PGG Wrightson announces solid first half performance and increase in full year net profit after tax forecast.

PGG Wrightson Ltd* (PGW) has announced today that at the half-year it remains on track to deliver its full-year result in line with earlier guidance.

For the six-months ended 31 December 2016, PGW achieved Operating EBTIDA** of $26.0 million, down $5.0 million from the strong result in the corresponding period last year. Net profit after tax for the period was $16.0 million, broadly in line with the corresponding period last year.

$26.0 M	$16.0 M	1.75 ¢
Operating EBITDA	Net Profit after Tax	Interim Dividend

PGW Chairman Alan Lai said, “The Board and I are pleased PGW is meeting its budgets through these challenging trading conditions. As we foreshadowed, the lower confidence seen in the dairy sector through calendar 2015 and the first half of 2016 has impacted earnings. In that context this is a very pleasing result for the period given the market conditions.”

PGW’s Board declared an interim dividend of 1.75 cents per share, which will be paid to shareholders registered at the record date of 10 March 2017. The dividend will be fully imputed and paid to shareholders on 4 April 2017.

PGW Chief Executive Mark Dewdney said, “We expected the tougher trading environment would mean a dip in earnings for the first half of the year. While there are some key trading months still ahead of us we remain on track to deliver a full year Operating EBITDA in the $62 million to $68 million range as signalled in October last year. In addition, we now expect full year net profit after tax to be higher than last year - in the range of $46 million to $51 million. This increase is due to several non-operating gains we expect to realise in the second half of the year, such as gains on property we plan to sell.

“We continue to operate well in New Zealand and across our other markets. This first half result was affected by the continued caution of dairy farm spending across the New Zealand market - this caution has slowed irrigation development which impacts our Water business. However we look toward the second half of the financial year, which is traditionally the strongest trading period for us, with some optimism that we will see the impact of improving sentiment in the dairy sector. In particular, the early signals are positive for re-grassing and seed demand to pick up in the autumn.”

Commenting on the results, Mark Dewdney explained, “Low dairy prices, reduced production of both dairy and red meat, tough wool trading conditions, and a wet start to spring led to cautious spending from New Zealand’s farming customers during the six months to 31 December 2016. These trading conditions led to a 2% decline in revenue. Despite this, net profit after tax remained broadly unchanged against the prior corresponding period.

> “…the really pleasing thing is that PGW has continued to perform consistently through these demanding conditions. It is a credit to our people and a positive indicator that reflects well on the value that we deliver to our customers, whatever the market conditions.” MARK DEWDNEY, CEO

"We benefit from our diversified business portfolio. This half year our Water and Wool businesses had softer earnings versus the corresponding period last year. Our New Zealand Seeds business was also back slightly, but our other business units all performed at or better than the previous corresponding period.

"Retail increased Operating EBITDA by $2.0 million compared to the previous year. Margins also showed an increase year-on-year. Despite some challenges with weather and competitor activity all three business areas: Rural Supplies, Fruitfed and Agritrade contributed to the strong Retail result.

"Our Livestock business maintained last year's Operating EBITDA for the first half despite tallies for all stock and sales channels being down 1% on last year. This drop in activity is in line with the year-on-year drop in national lamb and mutton kill.

"Seed and Grain's Operating EBITDA was back on the same period last year by $1.7 million. While the South American business had a promising start to the year and the Australian business delivered a steady performance for the first six months, this was offset by a number of factors in the New Zealand market, including a more cautious spend from our dairy and dairy-related clients.

"Our continued focus on cash flow means our balance sheet remains strong, with lower levels of working capital and lower net interest bearing debt of $156.2m compared with our net interest bearing debt at December 2015 of $167.4m."

Looking ahead, Mark Dewdney said, "PGW is maintaining its 2017 full year Operating EBITDA guidance. Overall, confidence in commodity markets is generally higher compared with recent years. As referenced earlier, dairy prices have staged a welcome recovery over the last five months. Beef prices show some signs of stabilising at good levels – down on the peaks of 2014 and 2015, admittedly, but still good by historic standards. Sheep meat prices also seem to be stabilising. Horticulture continues to go from strength to strength – as recently as December the Ministry for Primary Industries forecast that horticulture will maintain around 5% export revenue growth per annum into the foreseeable future. We are also seeing encouraging signs of recovery in Uruguay as they look to put the floods of 2016 behind them.

"On the other side of the ledger, international wool prices have fallen approximately 50% over the past six months, with the consequence that we are seeing a reduction in bales sold.

"Overall, we expect trading conditions will improve for us for the remainder of this financial year. The really pleasing thing is that PGW has continued to perform consistently through the demanding conditions. It is a credit to our people and a positive indicator that reflects well on the value that we deliver to our customers, whatever the market conditions. It's been a while since we've felt the wind at our backs, and the early indications for our 2018 financial year are looking encouraging. Our 2016 earnings were outstanding – I'm confident that 2018 can be even better."

Further information:

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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.

Disclosure Statement: Non-GAAP profit reporting measures:

PGW's standard profit measure prepared under New Zealand GAAP is "Net profit after tax". PGW has used non-GAAP profit measures when discussing financial performance in this document. The directors and management believe that these measures provide useful information as they are used internally to evaluate performance of business units, to establish operational goals and to allocate resources. They also represent some of the performance measures required by PGW's debt providers. For a more 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).

Non-GAAP profit measures are not prepared in accordance with NZ IFRS and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by PGW in accordance with NZ IFRS.

PGW's definition of non-GAAP profit measures used in this document:

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*.

GAAP to non-GAAP reconciliation:

($m)	*Dec 2016*	*Jun 2016*	*Dec 2015*
Net Profit after Tax (GAAP)	***16.0***	***39.6***	***16.1***
Add (Profit)/loss from discontinued operations (net of income tax)	*(0.0)*	*0.2*	*(0.1)*
Add Income tax expense	*5.0*	*8.8*	*6.6*
Add Net interest and finance costs	*1.5*	*10.5*	*3.5*
Add Depreciation and amortisation expense	*5.2*	*9.2*	*4.1*
Add Fair value adjustments expense / (income)	*0.3*	*0.2*	*(0.4)*
Add Non-operating items expense / (income)	*(1.9)*	*1.7*	*1.2*
Operating EBITDA	***26.0***	***70.2***	***30.9***