

Wide Open Agriculture Ltd

Focused on returns for owners and the environment

Wide Open Agriculture Ltd is a regenerative food and agriculture company with a focus on ethical meat, oat milk and lupin protein, creating jobs and business activity in the local community, and sustainable profits for its shareholders. The company has created a brand, Dirty Clean Food, which sells produce from Western Australian cattle, sheep, dairy and poultry farmers to retail, meal kit companies, online and food service in that state. WOA is also developing, with WA's Curtin University, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and food engineers Process Partners, a plant-based lupin protein as an alternative to soy and pea in plant-based proteins. The company is launching the first West Australian, regenerative oat milk in Q4 CY20 and is conducting a feasibility study to manufacture in WA. WOA raised \$5m at IPO in 2018 at \$0.20/share and subsequently raised \$3m at \$0.27/share in June 2020.

Business model

Wide Open Agriculture encourages the widespread uptake of regenerative farming practices through building a vertically integrated food and agriculture company, aligning to consumer's demand for sustainable food with clear provenance and traceability. The company has developed a consumer brand, Dirty Clean Food, through which it sells to WA consumers, meal kit companies and restaurants meat, dairy, poultry and grain products, predominantly through online, home delivery sales channels. WOA has seen a marked expansion of sales in the COVID-19 environment following the WA Government's state-wide lockdown that commenced in March 2020 with the online sales absorbing the loss of sales from the WA food service sector shut down by the pandemic. Longer term, the company intends to expand its footprint beyond WA. The company has secured a non-packer meat export licence from the Federal Government's Dept of Agriculture and Water Resources which permits WOA to market and distribute meat into eastern Australia and South East Asia.

Recent company commentary

Revenues in FY20 have reached almost \$1.45m, a five-fold increase on FY19, with demonstrable growth every quarter on quarter, with 40% of FY20 revenues generated in Q4. Q4 sales saw a 49% increase over Q3 sales to \$0.57m, following a 175% jump in online sales to \$0.23m. Gross profit for the year was \$0.27m versus \$0.012m in FY19. Total income for the year was \$1.9m, versus \$0.31m a year ago. The 49% increase in sales in Q4 FY20 over Q3 FY20 to \$0.572m following a 175% increase in online retail sales to \$0.23m. WOA posted a net loss, excluding one-time items and impairments of \$1.24m, compared with \$1.62m a year ago. The company ended the year with net cash of \$3.9m, having topped up with a \$3m raise in June 2020.

Trading at a premium to food and agricultural peers

We have identified Clean Seas Seafood, NuChev and Murray Cod Australia as the most closely aligned Australian peers in terms of market size and focus on sustainability. WOA's recent share price strength has the company trading at a substantial premium to these peers, on an EV/Revenue basis (50x FY20 revenues), reflecting its earlier stage in its lifecycle and the demonstrated rapid sales growth that the company has achieved over the past 12 months.

Historical earnings and ratios (In A\$m unless otherwise stated)

Year end	Revenue (A\$m)	Sales revenue	Gross Profit	EBITDA Adj.*	NPAT Adj.*	NPAT Rep.	EPS Adj.*(c)	EPS Rep.	EV/Sales^ (x)
06/17a	0.07	0.03	(0.02)	(0.83)	(0.90)	(0.90)	na	na	na
06/18a	0.55	0.03	(0.03)	(1.12)	(1.30)	(1.30)	na	na	na
06/19a	0.31	0.05	0.01	(1.48)	(1.62)	(2.08)	(2.30)	(2.95)	17.1
06//20a	1.90	1.47	0.27	(1.20)	(1.24)	(1.86)	(1.71)	(2.56)	15.2

Source: Company data *EBITDA & NPAT adj for one-time, non-cash items ^year end price used

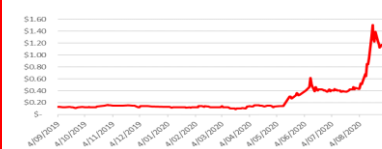
Agriculture

4 September 2020

Share details

ASX Code	WOA
Share price (3-Sep)	\$1.08
Market Capitalisation	\$100.7M
Shares on issue	91.7M
Net cash at 30/06/2020	\$3.9M
Free float	28.7%

Share performance (12 months)



Upside Case

- Tapping into growing demand for plant-based foods and beverages
- Established relationships with wholesale customers (restaurants and meal kit services)
- Regenerative farming is a leading trend in food consumption

Downside Case

- Early stage and potentially will need additional cash
- Currently sales are confined to WA
- High end product lines which may struggle in an economic downturn

Catalyst

Demonstrated commercial success with lupin Protein and oat milk manufacturing plant

Comparable companies (Aust/NZ)

Clean Seas Seafood (ASX:CSS), Murray Cod Australia (ASX:MCA), NuChev (ASX:NUC)

Top 5 shareholders

Fanja Pon	18.21%
Commonland Foundation	17.59%
Anthony Maslin (NEC)	11.46%
Dr Ben Cole (CEO/MD)	11.09%
Stuart McAlpine (NED)	2.93%

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FINANCIAL SERVICES GUIDE

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Effective Date: 26th November 2018



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