Results announcement for PGG Wrightson
Six months ended 31 December 2010

PGG Wrightson (NZX: PGW) has reported earnings before interest, tax and depreciation (EBITDA) of $16.8m (December 2009: $25m) for the six months to end December 2010. Net profit after tax was a loss of $5.9m (December 2009: profit of $4.3m).

Newly appointed Managing Director George Gould said that while losses were unacceptable, a number of one off items had impacted on the result. He said that seasonal and sectorial impacts had also contributed negatively.

“PGW typically makes most of its money in the second half, and this year is no exception, although there are a series of initiatives now underway that will improve consistency of earnings,” Mr Gould said.

Chief Financial Officer Rob Woodgate said the balance sheet had been further strengthened by receipt of the $19.7m payment from Olam in respect of its takeover offer for NZ Farming Systems Uruguay (NZFSU) at $0.70 per share as well as NZFSU’s settlement of outstanding performance and management fees and internalisation of the management agreement amounting to a further $25.5m.

“Our aim is to further strengthen the balance sheet by focusing on core fundamentals of the business and achieving working capital efficiencies wherever possible,” said Mr Woodgate.

Takeover Offer

PGW is presently the subject of a partial takeover from its 19% shareholder, Agria, at $0.60 per share. PGW will publish its Target Company Statement today, which will include an Independent Report on the merits of the offer prepared by Grant Samuel & Associates Limited.

PGW has also announced that it has received an approach from a third party that is undertaking due diligence with a view to potentially making a full takeover offer.

Operating Performance

Mr Gould said that PGW AgriTech had recorded favourable sales levels for the half year with markets across the board experiencing a slow start to spring trading. “The grain business was able to capitalise on strong commodity prices and demand for seed cereals, maize and wheat while the International business group performance improved on the back of positive international markets for seed.

“Agri-Feeds made gains on last year as milk solid prices supported supplementary feeds and a number of farmers utilised this to counter the drought conditions seen in parts of the country.”

Late in the period AgriTech announced the acquisitions of the assets of both Keith Seeds in Australia and Corson Seed Maize division in New Zealand.

Mr Gould said that Rural Supplies had held its own for the six months while Fruitfed Supplies performed well in the latter part of the season in spite of weather delays which influenced both the viticulture and horticulture businesses.

“Livestock results reflected increased volumes through Beefsure and Lambsure finishing programmes while results from Export Livestock were positive as PGW fulfilled an export contract into Vietnam. Contract revenues for Irrigation and Pumping were also improving year on year as the implications of the dairy price improvements start to take effect in the form of new installations.”

Mr Gould said PGG Wrightson Finance had continued to demonstrate good fundamentals with strong reinvestment rates and initiatives to extend the book beyond the non-bank deposit taker Guarantee Scheme.

The latter part of the half year ushered in more rural property activity, with conditional sales more than 25% above the same period last year, though these are taking longer to come to fruition. “Offshore interest is also improving,” Mr Gould added.

Outlook

The PGW Board is remaining with its guidance for the 2010/2011 year of operating EBITDA between $58m to $61m.

For further information

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