PGG Wrightson

$70.2m
Operating EBITDA

$18.9m
Net Profit after Tax

1.25¢
Per share, fully imputed
Final Dividend

14 August 2018

PGG Wrightson repeats record operating performance

PGG Wrightson Ltd* (PGW) announced for the year ended 30 June 2018 a full year operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA)** of $70.2 million (FY2017 $64.5 million) and net profit after tax (NPAT) of $18.9 million (FY2017 $46.3 million).

The company declared a fully imputed dividend of 1.25 cents per share, which will be paid on 3 October 2018. This will bring the total fully-imputed dividends paid for the year to 3.00 cents per share.

PGW Deputy Chairman Trevor Burt said, "It is very pleasing to have seen a significant increase in PGW's Operating EBITDA throughout the year and especially gratifying to have matched 2016's record result. In October 2017 we targeted a range of $65 to $70 million and we exceeded the top end of that."

"We have consistently advised throughout the year that NPAT would be down on FY2017. This year's NPAT result was affected by a number of one-off non-trading items including a one-off provision for the remediation costs of historical liabilities under the Holidays Act 2003. Last year also benefited from significant capital gains on the sale of property. With our property divestment programme largely complete these one-off gains were much lower in 2018. In declaring today's dividend, the Board balanced the one-off nature of these items affecting NPAT and the strong underlying trading performance against the reinvestment opportunities available to the business. We felt it prudent to reduce the final dividend this year." said Mr Burt.

PGW Chief Executive Ian Glasson added, "This is an excellent trading result for PGW, one that we can be proud of. In particular it shows the strength of PGW's rural services businesses. Almost all of our New Zealand businesses were up on last year, with most achieving double-digit earnings growth. These results were achieved despite our Seed and Grain Australian and South American businesses facing challenging climatic conditions. However, the New Zealand agriculture sector was very strong over the course of FY2018, and our trading result reflects our broad-based exposure to New Zealand agriculture and our passion and commitment to the sector."

Mr Glasson noted with respect to the recent Mycoplasma bovis outbreak that "Despite not affecting PGW's financial performance to date, we are working closely with our customers and industry bodies to help manage and monitor the impact on the broader sector."

"The Agency group delivered a record result, with Operating EBITDA up 12 percent on their outstanding result in FY2017. The Livestock business repeated 2017's performance with the effects of higher sheep prices offsetting a lower number of dairy transactions. The Wool team achieved excellent results with volumes returning to more normal levels on a lift in underlying wool prices.

"The Retail and Water group also achieved a record result with another spectacular year. Operating EBITDA increased $5.5 million, which is a very impressive 30 percent increase on the previous year. The improvement was evenly split between Retail, which continues to benefit from its position of technical excellence in the marketplace, and Water, which improved its contribution despite the ongoing challenges facing the irrigation sector."

"The Seed and Grain group had a small reduction in Operating EBITDA, down 4 percent to $35.6 million. Our New Zealand business was the standout performer for Seed and Grain during FY2018, with strong sales volumes not quite enough to offset the impact of extremely dry conditions in South America and in our Australian markets." noted Mr Glasson.

Net cash flow from operating activities reduced $14.7 to $5.8 million, mostly due to an increase in investment in working capital, including the successful growth of Livestock *'Go'* products. After spending a net $20.9 million on capital expenditure and investments, and paying $29.3 million in dividends, net interest-bearing debt increased $40.8 million to $169.1 million.

Mr Glasson added, “Our people are key to our continued robust performance - their commitment and passion for agriculture ensures that we continue to perform strongly in all market conditions. I am proud to say that the levels of morale and staff engagement at PGW remain high.”

Mr Glasson also referred to the announcement of Monday 6 August that PGW had entered into a conditional agreement with DLF Seeds to sell the PGW Seed and Grain business for NZ$421 million. Upon completion of the transaction, PGW would also recognise a gain on sale of more than $120 million.

Mr Glasson emphasised “A key aspect of the agreement is that the way our rural service and Seeds businesses work together would not change. The Seeds team would continue to work closely with the rural services team, alongside their clients. To formalise those arrangements, PGW Seeds (under DLF Seeds ownership) would enter into a long-term distribution agreement with PGW and would also continue to trade under the PGG Wrightson Seeds brand.

It is important to remember that PGW has the strongest nationwide rural services offering in New Zealand, covering the length of the country. A sale of the PGW Seed business would not change that – in fact, it remains business as usual for PGW and its customers. Indeed, upon completion of the DLF Seeds transaction, PGW will have a strong rural services business with revenue of over $800 million and good profitability (FY2018 Operating EBITDA of approximately $35 million).

Mr Glasson concluded, “It is our intention to provide more information on our progress, including an earnings forecast, at the time of the Annual Shareholder Meeting in October.”

Ian Glasson
Chief Executive Officer

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*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. Please refer to our full accounts for details of how Operating EBITDA relates to GAAP. 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*.