11 October 2018

Another good year forecast for PGG Wrightson

PGG Wrightson Limited* (PGW) Chief Executive Ian Glasson announced today that it is forecasting its full year operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA)** to 30 June 2019 to be approximately $70 million, similar to the strong result achieved in 2018.

Note that to facilitate comparison with the prior year's trading, this PGW forecast is on a consistent basis with reported FY2018 results; although the transaction for the sale of its Seed and Grain business to DLF seeds A/S announced on 6 August will substantially change the form of PGW's reporting of financial results.

Ian Glasson said, "Turning now to the current financial year, we are optimistic about the prospects for our trading performance for the year ahead and we have confidence that we can match last year's performance at an Operating EBITDA level. It is early days, as the first quarter is traditionally a quiet trading period and we have seen a late start to spring, however activity has picked up across the business during October.

"Whilst it is too early in the year to forecast net profit after tax (NPAT) with accuracy, we have previously announced that upon a successful completion of the Seed and Grain business during FY2019 we would expect a net capital gain of more than $120 million which would flow through NPAT.

Operating groups' outlook

"The Retail and Water group produced an outstanding result in FY2018 and we expect slightly improved Operating EBITDA this year. Indicators suggest that the horticulture sector's impressive performance is set to continue which bodes well for another good year for Fruitfed Supplies. The Retail business will continue to benefit from its position of technical excellence in the marketplace supported by the expansion of key product lines.

"Following last year's record result for the Agency group we expect the Livestock and Wool businesses to continue to perform well. However, New Zealand's rural real estate market has softened since mid-2017 which has made trading conditions difficult for the Real Estate business.

"As elsewhere in New Zealand, the spring activity has been delayed slightly for the Seed and Grain group. As a result of the lift in activity in recent weeks, we are optimistic about the performance of the New Zealand business in the year ahead. In contrast, continued drought conditions across key regions in Australia will impact earnings. Also, while the Seed and Grain business has made significant investments in South America to set up core infrastructure as a platform for future growth, there are emerging liquidity issues in the rural sector in Uruguay which are likely to impact the FY2019 Operating EBITDA. At this early stage we expect the performance of Seed and Grain to be in line with last year's results," said Ian Glasson.

Update on strategic review and Shareholders' Meeting

Meanwhile, good progress continues to be made with the strategic review. PGW Deputy Chairman Trevor Burt said, "Documentation for the Special and 2018 Annual Shareholders' Meeting to be held on Tuesday 30 October 2018 will be distributed to shareholders this week. This will include the Board's recommendation for the sale of the Seed and Grain business to DLF Seeds A/S, together with explanatory notes and an Independent Appraisal Report prepared by KordaMentha.

"This additional background and analysis will be helpful for shareholders to assess the merits of the proposed transaction in addition to the other matters that conventionally come before our Annual Meeting. Shareholders will have the opportunity to consider, discuss and vote on the special resolution at the meeting," said Trevor Burt.

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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.