

# **PGG Wrightson Limited**

**Results Announcement**

**Year ended 30 June 2007**

# Programme

- Results Overview – Bill Baylis
- CEO Review – Barry Brook
- Financials – Mike Sang
- Outlook – Bill Baylis
- Questions

# Results Overview

Bill Baylis  
Chairman

# Results Overview

- NPATA \$41.4 million – up from \$37.6 million last year
- Operating earnings (EBITA) \$63.8 million – up from \$54.5 million last year
- Two themes across the group:
  - Responding to tough operating conditions
  - Progressing long term growth opportunities
- Positive changes made to management structure
- Tough conditions affected Rural Services
- Growth in Financial Services and Technology Services
- Global outlook positive for agriculture

# Chief Executive Officer's Review

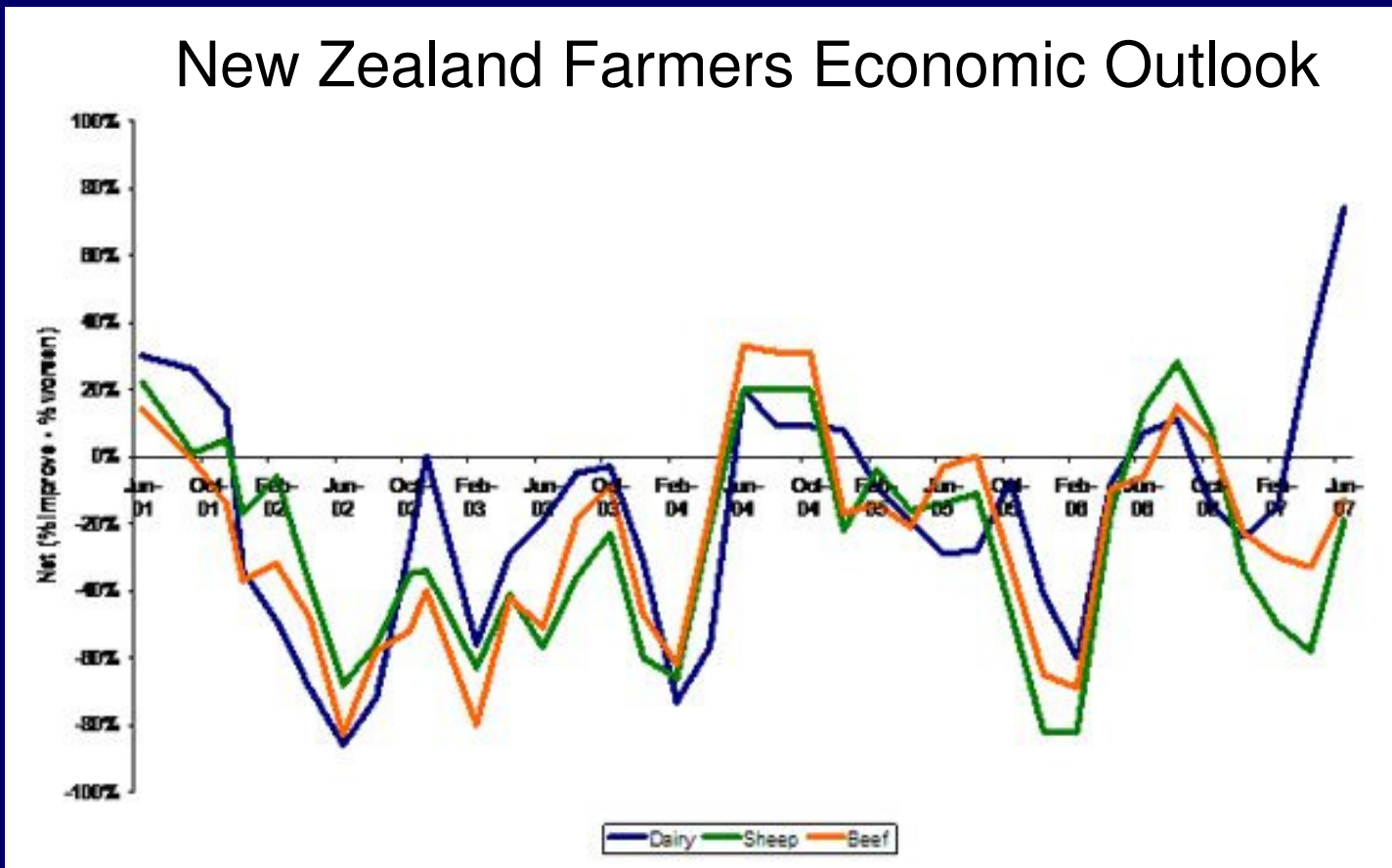
Barry Brook

# Market Overview

- Operating conditions continued to worsen
  - New Zealand dollar impact and interest rates
  - Prices at farm and orchard gate down
  - Milk price the exception but late in season
- Farmer and grower confidence reduced
- Reduced investment / increasing costs
- End of season contrast
  - Buoyancy in dairying
  - Despondency in sheep farming

# Farm Confidence

## New Zealand Farmers Economic Outlook



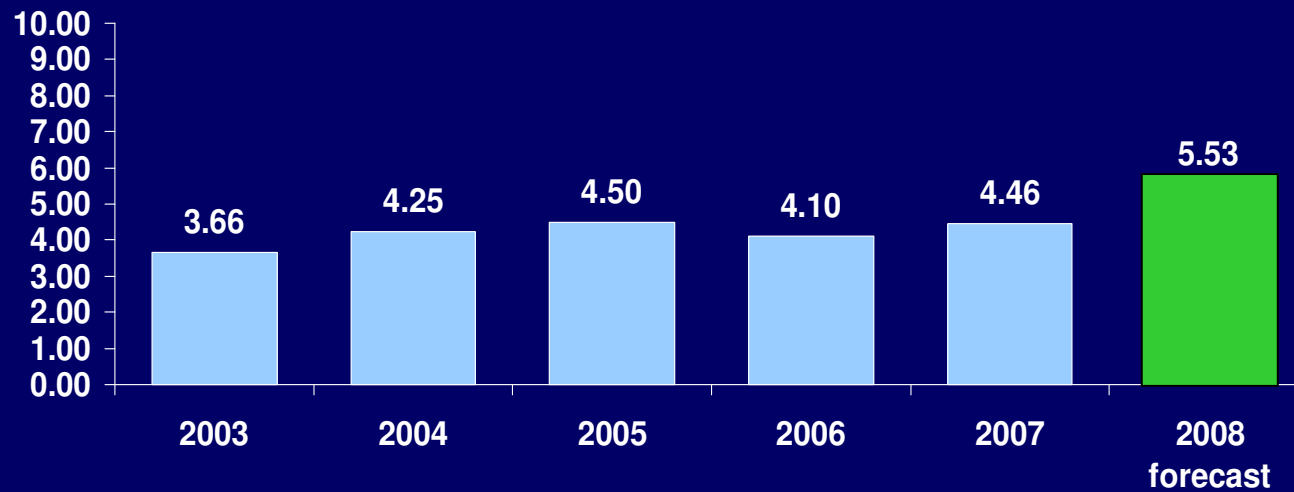
Rabobank/Nielsen Rural Confidence Survey

# Farm Returns

12 months to 31 May 2007

## Dairying

\$s per kilo of milk solids



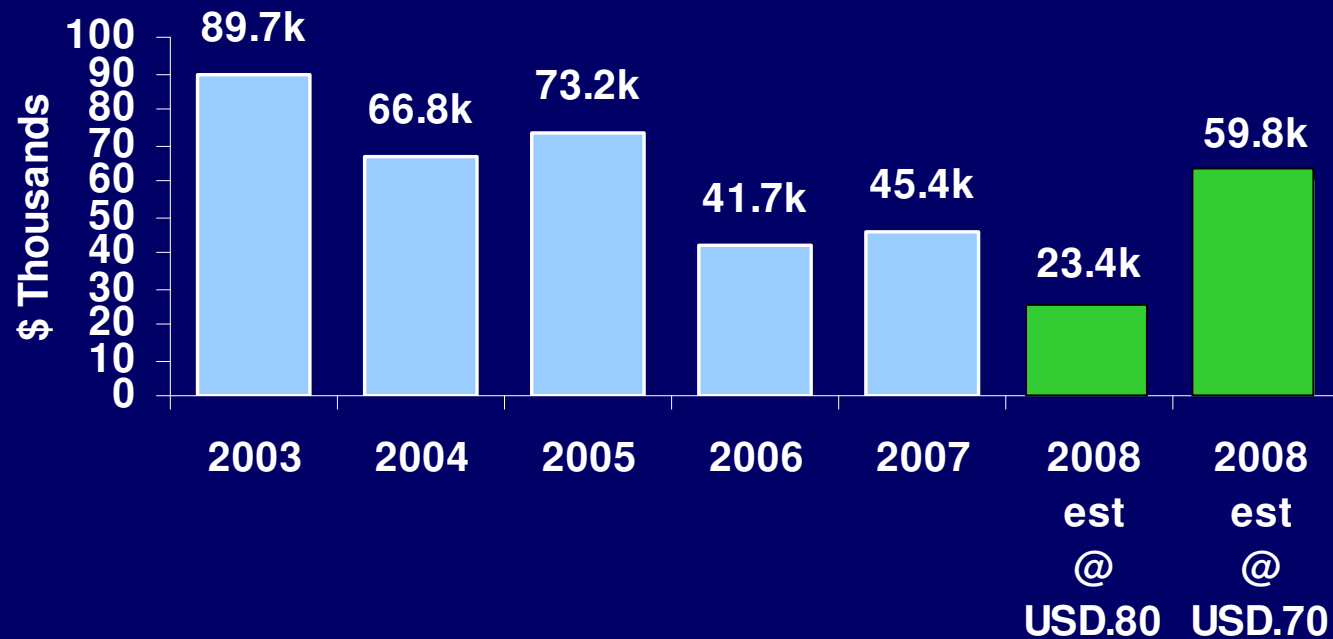
Source: Fonterra Milk Solids Payment

# Farm Returns

12 months to 30 June

## Sheep and Beef

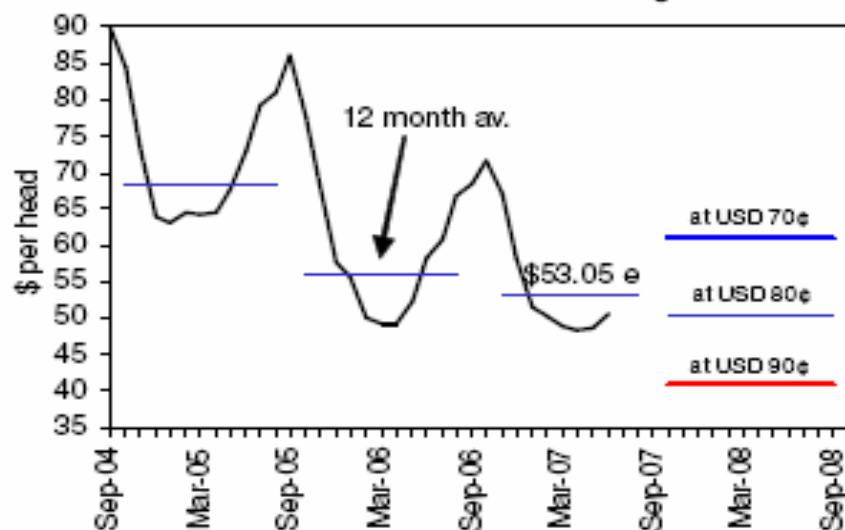
Farm profit before tax



Source: Meat and Wool New Zealand Economic Service

# Average Value of Livestock

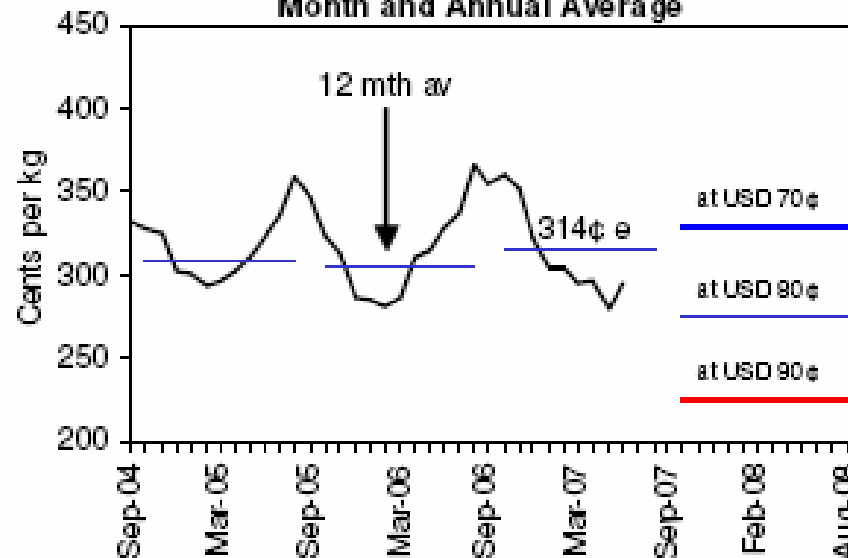
**All Grades Lamb \$ per Head**  
Month and Annual Average



Av Carcase 17.2 Kg

Source: Meat & Wool New Zealand Economic Service

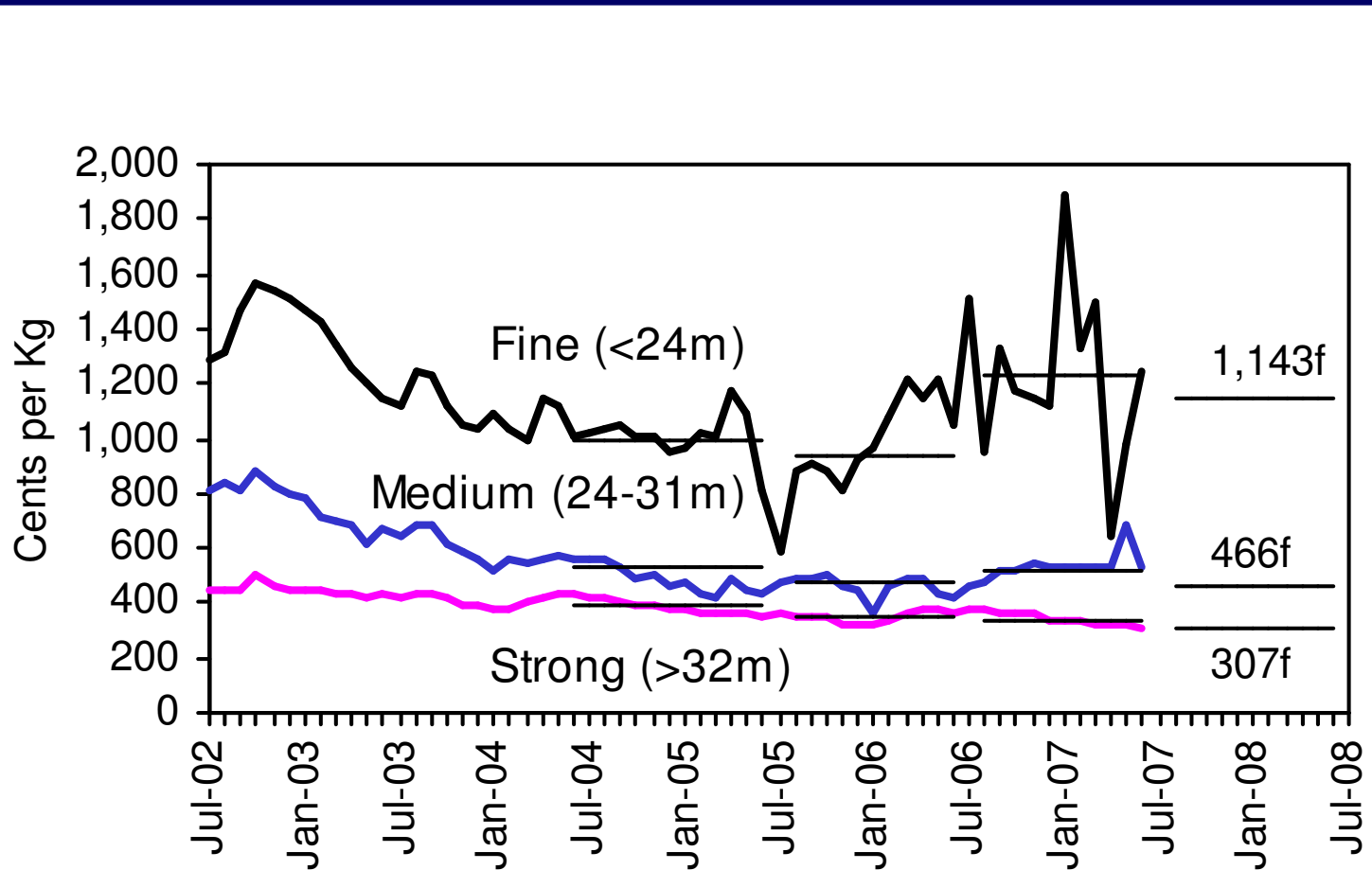
**M Bull Cents per kg**  
Month and Annual Average



Carcase 270-295 kg

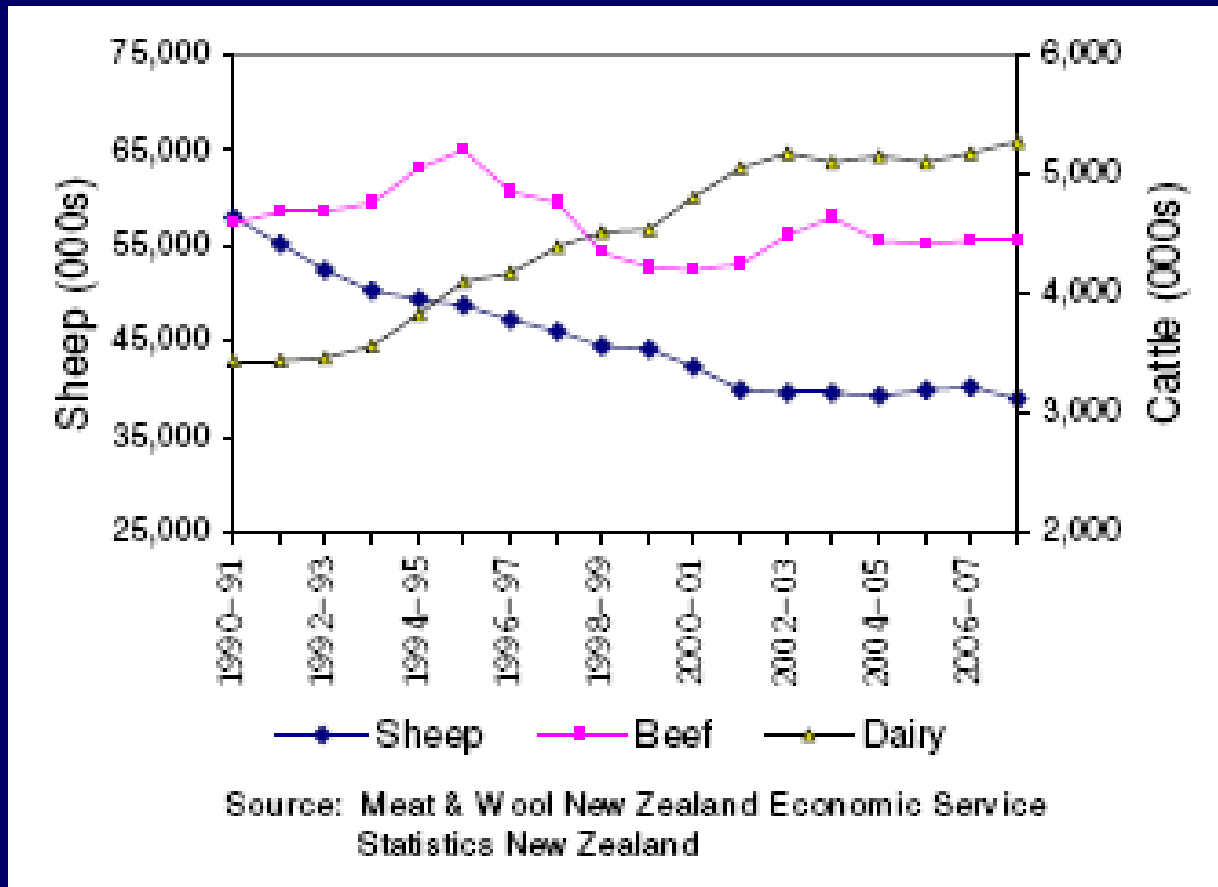
Source: Meat & Wool New Zealand Economic Service

# Wool Market Indicator Prices

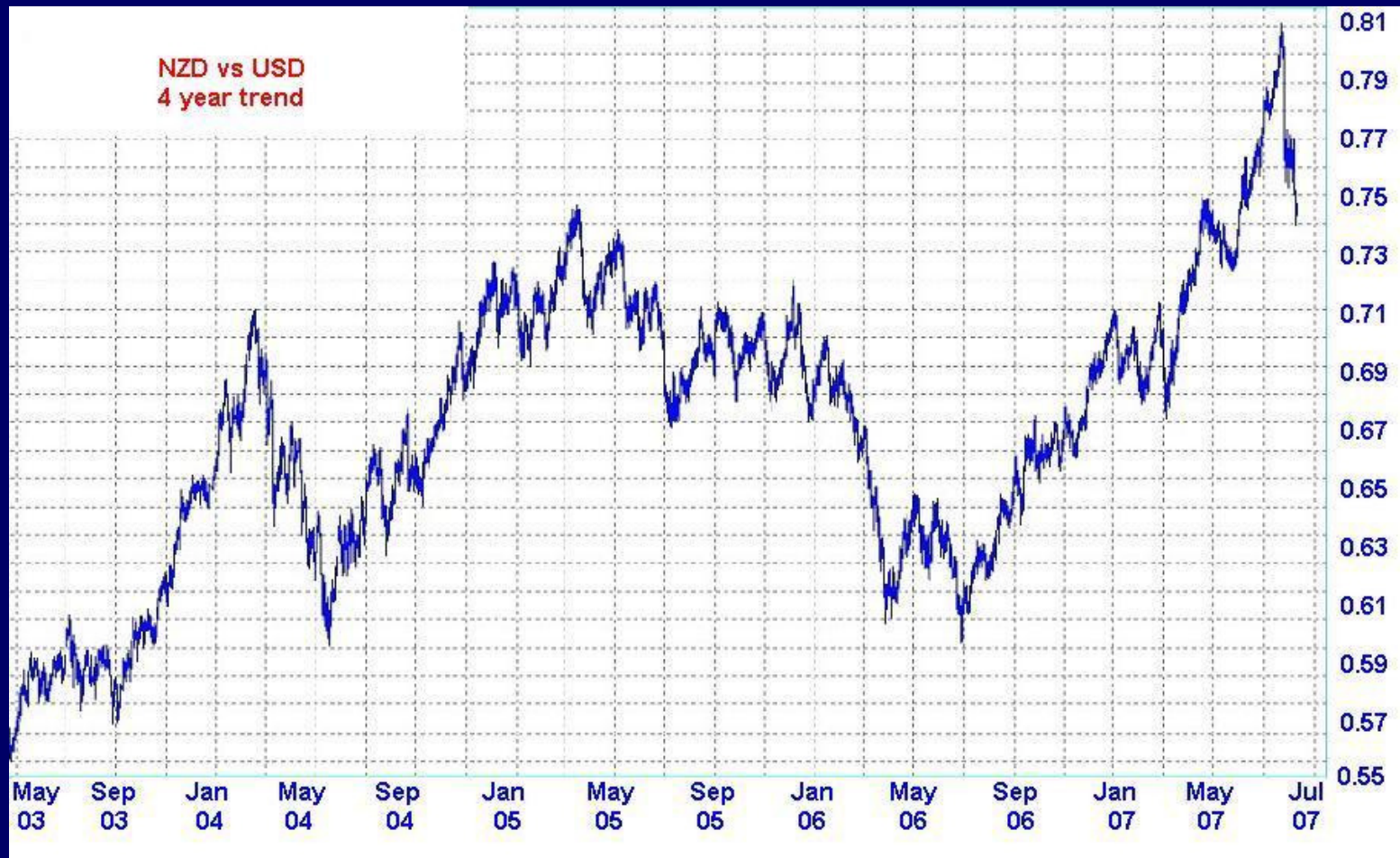


Source: Meat & Wool New Zealand Economic Service

# Stock Numbers



# New Zealand Exchange Rate



# Management Structure Strengthened

- Three groups of operating businesses
  - Rural Services – Hugh Martyn
  - Financial Services – Michael Thomas
  - Technology Services – Paul Tocker
- District Manager roles broadened
- Human Resources – Kate Peterson

# Rural Services

## Livestock

- Sheep tallies down 4.6%
- Beef tallies stable
- Dairy cattle tallies down 15%
- Standardbred and velvet performed well
- Combination of factors
  - Decline in confidence in sheep and beef
  - Lower prices and export schedules

# Rural Services

## Wool

- Prices down due to high NZ\$ - particularly for strong wools
- High pass-in rate at auction
- Market share lost at merger starting to be regained
- Bale intake stable – but increased stocks at season end
- Efficiency gains – reduced costs
- New Zealand Merino continued to perform well

# Rural Services

## Rural Supplies

- Maintained sales in competitive market conditions
- Earnings reduced by effect of competition on margins
- Improved terms of trade negotiated for a range of products – passed on to clients
- Net return inadequate

## Fruitfed Supplies

- Continues to perform strongly

# Financial Services

## PGG Wrightson Finance

- Continued to grow in highly competitive market with tight margins
- Total book growth 22% to \$402 million
- Progress with refinement of systems and processes

# Financial Services

## Real Estate

- Increased market share in core farm business from 25% to 28%
- Rural residential and lifestyle offset downturn in farm sales
- Total sales were steady at \$1.5 billion
- More than 2,200 properties sold

## Insurance

- Partnership relationship with AON continues to grow
- Cross-selling opportunities leveraged

# Financial Services

## Funds Management

- New business unit created to develop opportunities
- New Zealand Farming Systems Uruguay launched
  - \$169 million raised in IPO and subsequent placements
  - PGW has 11% shareholding
- PGW has contract to manage New Zealand Farming Systems Uruguay fund
  - 1.5% per annum + performance fee
  - 1% per annum from July 2008 + performance fee
- Complements other South American activity
  - PGW group have farm management contract

# Technology Services

## Seed and Grain

- Remains the largest contributor to earnings
- Forage seed sales maintained in tight market in NZ and up slightly in Australia despite drought
- Turf sales up in NZ but reduced by drought in Australia
- In Grain, significant increase in sales of proprietary cereals and strong performances in grain trading and maize
- Continued growth in South American business, with proprietary seed sales in Uruguay again at record levels

# Technology Services

## Animal Nutrition (Agri-feeds)

- Difficult market environment

## Training and Consultancy (Agriculture NZ)

- Exceeded budget
- Strong demand for Farmsafe programme
- Consulting improved performance

# Business Improvement & Growth Initiatives

## Rural Services

### Livestock

- Dairy cow data at clearing sales and website
- Expansion into Australia

### Wool

- Significant investment in new technology
- NZ Merino Company marketing initiatives (Zque brand)

### Irrigation and Pumping

- Finance and lease products introduced

# Business Improvement Initiatives

## Rural Services

### Rural Supplies

- 5 new stores and 10 stores refurbished
- Acquisition of AgCentral from Tatura Dairy Company
- Pasture Smart agronomy seminars
- GForce Max glyphosate launched successfully

### Fruitfed Supplies

- Acquisition of Shepherds AgHort Supplies
- Integration of PGG Horticulture stores in Hastings, Blenheim and Alexandra

# Business Improvement & Growth Initiatives

## Financial Services

### PGG Wrightson Finance

- Loan growth and new product development
- Focus on building relationships with key accounts
- Key finance manager appointments in Waikato, Taranaki and Otago

### Real Estate

- Eight new offices opened, and more planned
- *TradeMe Property* facility established
- Expansion into Victoria, Australia

# Business Improvement & Growth Initiatives

## Financial Services

### Funds Management

- Establishment of Funds Management business
- Establishment and float of NZ Farming Systems Uruguay

### Insurance

- Further improvement of relationship with AON and referral process

# Business Improvement & Growth Initiatives

## Technology Services

### Seed & Grain

- New forage products brought to market - AR37 endophyte technology finds market favour
- New logistics centre in Melbourne
- Key R&D relationships expanded (AgResearch, INIA)
- Acquisition of Auswest Seeds (NSW) Australia

### South America

- Acquisitions of
  - 51% shareholding in Alfalfares
  - Minority interest in Wrightson PAS
  - AgarCross from DuPont

### Animal Nutrition

- New factory for Time Capsule in Hamilton

### Animal Health

- Acquisition of Fecpak International

# Business Improvement & Growth Initiatives

## Corporate

- Development in systems and processes, particularly a Data Warehouse and CRM
- Announced Dividend Reinvestment Plan
- Sale of PGC shares and surplus wool store
- Restructured debt facilities, including standalone finance company facilities
- Implemented new Risk Assurance and Internal Audit programme

# Future Priorities

## Key themes

- Financial Services - expansion
- Rural Services – efficiency and effectiveness at local level
- Technology Services – expanding use of technology
- Australia and South America – incremental planned growth
- Expand involvement with dairy sector

Financials

Mike Sang

Chief Financial Officer

# Financial Summary

	2007	2006
EBITA excl one offs	\$63.8m	\$54.5m
NPATA	\$41.4m	\$37.6m
Operating cashflow	\$41.1m	\$12.4m
NPATA per share	14.7 cents	13.4 cents
Full year dividend	12 cps	10 cps
Total assets	1.15b	\$1.12b
Finance assets	\$402m	\$330m
Total bank debt <sub>(1 &amp; 2)</sub>	\$305m	\$253m

(1) 2006/07 includes parent advance to the finance subsidiary of \$51.0m

(2) 2007/08 includes standalone finance company debt of \$74.5m

# Financial Performance

\$million

	2007	2006
Revenue	<u>1,035</u>	<u>848</u>
NPAT	26.2	27.0
Amortisation	<u>15.2</u>	<u>10.6</u>
NPATA	41.4	37.6
Non-recurring	<u>9.8</u>	<u>7.6</u>
Underlying earnings	31.6	30.0

# Cash Flow

\$million

	2007	2006
Operating cash flows	41.1	12.4
Investing cash flows	-80.6	-61.4
Financing cash flows	<u>-21.4</u>	<u>+4.2</u>
Net decrease/(increase)	-60.9	-44.8

# Cash Flow

\$million

Cash Flow of negative \$52m includes the following:

	2007	2006
Net Finance Receivables	\$50m	\$32m
Repayment of Bank Mortgage	\$15m	
Merger expenses paid	\$7m	\$24m

## Business Group Performance – Revenue

\$million

	2007	2006
Rural Services	716	583
Financial Services	85	67
Technology Services	230	196
Corporate Costs	5	3
Total *	<u>1,035</u>	<u>849</u>

\* 2006 only includes 9 months of the ex Wrightson businesses due to merger occurring October 2005

# Business Group Performance – EBITA

\$million

	2007	2006
Rural Services	26.8	30.0
Financial Services	17.6	15.2
Technology Services	32.8	24.1
Corporate Costs	(13.5)	(14.9)
Total *	<u>63.8</u>	<u>54.4</u>

\* 2006 only includes 9 months of the ex Wrightson businesses due to merger occurring October 2005



# Balance Sheet

\$million

	2007	2006
Total equity	<u>410</u>	<u>415</u>
Current assets	593	616
Non-current assets	<u>554</u>	<u>508</u>
Total assets	1,146	1,124
Total liabilities	<u>736</u>	<u>709</u>
Net assets	410	415

## Debt

\$million

	2007	2006
PGGW Finance Ltd	75	51
Other PGGW companies	<u>230</u>	<u>217</u>
Total bank debt and mortgages	<u>305</u>	<u>268</u>
Net Finance receivables	125	75

# Chairman's Overview

Bill Baylis

## 2007/08 Outlook

- Short term outlook – very positive for dairying but uncertain for other sectors
  - Hike in global milk powder prices
  - Fonterra payout - \$5.53 per kg milk solids
- Medium and long term outlook strongly positive
  - International growth (especially China & India)
  - Land use change for bio-fuel production
  - Continued conversion to dairy and dairy support
- PGG Wrightson is positioned to perform well and benefit from trends evident and strategies being implemented

# Questions