



# WYNNSTAY GROUP PLC

## Interim Results

### For the six months to 30 April 2022

28 June 2022

Supporting sustainable agriculture





## Operational Highlights

### Record interim results

- Strong farmgate prices continued to underpin positive farmer sentiment
- Significant one-off gains from fertiliser blending operation at Glasson

### Continued double-digit profit growth at both Divisions

- Agriculture Division – one-off gains from Glasson, ‘more normal’ grain trading volumes and good autumn seed planting
- Specialist Agricultural Merchenting Division – performed well

### Major acquisition

- Humphrey Feeds Ltd acquired in March 2022 for initial £9.5m (cash)
- Strategically important acquisition
- Immediately earnings enhancing

### Inflationary pressures

- Certain energy and soft commodity prices rose to levels not seen for decades, exacerbated by Russia’s invasion of Ukraine
- Group negotiated the challenges well

### Interim dividend up 8%

- Interim dividend of 5.4p up 8%
- Reflects strong H1 performance and positive outlook

### Confident of prospects

- Favourable trading backdrop with ongoing strong farmgate prices – will offset farmers’ rising costs
- Well-placed to achieve growth objectives

## H1 2022 Financial Key Points

- **Revenue up 34% to £335.66m (H1 2021: £249.71m)**
  - commodity price inflation accounted for estimated c.£80.00m of the rise
- **Gross profit up 24% to £41.26m (H1 2021: £33.30m)**
- **Underlying pre-tax profit\* up 85% to £10.21m (H1 2021: £5.53m)**
- **Basic EPS up 71% to 36.99p (H1 2021: 21.62p)**
- **Net debt of £7.62m on pre-IFRS 16 basis (30 April 2021: net cash, £0.75m)**
  - reflects acquisition funding and effect of commodity price inflation on working capital
- **Net assets up 11% to £111.68m (30 April 2021: £101.05m)**
  - equates to £5.50 per share (2021: £5.04)
- **Interim dividend up 8.0% to 5.40p per share (H1 2021: 5.00p)**

*\*Underlying pre-tax profit includes the gross share of results from joint ventures and associates but excludes share-based payments and non-recurring items*

### Underlying PBT

**£10.21m**  
**+85%**

H1 2021: £5.53m

### Net assets

**£5.50 per share**  
**+11%**

H1 2021: £5.04

### Dividend

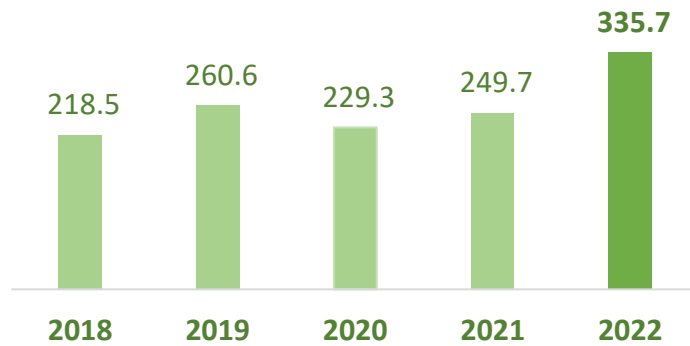
**5.40p**  
**+8.0%**

H1 2021: 5.00p

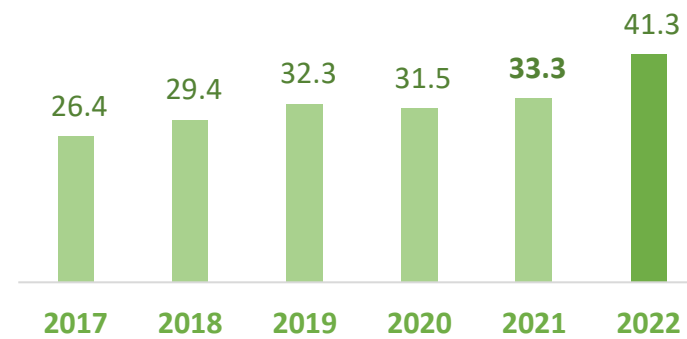
# H1 Financial Track Record

## Continuing Operations

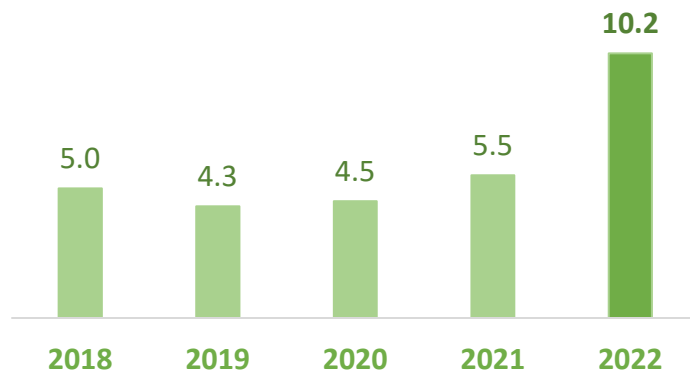
Revenue (£m)



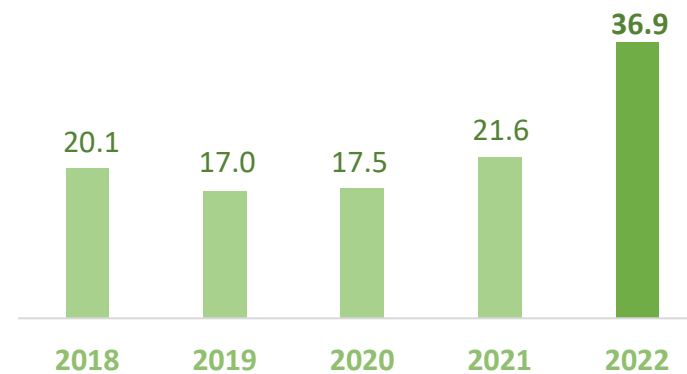
Gross profit (£m)



Underlying PBT (£m)



EPS (p)



# H1 Income Statement

£000	Six months ended 30 April 2022	Six months ended 30 April 2021	
<b>Revenue</b>	<b>335,661</b>	249,709	• Commodity price inflation accounted for c.£80.0m of revenue increase
Cost of sales	<b>(294,399)</b>	(216,413)	
<b>Gross profit</b>	<b>41,262</b>	33,296	• Revenue contribution of £6.4m from Humphrey acquisition, completed in March 2022
Net expenses	<b>(30,828)</b>	(27,621)	
<b>Adjusted operating profit</b>	<b>10,434</b>	5,675	
Less net finance charges	<b>(186)</b>	(114)	• Non-recurring costs related to the Humphrey acquisition
Less intangible amortisation	<b>(35)</b>	(36)	
<b>Underlying pre-tax profit</b>	<b>10,213</b>	5,525	• Effective tax rate of 21.4% (2021: 19.1%) reflecting adjustment in deferred tax rates to recognise rise in Corporation Tax rate to 25% from April 2023
Less non-recurring items	<b>(523)</b>	-	
Less share-based payment expenses	<b>(130)</b>	(161)	
<b>Profit before taxation</b>	<b>9,560</b>	5,364	
Taxation incl. JV's	<b>(2,047)</b>	(1,027)	
<b>Profit after taxation</b>	<b>7,513</b>	4,337	
<b>Basic earnings per ordinary share after non-recurring items (pence)</b>	<b>36.99</b>	21.62	

# H1 Balance Sheet

£000	Six months ended 30 April 2022	Six months ended 30 April 2021
<b>NON-CURRENT ASSETS</b>		
Goodwill	17,465	14,417
Investment property	2,372	2,372
Property, plant and equipment	18,340	17,654
Right of use asset	9,861	10,153
Investments	3,430	3,613
Intangibles	4,940	327
	<b>56,408</b>	<b>48,536</b>
<b>CURRENT ASSETS</b>		
Derivative financial instruments	359	227
Inventories	63,721	44,221
Trade and other receivables & derivatives	103,254	75,180
Loans to joint ventures	2,090	3,865
Cash and cash equivalents	6,112	4,991
	<b>175,536</b>	<b>128,484</b>
<b>Total assets</b>	<b>231,944</b>	<b>177,020</b>
<b>CURRENT LIABILITIES</b>		
Borrowings	(2,569)	(979)
Lease liabilities	(3,685)	(3,173)
Derivative financial instruments	(825)	(214)
Trade and other payables	(96,761)	(64,551)
Current tax liabilities	(1,793)	(1,019)
Provisions	(351)	-
	<b>(105,984)</b>	<b>(69,722)</b>
Net current assets	<b>69,552</b>	<b>58,762</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	(7,588)	(313)
Lease liabilities	(5,025)	(5,687)
Trade and other payables	(37)	(87)
Deferred tax liabilities	(1,629)	(474)
	<b>(14,279)</b>	<b>(6,248)</b>
<b>Total liabilities</b>	<b>(120,263)</b>	<b>(75,970)</b>
<b>Net assets</b>	<b>111,681</b>	<b>101,050</b>

- Significant commodity inflation increased working capital requirements
- Working capital typically peaks around April period end and reverses in H2
- Net assets up 10.5% equating to £5.50 per share (2021: £5.04)

## H1 Pre IFRS 16 Cash Flow Reconciliation

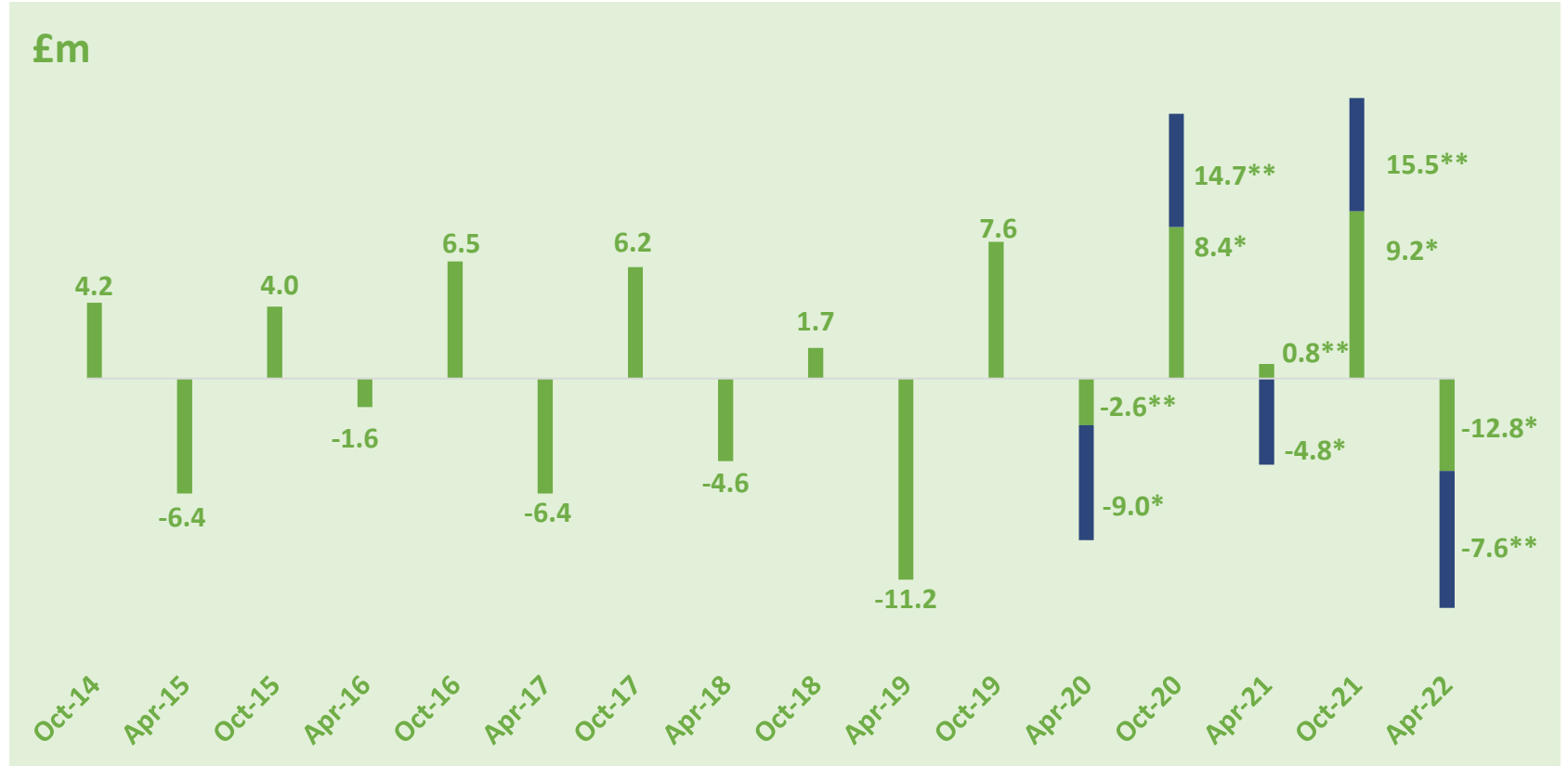
£000	Six months ended 30 April 2022	Six months ended 30 April 2021
EBITDA	11,832	7,450
Property Right of Use amortisation adjusted	1,102	1,120
Derivative recognition	632	0
Working capital movements	(22,882)	(15,921)
<b>Cash from operations</b>	<b>(9,316)</b>	<b>(7,351)</b>
Net interest	(186)	(114)
Tax paid	(1,311)	(594)
Net capital expenditure including Finance Leases Assets	(1,908)	(1,264)
Acquisitions net of cash acquired	(8,572)	(1,844)
Acquired finance leases	(210)	0
Other proceeds/payments	2	0
Dividends	(2,134)	(2,008)
New equity	408	382
Property Right of Use lease adjusted	(1,084)	(1,184)
JV loans (made)/repaid	1,229	24
<b>Net (increase) repayment of debt</b>	<b>(23,082)</b>	<b>(13,953)</b>
<b>Opening net cash /(debt)</b>	<b>15,463</b>	<b>14,707</b>
<b>Closing net cash/(debt)</b>	<b>(7,619)</b>	<b>754</b>

- 59% increase in EBITDA
- Inflation significantly impacted working capital outflows
- Banking facilities provide ample headroom to manage inflationary pressures
- Investment in the Group's expansion

## H1 Cash/(Net Debt) Cycle

**Net debt of  
£12.75m including  
all leases  
(Accounting debt)\*  
(30 Apr 2021: £9.0m)**

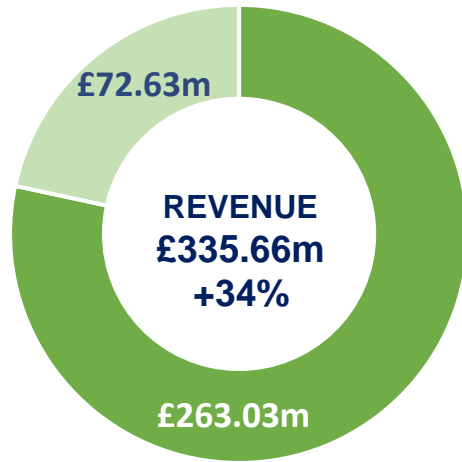
**£7.62m excluding  
property leases  
(Bank defined  
debt)\*\***





# Segmental Contribution

## H1 2022



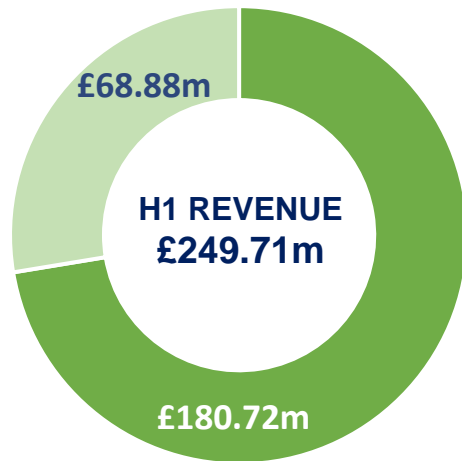
● Specialist Agricultural Merchants Division

● Agriculture Division

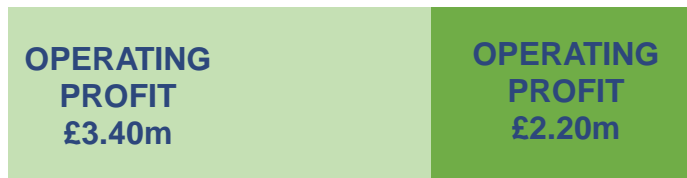
**H1 2022: GROUP OPERATING PROFIT (BEFORE NON-RECURRING ITEMS): £10.27m – UP 87% Y.O.Y.**



## H1 2021



**H1 2021: GROUP OPERATING PROFIT: £5.48m**





# AGRICULTURE DIVISION

Feed, Arable, and Glasson activities

Revenue: £263.0m (H1 2021: £180.72m) +45% y.o.y.

Operating profit: £6.06m (H1 2021: £2.20m) +176% y.o.y.





## Trading Environment

### Farmer sentiment buoyed by strong farmgate prices

- Grain and red meat (excl. pig) prices were strong
- Milk prices firm, now rising
- Egg prices flat, now rising

### Challenges

- Fuel costs
- Third party-haulage
- Supply chain delays

	Mid-Jun 2022	Mid-Oct 2021	Mid-Jun 2021	% change
<b>Feed wheat/tonne</b>	<b>£284</b>	£196	<b>£194</b>	<b>+46%</b>
<b>Feed barley/tonne</b>	<b>£260</b>	£184	<b>£176</b>	<b>+48%</b>
<b>Oilseed rape/tonne</b>	<b>£680</b>	£532	<b>£506</b>	<b>+34%</b>
<b>Milk/per litre</b>	<b>43p</b>	31.5p	<b>30p</b>	<b>+43%</b>
<b>Beef/per kg, deadweight</b>	<b>441p</b>	420p	<b>390p</b>	<b>+13%</b>
<b>Lamb/per kg, deadweight</b>	<b>691p</b>	522p	<b>662p</b>	<b>+4%</b>
<b>Free range eggs (dozen)</b>	<b>99.4p</b>	91p	<b>91p</b>	<b>+9%</b>

	Mid-Jun 2022	Mid-Oct 2021	Mid-Jun 2021	% change
<b>Red diesel/per litre</b>	<b>124p</b>	74.6p	<b>57p</b>	<b>+118%</b>
<b>Fertiliser/tonne</b>				
- Ammonium nitrate	<b>£750</b>	£640	<b>£290</b>	<b>+159%</b>
- Phosphate	<b>£910</b>	£525	<b>£420</b>	<b>+117%</b>
- Potash	<b>£760</b>	£485	<b>£280</b>	<b>+171%</b>
<b>Feed/tonne</b>				
- Dairy ration	<b>£385</b>	£299	<b>£292</b>	<b>+32%</b>
- Free range hen ration	<b>£425</b>	£282	<b>£299</b>	<b>+42%</b>

Sources: BFREPA, Kite Consultancy, Farmers Weekly, Wynnstay

## Feed | *Volume growth ahead of sector average*

- Manufactured feed volumes up by 3.25% – better than sector average
  - good growth in target segments of dairy and poultry, as well as sheep
- Overall contribution affected by margin pressure (rising raw materials prices and higher fuel, labour, and packaging costs)
- Carmarthen Mill project on track - manufacturing capacity and efficiency gains
- Highly complementary acquisition completed in March 2022; Hampshire-based Humphrey Feeds Ltd (and associated pullet-laying business)

- **Next Steps**

- Further integrate Humphrey acquisition
- Scope to redevelop Humphrey’s moth-balled feed mill (freehold) at Calne, Wiltshire into modern multi-species facility
- Continue to focus on advisory services – including sustainability and carbon reduction
- Environmental feed offering

### 6<sup>TH</sup> LARGEST UK FEED PRODUCER

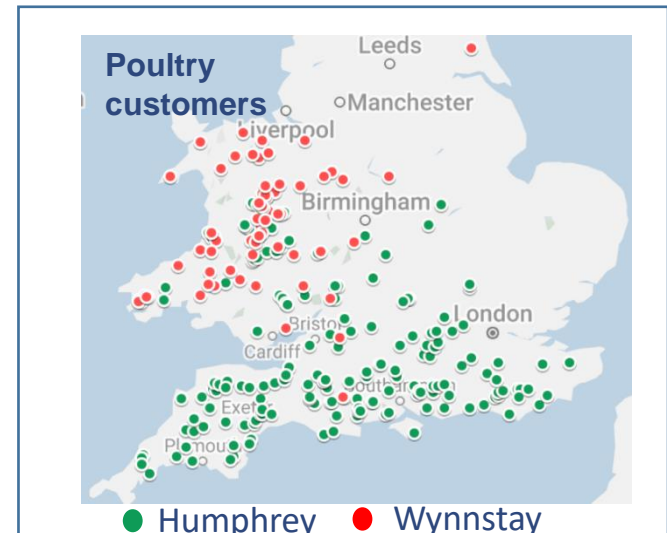
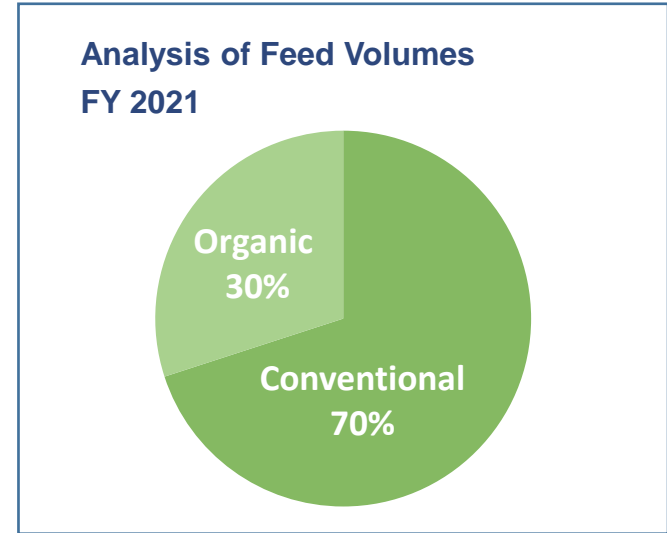


Market share\* - Blends (dairy) 9% | Cattle 5% | Sheep 5% | Dairy 5% | Free-range poultry 11%

\* Source: Wynnstay

## Humphrey Acquisition | *Highly complementary*

- Well-established supplier of poultry feed (conventional and organic) to farmers in the South, South West, Midlands and Wales. Pullet-rearing enterprise supports feed activity
  - revenues of £39m and adjusted PBT of £1.16m in FY 2021
  - increases manufacturing capacity and market share
  - adds new customer and supplier relationships
  - extends geographic reach and opens up new growth opportunities, including cross-selling
  
- Calne mill provides potential for conversion to a modern c.185,000 tonne capacity mill
  - multi-species feed with organic certification
  - enables expansion of multi-species feed activity in South of England
  - frees up capacity at Llansantffraid and Carmarthen mills
  - transfer of Twyford mill’s poultry feed production to Calne
  
- Planning permission already in place
  
- Development time estimated at three years





## Arable | *Grain volumes bounced back*

- Volume of grain traded by GrainLink increased by 50% - reflecting 'more normal' 2021 harvest compared to exceptionally poor 2020 harvest
  - good gains in the East of England following expansion of resource
  - record grain prices
- Strong autumn seed planting and good growing conditions - bode well for 2022 harvest
- Lower spring cereal seed sales and grass seed in line with sector average
- Significantly higher fertiliser prices suppressed demand (volumes 27% lower), however strong margins more than offset reduced tonnage
- **Next Steps**
  - Environmental offering remains a strong focus
    - Government support schemes (ELMS) reward greener farming strategies
    - Welsh legislation to prevent nitrate pollution requires adherence by all farmers from 2024 (Nitrogen Vulnerable Zones)
  - Continue to progress investment at Astley to increase seed processing capacity

**No 3 - CEREAL SEED PROCESSOR**

**No 4 - GRASS SEED PROCESSOR**



**Market share\*** - Cereal seed 11% | Grass seed 10% | Fertiliser 5% | Fertiliser incl. Glasson 12%

\* Source: Wynnstay

## Glasson | *Significant one-off fertiliser gains*

- Contribution significantly ahead of expectations driven by one-off gains in fertiliser blending activity
  - significant stock profits following sharply rising price of natural gas (used in the production of fertiliser), exacerbated by Ukraine war
  - fertiliser prices have fallen slightly from April high, and one-off gains not expected to be repeated
- Feed raw materials performed in line with expectations
- Specialist feed manufacturing (smallest activity) improved margins and delivered an in line performance despite reduced demand, which reflected softer end-markets
- **Next Steps**
  - Continued focus on growth and efficiencies





# SPECIALIST AGRICULTURAL MERCHANTING DIVISION

Wynnstay Depots and Youngs Animal Feeds

**WYNNSTAY  
STORES  
ENTRANCE**

**WYNNSTAY  
STORES**  
Agriculture • Horticulture • Pet Care

**Garden**

Revenue: £72.63m (H1 2021: £68.88m) +5% y.o.y

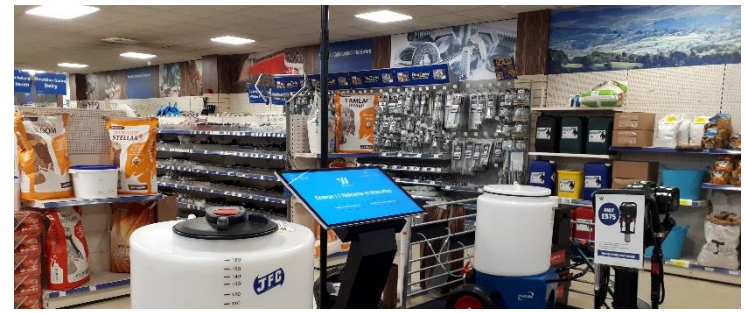
Operating profit: £4.28m (H1 2021: £3.40m) +26% y.o.y

## Specialist Agricultural Merchanting | *Strong sales in core product categories*

- Performance benefited from cumulative efficiency improvements and higher-margin sales mix
  - good sales across core product categories - feed, animal health care product and discretionary hardware e.g. feeders, live-stock handling equipment, gates
- Steady increase in registrations for digital customer portal – now over 1,800 accounts
- Equine feed operation, Youngs Animal Feeds, delivered a profitable contribution although volumes and margins lower, reflecting wider equine sector
- **Next Steps**
  - Promotion of digital engagement
  - Further efficiencies
  - Continue to upskill staff – national standard qualifications in animal medicine and grassland and crop production

### 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



# SUMMARY AND OUTLOOK





## Summary and Outlook | *Well-positioned for continuing growth*

- Very strong H1 performance, boosted by substantial one-off gains in fertiliser blending activity
  - H1 fertiliser stock gains are not expected to be repeated in H2
- Sector sentiment set to remain positive - underpinned by firm farmgate prices
  - increasing focus on national food security
- Challenges remain with inflation and supply chain pressures – Ukraine war has heightened macroeconomic uncertainties
- Continuing strong focus on:
  - investment to drive efficiencies and increase manufacturing capacity
  - environmental offering & sustainability
  - close customer engagement – multi-channel approach
- Humphrey acquisition creates further growth opportunities. Group remains focused on acquisitions in key target areas
- Board remains confident of the outlook for H2 and attaining its growth targets for the year
  - strong balance sheet and excellent cash flow generation

### GROUP STRENGTHS

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



# SUPPLEMENTARY INFORMATION

- Presentation Team
- Business Overview
- Geographic Reach
- Acquisitions
- Market Trends
- Brexit and UK Agriculture Act



## Presentation Team



### **Gareth Davies, CEO**

- Appointed as CEO in July 2018
- Previously Joint Managing Director of Wynnstay (Agricultural Supplies) Ltd and before that Head of Agriculture
- Joined Wynnstay in 1999
- Background in agricultural sales



### **Paul Roberts, CFO**

- Appointed to the Board as Finance Director in 1997
- Joined the Group in 1987
- Previously worked in financial roles in the animal feed industry
- Fellow of the Chartered Institute of Management Accountants



# Business Overview

## AGRICULTURE c.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 MERCHANTING— c.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**

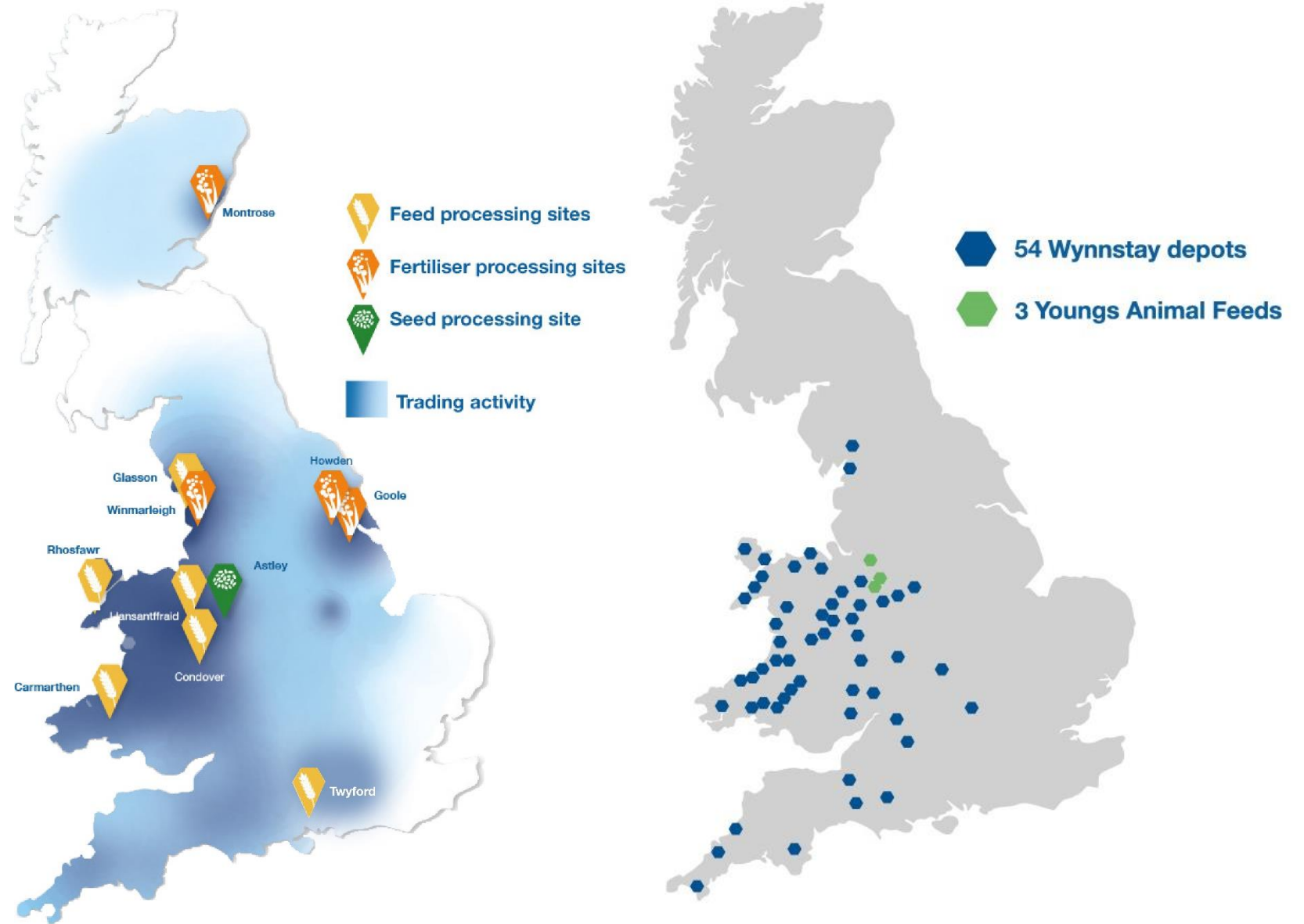
# Geographic Reach

**11** manufacturing sites

**54** depots



**c.110** vehicles in fleet

**c.960** employees



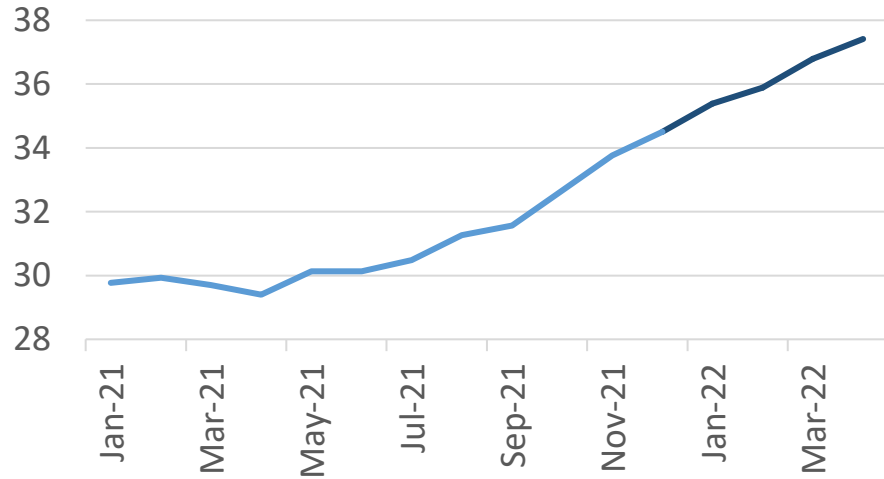


# Acquisitions: 2011-2022

DATE	ACQUISITION	BUSINESS TYPE	ARABLE	FEEDS	DEPOTS
Mar 2022	Humphrey Feeds Ltd (and Humphrey Pullets Ltd)	Poultry feed manufacturer and supplier (and associated pullet-rearing operation)			
Mar 2021	Fertiliser manufacturing business and assets ("HGBF") of HELM Great Britain Limited,	Blended-fertiliser manufacturer			
Feb 2021	Agricultural division of the Armstrong Richardson Group	Agricultural inputs for arable and livestock farmers			
April 2019	Stanton Farm Supplies	Dairy supplies			
May 2018	FertLink	Fertiliser manufacturing			
April 2018	Certain Countrywide Farmers stores	Agricultural stores			
Mar 2018	Mike Hawken Ltd	Agricultural supplies			
Nov 2017	M D Lloyd	Agricultural supplies			
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, Aug and May 2012	Banbury Farm & General Supplies Ltd + Whitchurch Animal Health Ltd + PSB (Country Supplies) Ltd	Hardware and agricultural supplies, and animal healthcare and agricultural products supplier			
Mar and May 2011	C & M Transport + Wrekin Grain Ltd	Agriculture business, and grain marketing and agricultural inputs supplier			

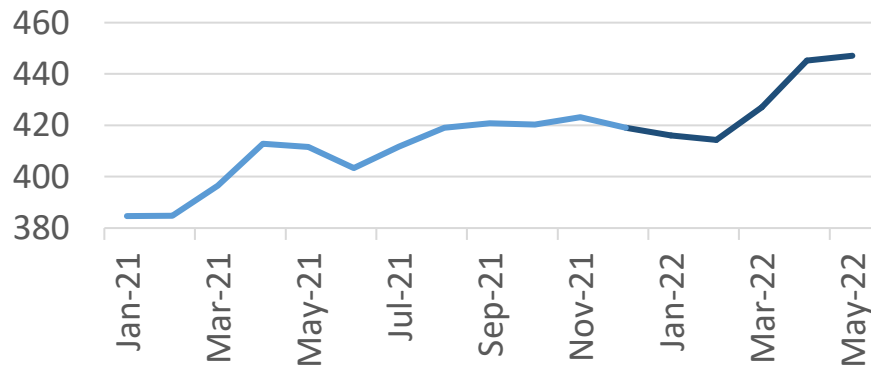
# Market Trends

**Average farmgate milk price**



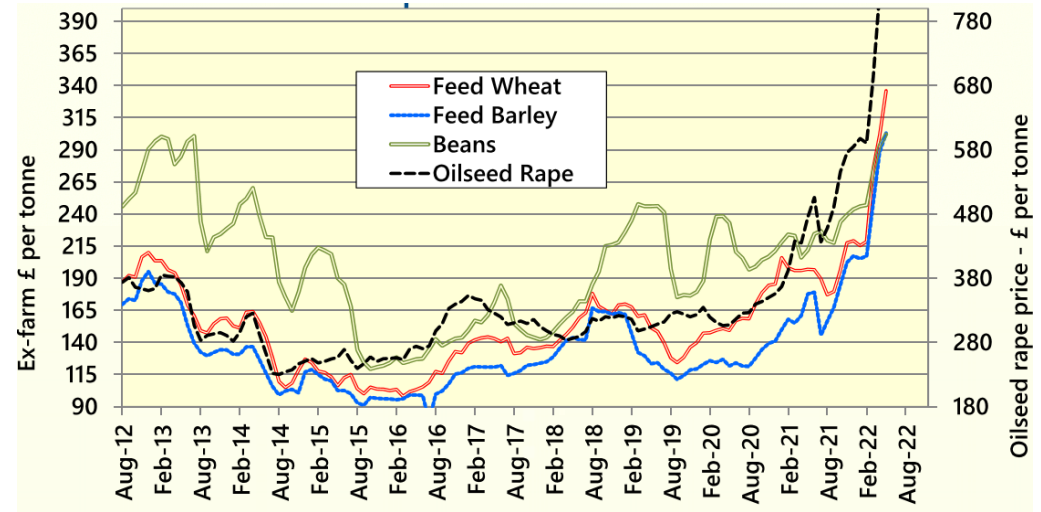
AHDB

**Deadweight cattle price (p/kg)**



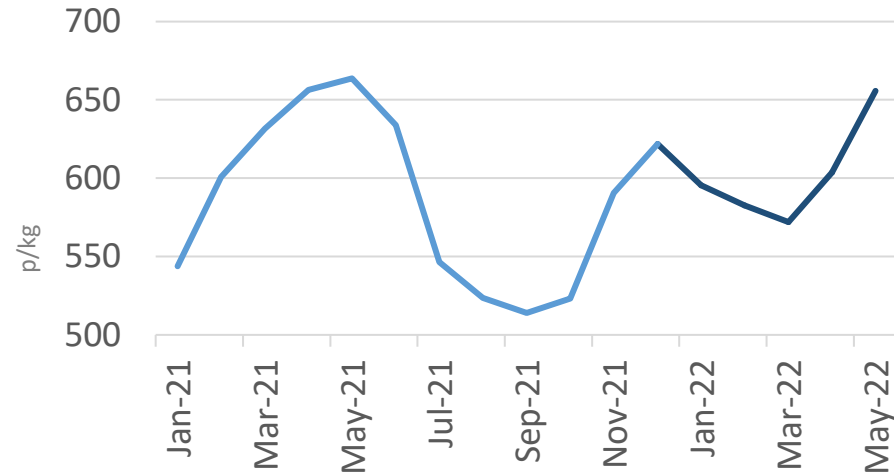
AHDB

**UK crop prices – Ex-farm spot values 2012 - 2023**



Defra/ AHDB/ Andersons

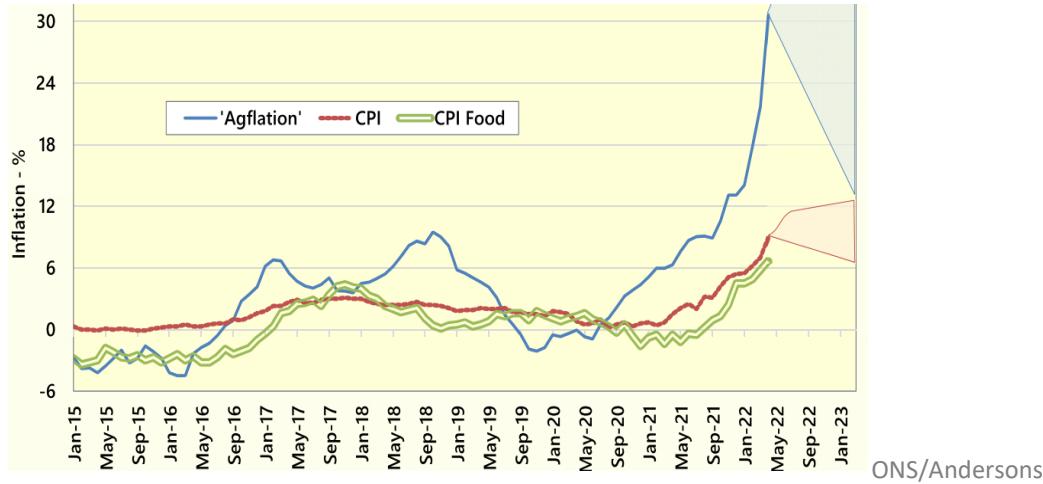
**Deadweight sheep prices (p/kg)**



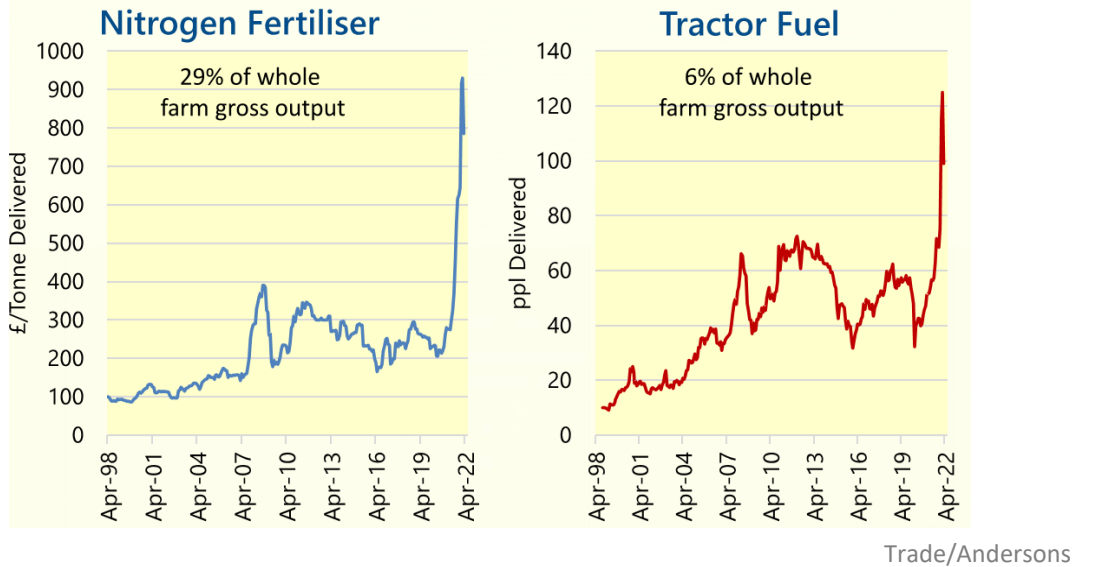
AHDB

# Market Trends

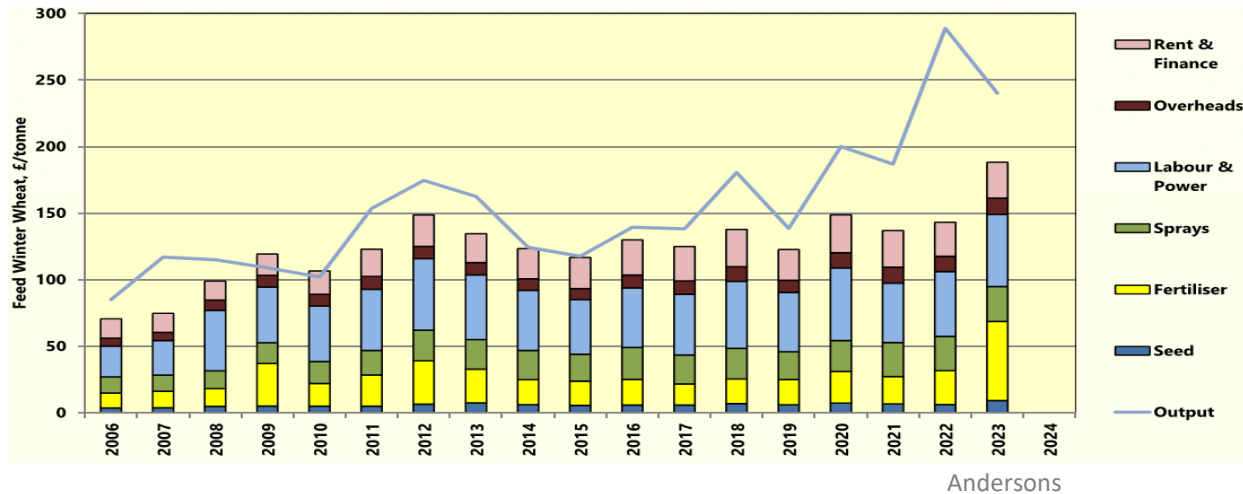
## CPI and 'Agflation' – 2015 - 2023



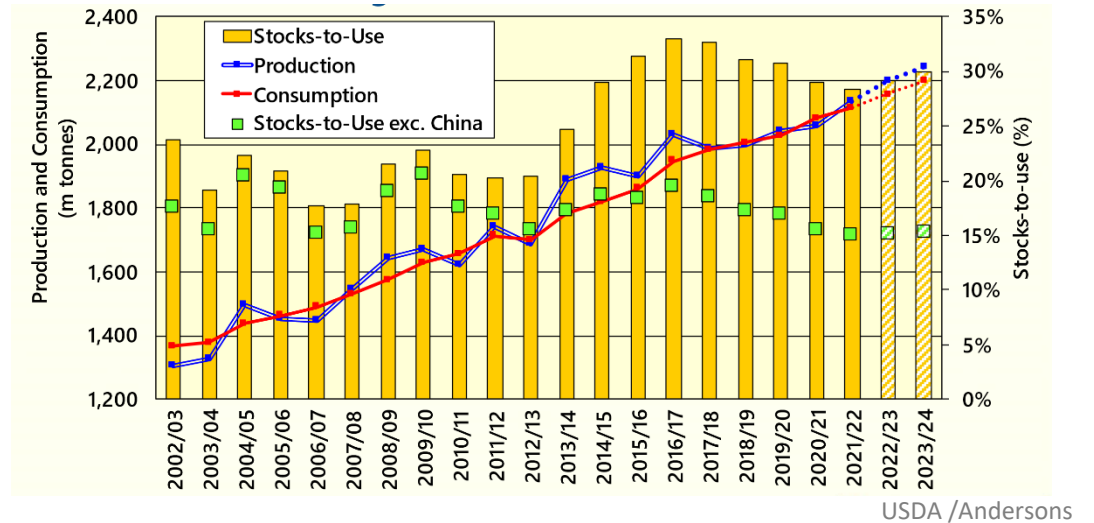
## Key inputs price inflation



## Feed wheat costs of production



## Production, Usage & Stocks of Grain – 2002 – 2023



## Brexit and UK Agriculture Act

- **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 Act 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**