PGG Wrightson's first quarter on track

Chief Executive, Mark Dewdney announced today that PGG Wrightson Limited* (PGW) is forecasting that its full year Operating EBITDA for 2016 including earnings of associates** is expected to be in the $61 to $67 million range.

"While the recent bounce in global dairy prices provides welcome relief for the sector, our view is that this news has come a little late for New Zealand dairy farmers to materially increase their spending with us for the current season. A low dairy pay-out forecast at the time farm budgets were set remains the key reason we believe our earnings may dip in 2016 from last year's excellent result. Although dairy is a significant part of the overall story, you need to look at the wider agri-sector to get a more comprehensive view on things. For example, confidence remains high in beef, horticulture and viticulture, sectors where PGW is very strongly represented. Furthermore, continued improvements within PGW's business will help support earnings in 2016 and continue to drive growth into the future."

"With the first quarter of the financial year behind us, I'm pleased to say we are tracking slightly ahead of where we thought we would be." Mr Dewdney continued, "In particular, New Zealand Seeds has had a strong start to the year."

Chairman Alan Lai commented that the improvements to PGW Group extend deeper than the earnings growth shareholders have seen in recent years. "We have every faith that the business is on the right path. The Board is confident that our strategy has the business focussed on the right areas and believes that it achieves the correct balance between operational execution, continuous improvement and growth."

Twelve months after introducing shareholders to the group strategy based around the three themes of 'improve', 'grow' and 'game-changers', Mr Dewdney reflected on some of the achievements over 2015. "All our businesses have embraced the 'improve' theme of our strategy and have continued to develop ways to make it easier for customers to do business with us and to more easily deal with multiple parts of our business. We call this 'One-PGW'. We have also completed several significant IT-related projects, such as the roll-out of tablets across our retail field teams and livestock reps. These mobility solutions and improvements to our IT infrastructure create a platform to use technology to further enhance our customer experience."

"Within the 'grow' theme of our strategy we are continuing to gain traction with dairy clients and our Water business in implementing improvements to systems and processes that we believe will see it emerge as the leader in that market. Perhaps the most noteworthy achievement in the implementation of our strategy recently has been in our South American operations. Construction of the new logistics centre in Montevideo is at an advanced stage and we expect that it will be commissioned this calendar year. This provides our Seeds business in Uruguay with the infrastructure it needs to take its operations and business to the next level and ultimately increase sales. We also announced in July this year that we have acquired fifty percent of one of our key strategic partners in the region, Agrocentro Uruguay. This acquisition touches on both the 'grow' and 'game-changer' elements of our strategy. While it provides a clear growth opportunity, perhaps even more importantly, Agrocentro's foothold in rural retail complements our existing operations and replicates the business model we have in New Zealand."

To summarise Mr Dewdney noted that "2015 was an excellent year for PGW. The business managed to grow its earnings despite softening market conditions and this is a strong indicator that we are on the right track."

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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 "Profit/(loss) for the period". 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 Financial 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:

EBITDA: *Earnings before net finance costs, income tax, depreciation and amortisation and the results from discontinued operations.*

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

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

GAAP to non-GAAP reconciliation:

($m)	*Jun-2015*	*Jun-2014*
Profit/(loss) for the period (GAAP, commonly referred to as Net Profit after Tax)	***32.8***	***42.3***
Deduct Profit from discontinued operations (net of income tax)	*(0.1)*	*(0.9)*
Add Income tax expense	*16.2*	*8.5*
Add Net interest and finance costs	*10.8*	*7.9*
Add Depreciation and amortisation expense	*7.9*	*11.2*
EBITDA	*67.5*	*69.0*
Add Fair value adjustments expense / (income)	*0.0*	*(1.3)*
Add Non-operating items expense / (income)	*2.1*	*(6.4)*
Operating EBITDA including earnings of associates	***69.6***	***61.3***
Deduct Equity accounted earnings of associates	*(0.2)*	*(2.5)*
Operating EBITDA excluding earnings of associates	***69.5***	***58.7***