

Wide Open Agriculture Limited

(WOA \$1.00) Speculative Buy

Analyst	Date	Price Target
Harry Stevenson	8 th October 2020	\$1.72/sh

WOA Completes \$7m Placement

Investment case

Wide Open Agriculture (WOA) has completed a \$7m share placement, which was strongly supported by a number of existing and new institutional and sophisticated investors. The placement leaves WOA well capitalised to focus on development of the lupin protein and oat milk products, while providing funds to continue to grow brand awareness and market penetration of the Dirty Clean Food product lines.

In the short term we look for the successful imminent launch of the Oat Milk product and updates on Lupin development to drive share price.

We maintain our Speculative Buy Recommendation and Price Target at \$1.72

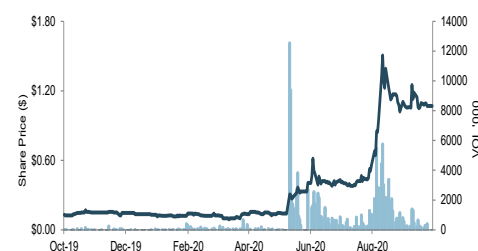
Key points

- \$7.0m through a single tranche placement of 7.7m fully paid ordinary shares at an issue price of \$0.90 per share.
- Up to \$1.5m through a SPP to existing shareholders at \$0.90 per share.
- WOA now well capitalised with estimated -\$14.5m cash following SP and SPP (assuming full take up of SPP).
- Funds to be deployed as follows:
 - Lupin protein: design, build and operate a pilot-scale lupin protein manufacturing facility.
 - Oat Milk: design, build and operate a commercial-scale oat milk facility.
 - Ethical meat and digital platform: development of marketing strategy and farming system for large-scale beef, lamb and poultry operations.
- We have updated our model to reflect expanded capital structure subsequent to issue of 9.4m shares

Wide Open Agriculture Ltd	Year End 30 June	
Share Price	1.00	A\$/sh
Price Target	1.72	A\$/sh
Valuation (DCF)	2.05	A\$/sh
WACC	8.8%	
Terminal Growth	3.0%	
Shares on issue*	88	m dil
Market Capitalisation	87.5	A\$m
Enterprise Value	83.6	A\$m
Debt (FY'20)	0.5	A\$m
Cash (FY'20)	4.4	A\$m

Key Financials	2020a	2021f	2022f
Revenue (A\$m)	2.2	4.8	24.3
EBITDA underlying(A\$m)	-1.8	-2.6	2.8
EBIT (A\$m)	-1.9	-2.7	2.0
Reported NPAT (A\$m)	-1.9	-2.7	0.9
Normalised NPAT (A\$m)	-1.9	-2.7	0.9
Gross Cashflow (A\$m)	-1.8	-2.6	1.8
Capex (A\$m)	-0.1	0.0	-35.0
Op. Free Cashflow (A\$m)	-1.9	-2.7	-33.2
Revenue Growth (%)	632%	114%	408%
EBITDA Growth (%)	23%	45%	-207%
Norm. NPAT Growth (%)	-11%	46%	-133%
Normalised EPS (Ac)	-2.63	-3.10	1.02
Norm. EPS growth (%)	NA	18%	-133%
PER (x)	-47.2	-32.3	98.0
EV:EBITDA (x)	-45.9	-31.6	29.5
EV:EBIT (x)	-45.0	-30.9	42.7
DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	NA	NA	NA
Net Cash (A\$m)	3.9	9.9	-22.3
Net Debt:Equity (%)	89%	92%	-181%

Share Price Chart



Disclaimer

Euroz Securities declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to Wide Open Agriculture Limited during the last year. Euroz Securities has received a fee for these services.

Euroz Hartleys Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Wide Open Agriculture Limited

(WOA \$1.00) Speculative Buy

Analysis

The strongly supported \$7.5m placement and \$1.5m share purchase plan (assuming full take up by shareholders) at modest discount, leaves WOA well capitalised to support future growth and development.

We have updated our sum of parts valuation to reflect changes to issued capital.

SOP Valuation	Method		A\$m	A\$/Sh
Net Cash	June 20*	na	14.7	0.15
Lupin Protein	Price/Revenue FY'22	7x	75.0	1.10
Oat milk	Price/Revenue FY'22	7x	19.6	0.22
Dirty Clean Food	DCF	na	23.8	0.25
Sum of the Parts				1.72

**Includes SPP and SP*

In the meantime the strategy continues to evolve around each business line as the company edges towards commercialisation of the Oat milk and Lupin protein.

Oat Milk

WOA appears to be on track for an October launch of the Oat Milk product. Sales of plant-based dairy continue to accelerate with the market anticipated to grow at 11.5% CAGR through to 2030.

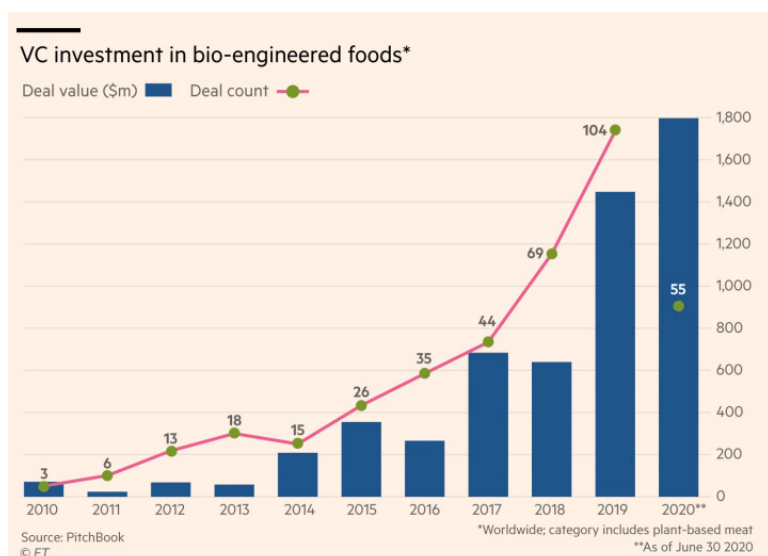
In previous research we have estimated development costs for an Australian processing plant to be in the region of ~\$5m, with an estimated annual capacity of ~18m litres.

WOA have indicated that the facility will have the capacity to produce oat and other plant-based milks under DCF's endorsed brand and private label customers.

Lupin Protein

We continue to see the successful development of the Lupin Protein product as key to our investment thesis, with the successful development providing exposure to a rapid growing global market.

Investment in the sector as of June 2020 surpassed the whole of the 2019, with the sector on track to raise more than USD\$3bn for the year.



Euroz Hartleys Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Wide Open Agriculture Limited

(WOA \$1.00) Speculative Buy

WOA remains the only ASX listed company in development of an alternative plant based protein source.

Dirty Clean Food

Funds will be used for the development of the large scale-beef, lamb and poultry operations. Providing WOA with the necessary scale to expand into national supermarket chains. While traditional and digital market campaigns will be used to grow online sales presence in WA, east coast Australia and south-east Asian markets.

We continue to look for full year DCF revenue of ~\$4m; up ~185% YoY.

We maintain our Speculative Buy Rating and Price Target of \$1.72.

Wide Open Agriculture Limited

(WOA \$1.00) Speculative Buy

Financial Statements	2020a	2021f	2022f	Performance Ratios	2020a	2021f	2022f
Income Statement				Growth & Margins			
Revenue	1.4	4.4	24.0	Revenue Growth	195%	363%	1558%
COGS	-1.2	-3.4	-15.5	EBITDA Growth	23%	45%	-207%
Gross Profit	0.3	1.0	8.5	EBIT Growth	-11%	46%	-172%
Other Income	0.8	0.4	0.4	Normalized Net Profit Growth	-11%	46%	-133%
OPEX	-2.9	-4.0	-6.1	EBITDA margin	-126%	-60%	12%
EBITDA	-1.8	-2.6	2.8	EBIT margin	-128%	-61%	8%
Depreciation & amortisation	0.0	-0.1	-0.9	Normalized net profit margin	-128%	-61%	4%
EBIT	-1.9	-2.7	2.0	Effective tax rate	0%	0%	0%
Borrowing Costs	0.0	0.0	-1.1	Liquidity			
Interest Income	0.0	0.0	0.0	Capex/depreciation (x)	1.5	0.5	39.9
EBT	-1.9	-2.7	0.9	Current ratio (x)	13.5	4.6	2.5
Tax expense	0.0	0.0	0.0	Quick ratio (x)	15.9	4.2	2.2
Reported Earnings	-1.9	-2.7	0.9	Receivable days	46	183	91
Abnormal Expenses / (Incomes)	0.0	0.0	0.0	Payable days	26	146	146
Normalized Net Profit	-1.9	-2.7	0.9	Risk Measures			
Cash flow (A\$m)				Dividend Cover (x)	NA	NA	NA
Profit before Tax	-1.9	-2.7	0.9	Payout ratio (%)	NA	NA	NA
(+) D&A	0.0	0.1	0.9	Net interest cover (x)	NA	NA	NA
(+/-) Other	0.0	0.0	0.0	Net debt/equity (%)	-89%	92%	-181%
(+/-) write-downs/revs	0.0	0.0	0.0	Returns			
(-) Tax Paid	0.0	0.0	0.0	ROIC(%)	-15%	-9%	2%
Gross Cashflow	-1.8	-2.6	1.8	Return on assets (%)	-35%	-19%	2%
(-) Capital Expenditure	-0.1	0.0	-35.0	Return on average equity (%)	0%	0%	0%
(-) Change in WC	-0.2	-0.5	0.4	Share Data/Valuation			
Operating Free cashflow	-2.0	-3.1	-32.8	Share Data			
(+) Other	0.1	0.1	0.0	Issued shares (m)	71	88	88
(+) Share based payments	0.6	0.0	0.6	Weighted ave shares (m)	71	83	88
(-) Investments	-0.1	0.0	0.0	Fully diluted shares (m)	81	98	98
(+) Equity issued	2.9	9.1	0.0	Basic EPS (c)	-2.6	-3.1	1.0
Net Cashflow	1.5	6.0	-32.2	YoY change (%)	-11%	18%	-133%
Bop Net Cash*	2.4	3.9	9.9	Fully diluted EPS (c)	-2.6	-3.1	1.0
(+/-) Net Cashflow	1.5	6.0	-32.2	YoY change (%)	-11%	18%	-133%
EoP Net Cash	3.9	9.9	-22.3	Dividend/share (c)	na	na	na
Balance Sheet (\$m)				Franking (%)	na	na	na
Cash	4.4	10.4	13.2	Gross cashflow/share (c)	-2.6	-3.0	2.0
Receivables	0.2	2.2	6.0	NBV/share (c)	6.2	12.3	14.1
Prepayments	0.0	0.0	0.0	NTA/Share (c)	6.2	12.3	14.1
Inventory	0.2	1.1	2.4	Valuation			
Biological Assets	0.0	0.2	0.4	PER (Basic) (x)	-38.0	-32.3	98.0
Total Current Assets	4.8	14.0	22.0	PER (Fully diluted) (x)	-38.0	-32.3	98.0
Property/plant/equipment	0.1	0.1	34.2	P/CFPS (x)	-38.8	-33.1	49.4
Other non-current assets	0.2	0.2	0.2	Price/NBV (x)	16.1	8.1	7.1
Investments	0.1	0.1	0.1	Price/NTA (x)	16.1	8.1	7.1
Total Non-Current Assets	0.4	0.4	34.5	Dividend Yield (%)	na	na	na
Total Assets	5.3	14.4	56.5	EV/EBITDA (x)	-45.9	-31.6	29.5
Payables	0.3	3.0	8.6	EV/EBIT (x)	-45.0	-30.9	42.7
Provisions	0.1	0.1	0.1	EV/Revenue (x)	57.8	18.9	3.5
Short term borrowing	0.0	0.0	0.0	Other Information			
Total Current Liabilities	0.4	3.0	8.7	Estimated free float			60%
Non-Current borrowing	0.5	0.5	35.5	12-mth High/Low (A\$/sh)			1.85/0.09
Total Non-Current Liabilities	0.5	0.5	35.5	Average daily volume (A\$'000s)			41
Total Liabilities	0.9	3.6	44.2	ASX Code			WOA
Net Assets	4.4	10.8	12.3	Next result			Feb-21
Issued capital	9.6	18.7	18.7	Company Description			
Reserves	1.3	1.4	2.0	Wide Open Agriculture Limited (WOA) was founded in 2015 and listed in 2018. WOA offers consumers access to regeneratively grown products sourced from West Australian famers through its rapidly growing brand "Dirty Clean Food." WOA also invests in alternative food source technology and is currently focused on developing an oat based milk alternative and Australian Sweet Lupin based plant protein.			
Retained profits	-6.5	-9.3	-8.4				
Equity	4.4	10.8	12.3				

Euroz Hartleys Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Disclaimer

EUROZ HARTLEYS

Copyright & Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Hartleys Securities Ltd (ACN 089 314 983) ("EHSL") and clients of Euroz Hartleys Limited (ABN 33 104 195 057) ("EHL") only.

EHSL is the holder of an Australian Financial Services Licence (AFSL 243302) and is a participant of the Australian Securities Exchange Group.

EHL is the holder of an Australian Financial Services Licence (AFSL 230052) and is a participant of the Australian Securities Exchange Group.

The information contained herein is confidential. If you are not the intended recipient no confidentiality is lost by your receipt of it. Please delete and destroy all copies, and contact EHSL on (+618) 9488 1400. You should not use, copy, disclose or distribute this information without the express written authority of EHSL.

Disclaimer & Disclosure

This report was prepared solely by Euroz Hartleys Securities Limited (EHSL).

This report was prepared solely by Euroz Hartleys Limited (EHL).

ASX Limited ABN 98 009 642 691 and its related bodies corporate ("ASX") did not prepare any part of the report and has not contributed in any way to its content. The role of ASX in relation to the preparation of this research report is limited to funding its preparation, by EHSL and or EHL in accordance with the ASX Equity Research Scheme.

ASX does not provide financial product advice. The views expressed in this research report may not necessarily reflect the views of ASX. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by ASX as to the adequacy, accuracy, completeness or reasonableness of the research report.

EHSL, EHL and its associates declare that they deal in securities as part of their securities business and consequently may have a relevant interest in the securities recommended herein (if any). This may include providing equity capital market services to the issuing company, holding a position in the securities, trading as principal or agent and as such may effect transactions not consistent with the recommendation (if any) in this report.

EHL and EHSL declares that they may have separately or jointly acted as an underwriter, arranger, co-arranger or adviser in equity capital raisings, and will have received a fee for its services, for any company mentioned within this report during the last 12 months.

You should not act on any recommendation issued by EHL or EHSL without first consulting your investment adviser in order to ascertain whether the recommendation (if any) is appropriate, having regard to your objectives, financial situation and needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

EHL and EHSL believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of EHL or EHSL accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference.

Analyst Certification

We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities.

No part of our compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in this research.

Contact Details

Euroz Hartleys Securities Limited +61 8 9488 1400

Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Andrew Clayton - Resources Analyst	+61 8 9488 1427
Steven Clark - Resources Analyst	+61 8 9488 1430
Gavin Allen - Industrials Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizee - Associate Research Analyst	+61 8 9488 1414

Institutional Sales

Andrew McKenzie - Executive Chairman	+61 8 9488 1407
Rob Black - Managing Director	+61 8 9488 1423
Jay Hughes - Executive Director	+61 8 9488 1406
Russell Kane - Executive Director	+61 8 9488 1426
Simon Yeo - Executive Director	+61 8 9488 1404
Timothy Bunney - Executive Director	+61 8 9488 1461
Peter Schwarzbach - Executive Director	+61 8 9488 1492
Stacy Kitsantas - Institutional Adviser	+61 8 9488 1486
Jayne Walsh - Institutional Adviser	+61 8 9488 1418

Private Client Advisers

Chris Webster - Head of Private Clients	+61 8 9488 1412
Ben Statham - Executive Director	+61 8 9488 1417
Brian Bates - Executive Director	+61 8 9346 0314
Cameron Murray - Executive Director	+61 8 9488 1440
James Mackie - Executive Director	+61 8 9488 1416
Ryan Stewart - Executive Director	+61 8 9488 1441
Tim Lyons - Executive Director	+61 8 9346 0324
Brett Stapleton - Associate Director	+61 8 9488 1435
Giles McCaw - Associate Director	+61 8 9488 1462
Michael Bowden - Associate Director	+61 8 9346 0307
Richard Gardner - Associate Director	+61 8 9488 1444
Paul Berson - Associate Director	+61 8 9346 0314
Paul Cooper - Associate Director	+61 8 9346 0316
Ian Harrison - Investment Adviser	+61 8 9488 1422
Lauren Walker - Investment Adviser	+61 8 9488 1495
Michael Bartley - Investment Adviser	+61 8 9346 0352
Tom Kenny - Investment Adviser	+61 8 9488 1431
Zac Vinten - Associate Adviser	+61 8 9488 1473
Laurence Grescos - Associate Adviser	+61 8 9488 1419
Katrina Ryan - Associate Adviser	+61 8 9488 1453
Brandon Oosthuizen - Associate Adviser	+61 8 9488 1471

Euroz Hartleys Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.