25 July 2018

PGG Wrightson Affirms Strong Operating Performance

PGG Wrightson (PGW)* Chief Executive Ian Glasson provided an earnings guidance update today for the financial year to 30 June 2018.

Mr Glasson advised that it was pleasing that PGW expected its full year Operating EBITDA** to be at the top end of the previously-announced guidance range of $65 to $70 million (FY2017 $64.5 million). This follows very strong performances from the Retail and Water, and Agency businesses.

However, net profit after tax (NPAT) was now expected to be approximately $20 million. NPAT was impacted by a one-off provision for the remediation costs of historical liabilities under the Holidays Act 2003. Management's best estimate of the after tax impact of this is $6 million which remains subject to review.

This year's NPAT result also reflects increased depreciation due to recent investments in technology, unrealised losses on PGW's export currency hedges, a higher interest expense and effective tax rate, and an absence of gains on the sale of properties. For comparative purposes, last year's results included the impact of significant non-recurring property sales gains (FY2017 $8.7 million).

Mr Glasson noted that it was "very satisfying to see the trading result at the top end of the forecast range and well up on the prior year. I think that this is an operating result the company can be proud of and is a reflection of the strength of PGW's diversified portfolio of businesses. At the same time PGW's FY2018 NPAT result is impacted by the unintended consequences of misinterpretation of the Holidays Act as is the case with many other large New Zealand employers in recent times."

Mr Glasson said, "As a large agribusiness organisation PGW employs a number of casual, seasonal and part time employees. Like many other New Zealand employers we have found that there have been unintentional errors due to the complexity of the legislation in calculating certain employee leave entitlements. For a number of months we have been working through a project to comprehensively review those calculations made over the past seven years which has been quite a significant undertaking. This work is not yet complete. We continue to set ourselves a high standard of employee relations and we aim to remedy any historical liabilities as soon as we are able to. At the same time we are implementing system and process changes to ensure compliance."

Mr Glasson also noted that the company was continuing to work with Credit Suisse (Australia) Ltd and First NZ Capital Ltd on a strategic review of PGW's business, its growth opportunities, capital and balance sheet requirements, and potentially shareholding structure as previously announced. It was hoped that PGW would be in a position to comment further on outcomes of the review in the coming months.

Mr Glasson concluded, "Of course the result for the financial year remains subject to audit and this was progressing with the company on track to announce PGW's full year results on 14 August 2018."

Ian Glasson
Chief Executive Officer

*All references to PGG Wrightson Limited or the Group refer to the Company, its subsidiaries and interests in associates and jointly controlled entities.

*****Operating EBITDA:*** *Earnings before net interest and finance costs, income tax, depreciation, amortisation, the results from discontinued operations, fair value adjustments and non-operating items.*

PGW has used non-GAAP profit measures when discussing financial performance in this document. For a comprehensive discussion on the use of non-GAAP profit measures, please refer to the policy "Non-GAAP Accounting Information" available on our website (www.pggwrightson.co.nz).