



PGG Wrightson

Half Year Result Summary

For the six months ended 31 December 2018



Helping grow the country

Financial reporting changes

- The sale of PGG Wrightson Seeds Holdings Ltd (Seed and Grain) to DLF Seeds A/S is considered to be highly probable.
- Accordingly, Seed and Grain is disclosed as a discontinued operation with its assets and liabilities recorded separately as held for sale. The comparative periods profit or loss also includes Seed and Grain as a discontinued operation.
- The risks and rewards of the Seeds and Grain business are effectively treated as having passed to the purchaser, DLF Seeds A/S, from 1 July 2018.

Rural Services*

- Half year Operating EDITDA for Rural Services of \$17.8 million (compared to the record \$23.4 million in FY2018) impacted by a wet season and a claim event.
- The factors impacting performance have been felt across the rural sector and PGW has confidence that we have held, and in some cases grown, our market share.
- Following settlement of the Seed and Grain transaction we would expect to report a capital gain on sale in excess of \$120 million which will flow through to net profit after tax.

*Rural Services incorporates Agency operating group, Retail and Water operating group, along with Other (supporting corporate services).

Rural Services Half year result

Operating EBITDA (three year summary)

	HY 2017 (\$ million)	HY 2018 (\$ million)	HY 2019 (\$ million)
Retail and Water	18.9	23.6	23.0 ¹
Agency	2.0	4.6	1.6 ²
Other	-3.6	-4.8	-6.8 ³
Rural Services	17.3	23.4	17.8

1. A \$1.8 million one-off claim event cost which was not recoverable.

2. Negatively impacted by Wool and Real Estate trading, and a first half timing delay for our Livestock business.

3. Increase due to strategic review costs and timing of inter-company eliminations.

Seed and Grain

- Seed and Grain is now accounted for as a discontinued operation, which does not impact Operating EBITDA but does impact NPAT.
- For the six months ending 31 December 2019 Seed and Grain posted a net loss after tax of \$8.6 million compared with a net profit after tax of \$2.7 million for the same period in FY2018.
- This under performance relates primarily to the South American operations, in particular the AgroCentro joint venture (of which Seed and Grain acquired the remaining 50 percent during this period). Conditions in the agricultural sector in Uruguay remain challenging given the continuing effects of the droughts and floods experienced in the region, combined with lower commodity prices.

Interim dividend

- An interim dividend of 0.75 cents per share has been declared.
- Dividend to be fully imputed.
- To be paid on 5 April 2019 to shareholders on the share register on 15 March 2019.
- Dividend declaration is based on the performance of the Rural Services businesses.

Outlook for FY2019 (full year to 30 June 2019)

- On balance PGW remains cautious for the remainder of the financial year
- Full year Operating EBITDA for FY2019 to be similar to FY2017, in the range of \$25 to \$30 million
- Final full year NPAT to be driven by gain on sale of Seed and Grain

Seed and Grain transaction status update

- The sale of Seeds and Grain to DLF Seeds A/S is now only conditional upon Overseas Investment Office approval and the completion of regulatory filings in Uruguay.
- The agreed headline price of \$434 million (including net debt of \$21 million) for the Seed and Grain business results in a purchase price of \$413 million.
- After sales proceeds are received on settlement and debt repaid, PGW would be expected to have a cash surplus of circa \$210 million (subject to transaction completion timing, working capital requirements that can fluctuate materially through the annual cycle and other transaction wash-up items).
- Further guidance on the non-taxable capital distribution to shareholders will be provided after the remaining conditions are confirmed. Factors impacting the capital return include; the ultimate cash surplus, desired ongoing PGW debt profile, capital / cashflow requirements and alternative uses of funds to support growth etc.