PGG Wrightson trading well despite tougher conditions

PGG Wrightson Ltd* (PGW) has announced its second-strongest interim performance for eight years.

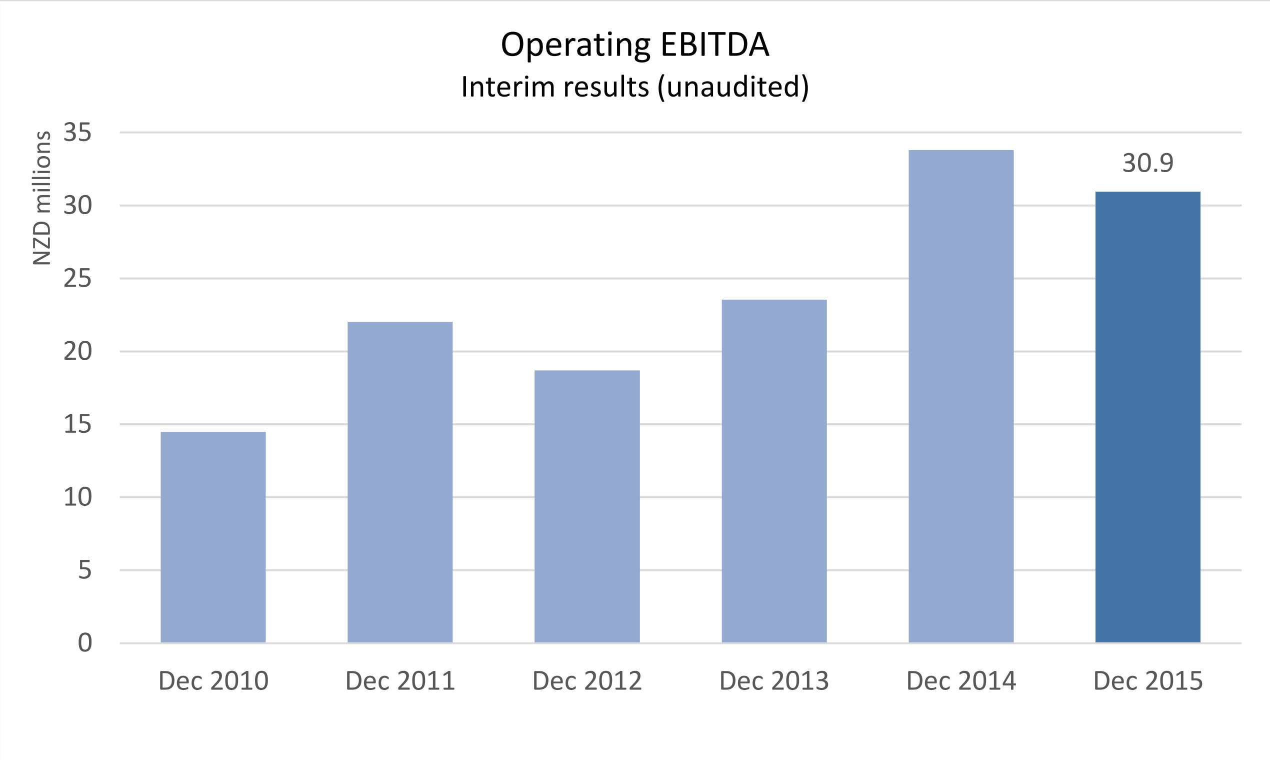
For the six-months ended 31 December 2015, PGW achieved Operating EBITDA** of $30.9 million, down $2.9 million from the record result in the corresponding period last year.

PGW's Board declared a fully imputed dividend of 1.75 cents per share, which will be paid to shareholders registered at the record date of 10 March 2016. The dividend will be paid on 5 April 2016.

Mark Dewdney, Chief Executive, called it "a very strong result given the challenging trading conditions in many agricultural markets. The positive momentum we've built as a group has been sustained and we have confidence that we've outperformed the market as conditions in the agricultural sector have tightened over the past 12 months.

"Our trading performance through the first half is a testament to the broad base and resilience of our business. We have a clear strategy that we continue to execute well. Clarity of strategy and engaged staff have positioned our business well to trade through the very volatile conditions that currently exist.

"In market conditions such as these, customers need to get more benefit out of every dollar they are spending on farm and this plays to our strengths in terms of the quality of our products and the technical expertise of our people. We believe our people are the key to our strong trading performance and profitability. Staff engagement is at record levels and at this time it's critical that our people are committed and willing to put in the extra effort, both for our customers, and the business."



Commenting on the results, Mark Dewdney explained that "Low dairy prices, and the perceived risk of drought from El Niño conditions led to more conservative spending from PGW's farming customers in New Zealand during the six months to 31 December 2015. Consequently, Group revenue decreased 5% and net profit after tax decreased $3.7 million to $16.1 million against the prior corresponding period."

Mark Dewdney said "that the diverse nature of PGW again assisted in balancing the PGW's Group performance, with a number of offsetting business unit performances.

"Retail increased Operating EBITDA by $0.5 million despite reduced revenue. Horticulture and the performance of our Fruitfed business was particularly strong this half.

"A lack of live cattle export activity led to Livestock's Operating EBITDA decreasing by $0.8 million. Domestically, cattle and sheep tallies were higher, but sheep prices were lower. Dairy volumes were also lower than the prior year. The net effect was neutral, with earnings for domestic Livestock overall in line with the prior corresponding period.

"Seed and Grain's Operating EBITDA decreased $1.8 million. Our South American business has experienced a challenging start to the year with some very wet weather and falling soybean prices reducing demand for seed and ag chemicals. This was however offset by another strong result from our New Zealand seed business. We are continuing to see a shift in farmer preferences towards our higher-performing forage and crop seeds. Many of the spring-sown forage options such as brassicas and fodder beet are increasingly seen as a key part of animal winter plans. Demand for our dairy summer feed options such as chicory are also growing as farmers look to reduce reliance on imported supplementary feed in the lower dairy pay-out environment.

"We are comfortable with the position of our balance sheet, albeit with increased levels of working capital and debt. The increase in net debt from June 2015 is largely attributable to the increased seasonal working capital requirements that are typical at this time of year. Also reflected in the debt number are a significant number of investments transacted over the period. These include the Agrocentro business investment, the construction of the new logistics centre in Uruguay, the Grainland Moree business acquisition in Australia, and our new grain drying facilities project in Gisborne." Mark Dewdney said.

PGW Chairman, Alan Lai said "that it was particularly pleasing to see the business continue to perform and maintain momentum through the challenging market conditions. The results reflect well on the culture of the organisation and the strategy that is in place and well understood by the business. The 'One-PGW' approach has gained traction and has assisted in unifying the diverse agribusiness offerings of the PGW Group in a manner that both staff and customers were responding well to. The Board has confidence in the strategy and the capability of PGW's management team to deliver on it."

Turning to the outlook, Mark Dewdney said "PGW was maintaining its 2016 full year Operating EBITDA forecast range of $61 to $67 million.

"While the sentiment in the dairy and sheep meat sector has deteriorated over the last three months, there is strong confidence in the horticulture based sectors that will provide further opportunities for growth. On balance, we consider that this guidance range remains appropriate, though we are realistic that the tough market conditions may push the final result towards the lower end of the range.

"On the positive side, there was concern as we approached the height of summer that the El Niño conditions could result in widespread drought. While parts of New Zealand remain dry, and regionalised drought concerns haven't completely dissipated, it does appear that with regular rainfall since the start of the year, growing conditions have improved in most areas.

"Predictions of the hot dry summer conditions led to sheep farmers processing more of their animals in the first half of the year. This is likely to produce lower trading volumes for our Livestock business in the second half of the year. Prices for lamb remain below the five-year average though this is counter balanced by beef pricing which remains strong.

"Falling commodity prices have replaced El Niño at the top of the list of things attracting attention. Although commodity price movements have been mixed, the outlook for dairy prices in particular remains extremely challenging.

"While there remain a wide range of external factors at play that will impact our performance over the remainder of the financial year we remain optimistic about the medium to long term prospects for agriculture and we consider that PGW is well placed to capitalise on the opportunities in the sector."

Further information:
Mark Dewdney, Chief Executive Officer
Ph. 027 248 3151

*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:

***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.*

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

GAAP to non-GAAP reconciliation:

($m)	*Dec 2015*	*Jun 2015*	*Dec 2014*
Profit/(loss) for the period (GAAP, commonly referred to as Net Profit after Tax)	***16.1***	***32.8***	***19.7***
Add (Profit)/loss from discontinued operations (net of income tax)	*(0.1)*	*(0.1)*	*(0.2)*
Add Income tax expense	*6.6*	*16.2*	*8.5*
Add Net interest and finance costs	*3.5*	*10.8*	*3.3*
Add Depreciation and amortisation expense	*4.1*	*7.9*	*3.7*
Add Fair value adjustments expense / (income)	*(0.4)*	*0.0*	*(0.3)*
Add Non-operating items expense / (income)	*1.2*	*2.1*	*(1.0)*
Operating EBITDA	***30.9***	***69.6***	***33.8***
Deduct Earnings of equity accounted investees	*0.2*	*(0.2)*	*(0.2)*
Operating EBITDA excluding earnings of equity accounted investees	***31.2***	***69.5***	***33.6***