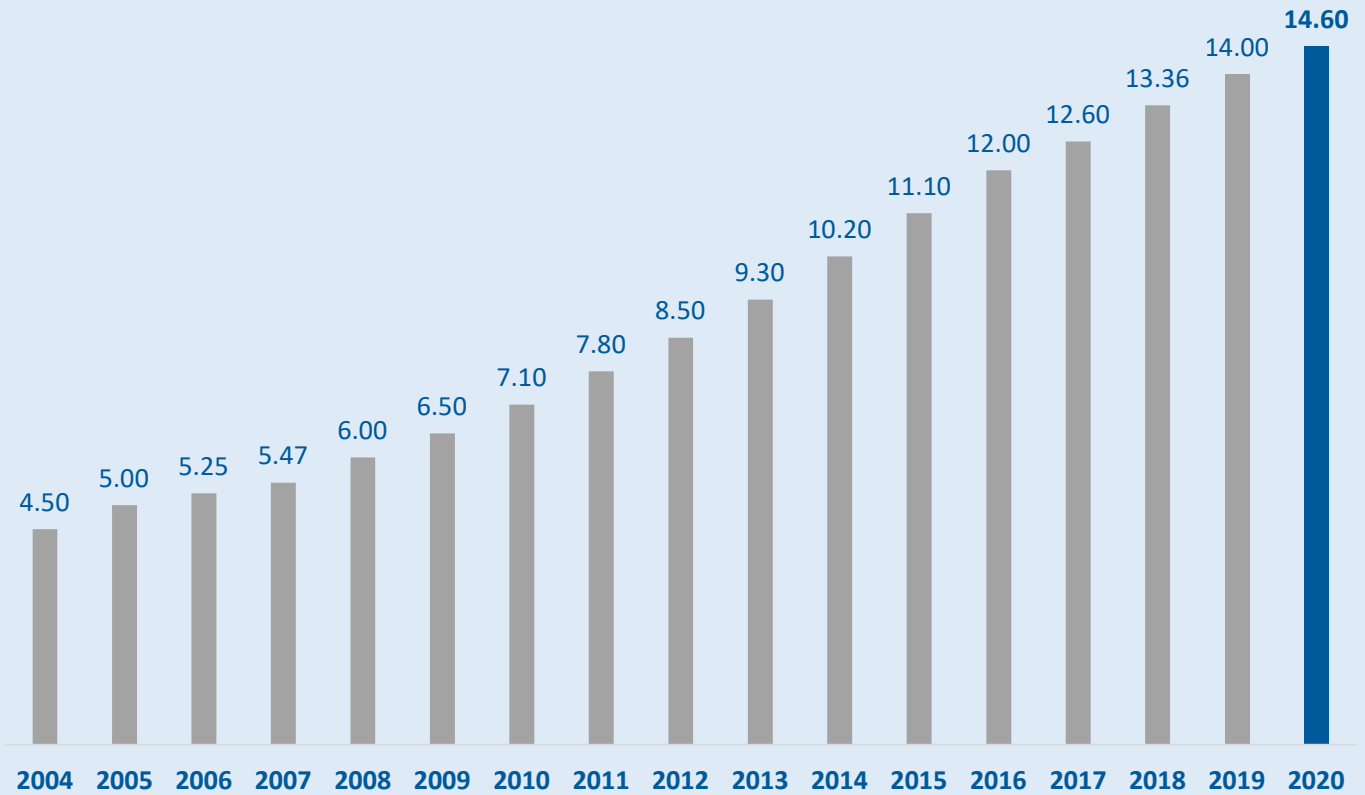


Dividend Record

Total dividend:
14.60p per share
(2019: 14.00p per share)

+4.3% y.o.y

17 years of increased dividends



Income Statement

£000	Year ended 31 October 2020	Year ended 31 October 2019
Revenue	431,398	490,602
Cost of sales	(370,630)	(428,621)
Gross profit	60,768	61,981
Net expenses	(52,627)	(54,226)
Adjusted operating profit	8,141	7,755
Gross JV contributions	538	463
Net finance charges	(272)	(184)
Amortisation of acquired intangible assets	(36)	(28)
Underlying pre-tax profit	8,371	8,006
Share based payment expenses	(96)	(49)
Non-recurring items	(1,194)	(301)
Profit before taxation	7,081	7,656
Taxation	(1,548)	(1,524)
Profit after taxation	5,533	6,132
Basic earnings per ordinary share after non-recurring items (pence)	27.73	30.95

* Business re-organisation costs, business combination expenses, goodwill and investment impairment, Huyton depot closure costs and decommissioning of Selby seed plant

Balance Sheet

£000	Year ended 31 October 2020	Year ended 31 October 2019
NON-CURRENT ASSETS		
Goodwill	14,367	14,968
Investment property	2,372	2,372
Property, plant and equipment	17,545	23,225
Right of use asset	11,240	-
Investments	3,611	3,175
Intangibles	225	261
	49,360	44,001
CURRENT ASSETS		
Inventories	34,190	42,239
Trade and other receivables	55,850	63,887
Loans to joint ventures	3,889	4,413
Cash and cash equivalents	19,980	10,608
	113,909	121,147
Total assets	163,269	165,148
CURRENT LIABILITIES		
Borrowings	(1,572)	(3,686)
Lease Liabilities	(3,483)	-
Trade and other payables	(52,326)	(62,113)
Current tax liabilities	(784)	(894)
	(58,165)	(66,693)
Net current assets	55,744	54,454
NON-CURRENT LIABILITIES		
Borrowings	-	(3,078)
Lease Liabilities	(6,509)	-
Trade and other payables	(141)	(201)
Deferred tax liabilities	(276)	(228)
	(6,926)	(3,507)
Total liabilities	(65,091)	(70,200)
Net assets	98,178	94,948

Net cash £8.4m, (£14.7m
excluding new IFRS 16 ROU
lease adjustment)

Net assets per share: £4.92

Net Cash Reconciliation

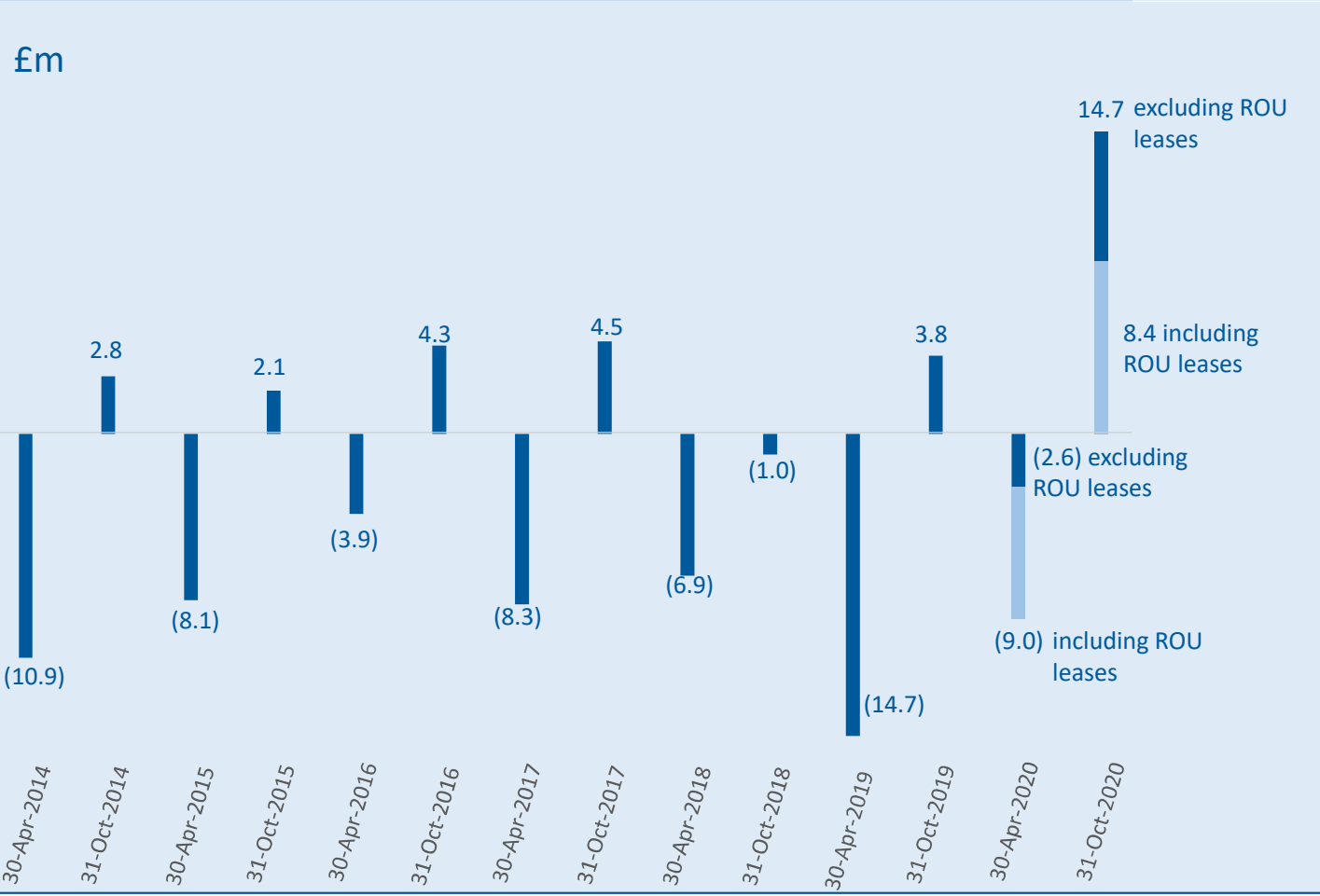
£000	Year ended 31 October 2020	Year ended 31 October 2019
EBITDA before non-recurring items	14,147	11,242
Adjustment for pre-tax joint ventures	(538)	(463)
Working capital movements – balance sheet	6,763	3,977
Cash generated from operations – as reported	20,372	14,756
Net finance charges	(272)	(184)
Tax paid	(1,510)	(1,680)
Net capital expenditure	(3,889)	(4,974)
Acquisitions including deferred payments	(125)	(923)
Other proceeds	196	135
Dividends	(2,791)	(2,683)
Issue of new equity	392	374
Net increase /(decrease) in cash	12,373	4,821
IFRS 16 lease liabilities recognised on adoption	(7,801)	-
Opening net (debt) / cash	3,844	(977)
Closing net (debt) / cash	8,416	3,844



Cash/(Net Debt) Cycle

Net cash of £14.71m*
(31 Oct 2019: £3.84m)

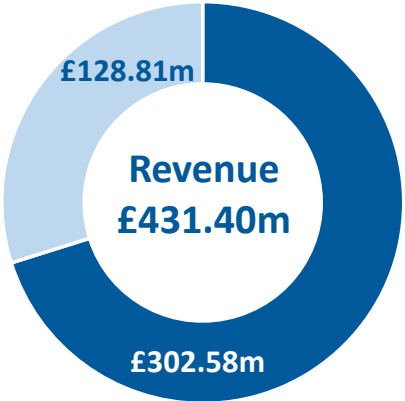
**Excluding ROU leases*



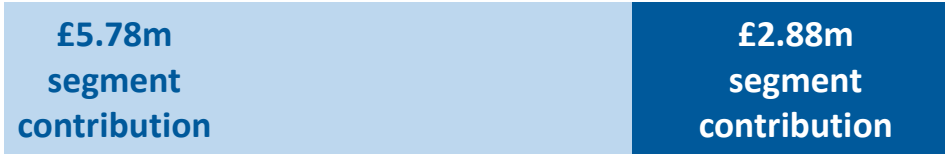


Segmental Contribution

2020



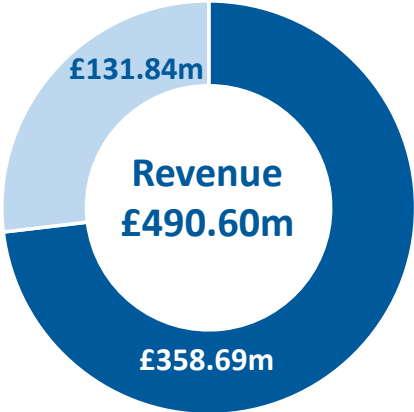
Underlying* pre-tax profit: £8.37m – up 4%



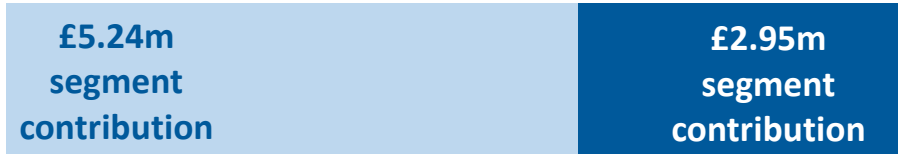
● Specialist Agricultural Merchants Division

● Agriculture Division

2019



Underlying* pre-tax profit: £8.01m



*Underlying pre-tax profit includes the Group's gross share of the results of joint ventures but excludes share based payments and non-recurring items

AGRICULTURE DIVISION

Feed, Arable and Glasson activities

Revenue, £302.58m (2019: £358.69m), and
contribution, £2.88m (2019: £2.95m)



Feed

- **Improved gross margins helped by production efficiencies**
 - Total manufactured feed volumes in line with last year
 - Demand for compound dairy feed was consistent y.o.y
 - H2 was stronger than H1 (which was affected by good on-farm forage stock and coronavirus/lockdown-driven drop in demand for liquid milk)
 - Higher sales to free range egg sector
 - Sheep feed volumes improved on last year
- **Next Steps**
 - Three year investment programme started at Carmarthen feed mill to increase capacity and improve efficiency
 - Continue to develop specialists teams; focus is on poultry, dairy and youngstock
 - Introduce bespoke dairy rations for robotic-milked herds
 - Continue sustainability drive – all soya used has moved to sustainable sources and we intend to make similar changes with other materials
 - Carbon reduction initiatives – including recyclable plastic feed bags and methane-reducing feed ingredients

6th largest UK feed producer*

Bagged feeds and bulk deliveries

*Estimated Market Share**

• Blends – dairy	9%
• Cattle	5%
• Sheep	5%
• Dairy	5%
• Poultry	2%



* Source: Wynnstay estimates



Arable

- **Very challenging year – abnormally wet weather drastically affected winter crop planting and dry spring affected yields. Resulted in:**
 - lower crop acreage for inputs including fertiliser
 - reduced grain to trade (yield from 2020 UK wheat harvest was 37.5% down on 2019, a historic low)
 - a carry-over of unsown winter seed, affecting 2020 season sales
- Spring cereal seed sales up 40% y.o.y as farmers turned to spring crops after failure of winter crop planting
- GrainLink contributed to profits despite lower grain trading volumes
- Good autumn 2020 planting season and strong market prices should boost 2021 performance
- **Next Steps**
 - Expand GrainLink’s services in the East
 - Options being considered for new seed processing site to replace Selby plant, (closed in December 2020 when lease expired)
 - Invest in seed processing technology and capacity at Astley facility, Shropshire
 - Assist in the transition to ELMS (Environmental Land Management Scheme)
 - Strengthen environmental seed offering

3rd largest UK cereal seed processor*

4th largest UK grass seed processor*

*Estimated Market Share**

- Cereal seed 11%
- Grass seed 10%
- Fertiliser 5%
- Fertiliser incl. Glasson 12%

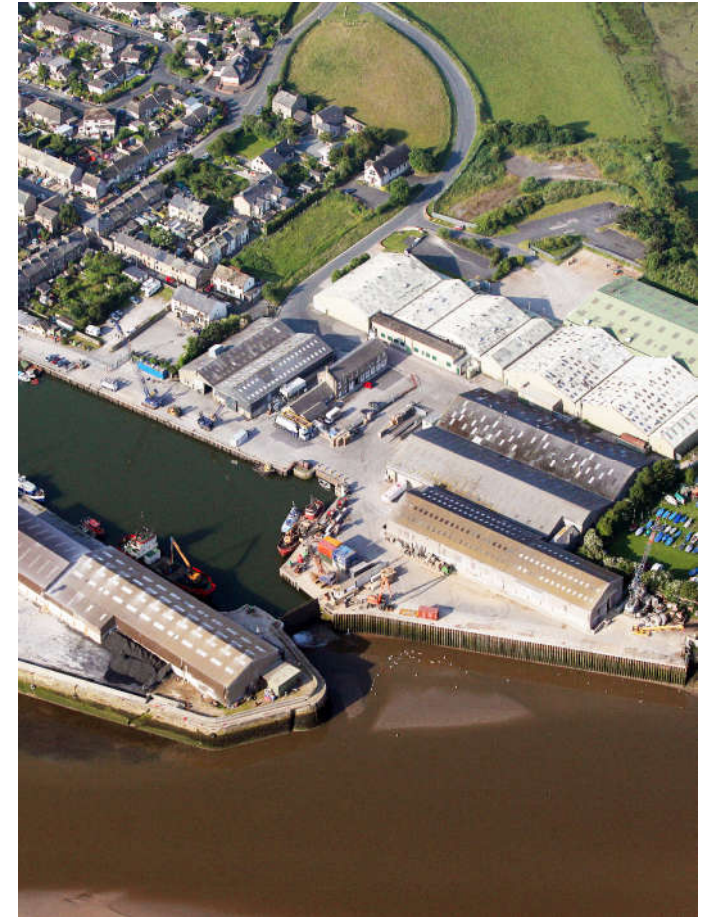


* Source: Wynnstay estimates



Glasson

- **Solid performance in line with management expectations although lower than record prior year**
 - fertiliser blending operations sold record volumes however margins came under pressure because of poor winter crop planting. Prices recovered in H2
 - feed raw materials experienced lower demand, reflecting effects of a drier spring and abundant grass in the summer
 - added value animal feed products performed well
 - Glasson remains second-largest blended fertiliser manufacturer in the UK, and its dock location and proximity to blending mill provide production efficiencies
- **Next Steps**
 - Expand fertiliser manufacturing operation
 - Expand added value markets within feed
 - Investment to improve manufacturing productivity and efficiency



SPECIALIST AGRICULTURAL MERCHANTING DIVISION

Wynnstay Depots and Youngs Animal Feeds

Revenues, £128.81m (2019: £131.84m) and
contribution, £5.78m (2019: £5.24m)





Specialist Agricultural Merchandising

- **Profit contribution up 10% y.o.y on total revenue down 2%. LfL revenue was down 1%**
 - Initial coronavirus 'order and collect' measure and wet/mild winter impacted certain sales including hardware and feed
 - Better H2, with strong close to year from bagged feed sales, animal health products, milk replacers and fencing
 - Outlet optimisation programme continued
 - two outlets closed; Wynnstay depot in Salisbury and Youngs Animal Feed store in Merseyside
- **Next Steps**
 - Continued focus on efficiency – depot optimisation programme
 - Further strengthen team of animal health advisors
 - Extend range of innovative products
 - Digital/online trading/sales trading desk

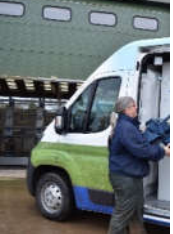
Estimated Market Share*

• Silage sheets	16%
• Animal health products	12%
• Dairy hygiene	11%
• Fencing wire	10%
• Stretch film	9%
• Livestock equipment	7%
• Electric fencing	6%



* Source: Wynnstay estimates

THE FUTURE AND OUTLOOK FOR FY 2021



Brexit and UK Agricultural Bill

- **Clarity provided with the EU Free Trade Agreement (“FTA”)**
 - stimulus to investment, and UK food sector can seek new markets
 - FTA is a good outcome for sheep farmers and buoys beef, dairy and arable sectors
- **UK Agriculture Bill reshapes financial support to the sector**
 - 7-year transition period (from 2021) to a new support system, very different to CAP
 - Government has pledged the same level of financial assistance for the sector for the duration of the current parliament
 - agricultural support to be devolved to the regions by 2025
- **Farmers will be incentivised for environmental outcomes**
 - 50% of previous Basic Payment Scheme under CAP will move to Environmental Land Management Scheme (“ELMS”) by 2024
 - animal welfare and farm waste management grants



LIKELY IMPACTS

- **Marginal land to go out of production**
- **Average farm size to increase**
- **Acceleration in adoption of precision-farming techniques as farms seek greater efficiency**





Growth Strategy

PILLARS

Expert guidance | Organic growth | Multi-channel | Acquisitions | ESG

- Management reorganised to support growth plans
- Position Wynnstay as 'trusted advisor' – teams of specialists across all sectors
 - farmers door into innovation – products and services
- Expand manufacturing capacity
- Lean cost base – depot optimisation and technology investment
- Advance multi-channel sales strategy – digital/ trading desk/ on-farm
- Selective acquisitions (manufacturing/routes to market/distribution) – maintain balanced business model
- ESG programme under way
 - encompassing sustainable sourcing, product offering, carbon emissions, community engagement

Helping farmers to feed the country in a more sustainable, environmentally-friendly, profitable way



Summary and Outlook

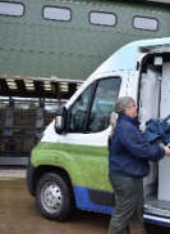


- Clear direction of travel for the agricultural sector
- Farmgate prices strengthened towards the end of 2020
- Farmer sentiment much improved
- Trading in FY2021 is in line with management expectations
 - good 2020 autumn cereal seed planting season
- Structural reorganisation supports growth ambitions
- Strong balance sheet and good cash flows
- Wynnstay is well-positioned to make good progress

GROUP STRENGTHS

- *Very experienced management*
- *High degree of specialist knowledge*
- *Balanced business model*
- *Clear growth strategy*
- *Strong brand*
- *Robust balance sheet*
- *Good cash flows*
- *17 year track record of increasing dividends since IPO in 2004*





SUPPLEMENTARY INFORMATION

- ESG
- Acquisitions
- Market trends



Focus on ESG



- **Values**
 - trusted adviser to farmers, supporting transition to sustainable farming methods and enhanced environment care
- **Incorporating ESG factors**
 - sustainable supply chain
 - feed raw materials – soya
 - evolving products and production
 - methane reduction, recyclable products, plastics recycling, cleaner energy and vehicles
 - targeting net zero carbon by 2040 (NFU)
 - accreditations – Universal Feed Assurance Scheme, Green Dragon
- **Contribution to thought leadership**
 - participants in key industry groups
 - member of Hybu Cig Cymru (Welsh Beef) and Efeca UK Roundtable on Sustainable Soya
 - sponsors of NFU Cymru Sustainable Farming Awards
 - sustainable farming practices – Arable Event, Sheep & Beef Event
- **Community engagement**
 - local charities, NHS RABI, Young Farmers Club
- **Employees**
 - foster skills development and equity participation (Sharesave schemes)





Acquisitions: 2010-2021

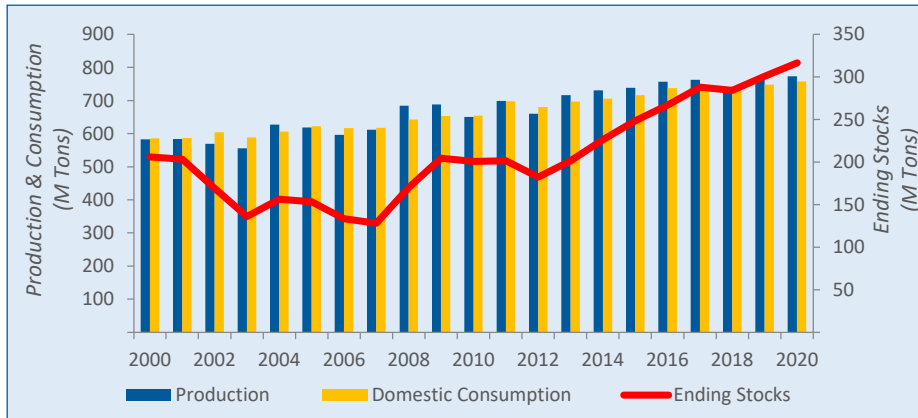
DATE	ACQUISITION	BUSINESS TYPE	ARABLE	FEEDS	DEPOTS
April 2019	Stanton Farm Supplies	Dairy supplies			
May 2018	FertLink	Fertiliser manufacturing			
April 2018	Countrywide Farmers Plc	Agricultural stores			
Mar 2018	Mike Hawken Ltd	Agricultural stores			
Nov 2017	M D Lloyd	Agricultural stores			
Nov 2017	Montrose	Fertiliser processing facility			
Oct 2015	Agricentre	Animal healthcare and agricultural products			
Sept 2015	S. Jones & Sons	Agricultural supplies			
Sept 2015	Horti-stores	Supplier of packaging material			
Jan 2015	Ross Feed	Agricultural supplies			
Oct 2014	Mansell Powell Supplies	Agricultural supplies			
Oct 2013	Carmarthen & Pumsaint Farmers Ltd	Animal healthcare and agricultural products			
Nov 2012	Banbury Farm & General Supplies Ltd	Hardware and agricultural supplies			
Aug 2012	Whitchurch Animal Health Ltd	Animal healthcare and agricultural products			
May 2012	PSB (Country Supplies) Ltd	Animal healthcare products and agricultural supplies			
Mar 2011	C & M Transport	Agriculture business			
May 2011	Wrekin Grain Ltd	Grain marketing and agricultural inputs supplier			
May 2010	Woodheads Seeds Ltd	Major seed processor			



Market Trends



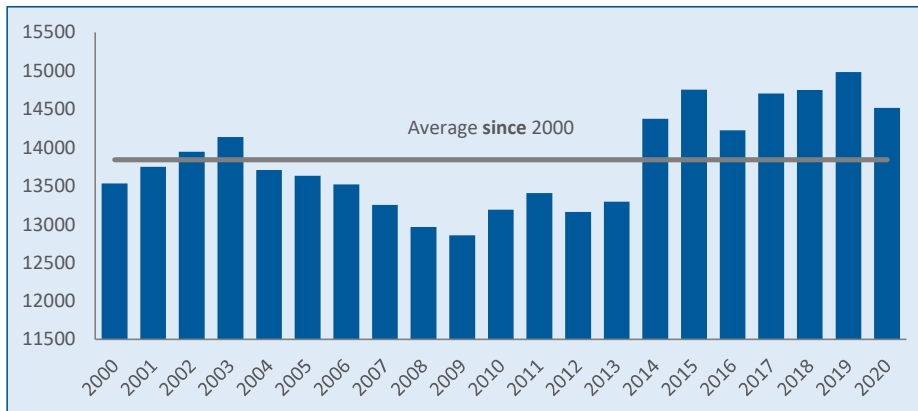
World wheat stocks¹



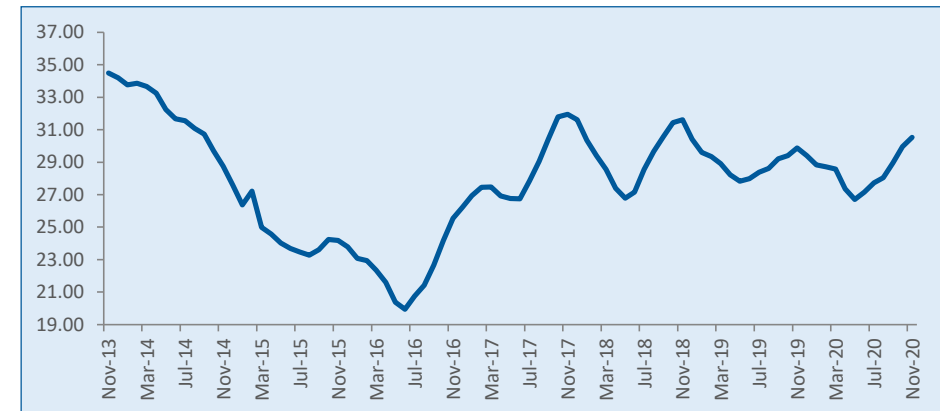
Feed wheat – UK (£ per tonne)²



UK milk volumes (millions of litres)³



UK farmgate milk price (pence per litre)⁴

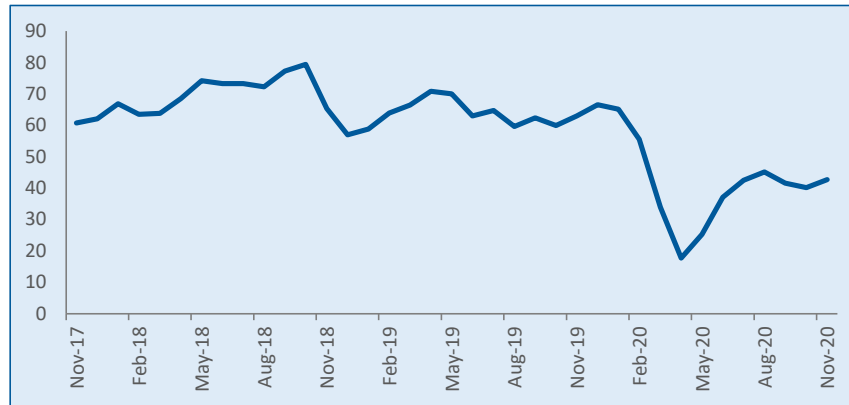


Sources: ¹United States Department of Agriculture, ²Wynnstay, ^{3&4}Agriculture and Horticulture Development Board



Market Trends

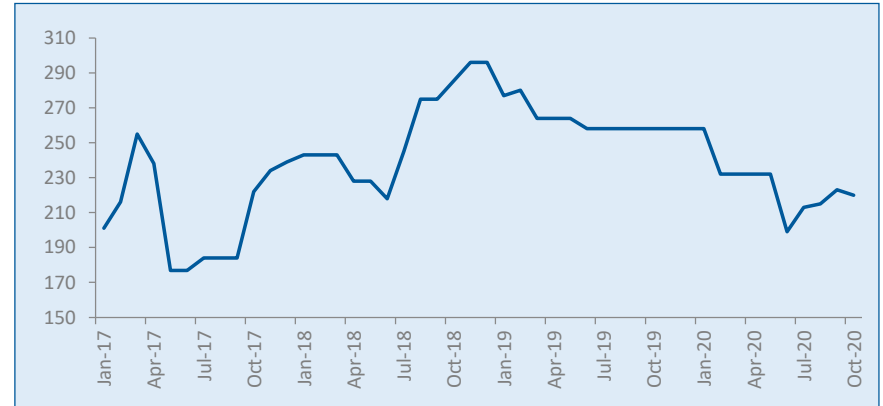
Monthly oil price (\$ per barrel)¹



Feed price (£ per tonne)²



Nitrogen fertiliser (£ per tonne)³



Sources: ¹Agriculture and Horticulture Development Board, ²Kite Consultancy, ³Wynnstay Data