PGG Wrightson Grows from Strength to Strength

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

For the six-months ended 31 December 2014, PGW achieved Operating EBITDA excluding earnings of associates** of $33.6 million, up from $22.3 million for the corresponding period last year.

Mark Dewdney, Chief Executive, called it an outstanding result with increases recorded across most areas of the business.

"The momentum we've built up as a group over the last few years is continuing to increase sales and earnings. This is a particularly pleasing result for the first half and whilst there are headwinds facing the agricultural sector such as falling milk prices and more recently, a dry summer, we are cautiously optimistic about the remainder of the financial year.

"Right across our diverse business we've got great people and great products. We are working hard to stay ahead of our competitors, and our customers are continuing to respond to our improving offering."

Group revenue was up 3% and net profit after tax increased to $19.7 million, up from $13.4 million for the prior corresponding period.

PGW's Board declared a fully imputed dividend of 2 cents per share, which will be paid to shareholders registered at the record date of 12 March 2015. The dividend will be paid on 8 April 2015.

"The improved results were anchored by improvements in PGW's three largest businesses: Retail, Livestock and Seed & Grain", Mark Dewdney said.

"Retail grew sales and lifted margins to achieve a $2.6 million increase in Operating EBITDA. This improvement was led by our core agronomy categories, where our technical expertise is very strong.

"Livestock improved Operating EBITDA by $2.3m. Livestock tallies were broadly in line with the prior corresponding period but prices were higher in cattle and sheep, resulting in higher commission income and earnings.

"Seed and Grain posted a $3.6 million increase in Operating EBITDA (excluding earnings of associates). The increased demand for supplementary forage crops in New Zealand, such as fodder beet, brassicas and herbs, played a big part in this improvement."

PGW's balance sheet remains strong. The June 2014 purchase of 40 previously-leased properties increased debt by approximately $30m. The corresponding decrease in lease expense over the six month period also explains a significant part of the $2.5m lower corporate overhead cost at the Operating EBITDA level.

Alan Lai, PGW Chairman, commented, "We are pleased to see continued improvement across all segments of our core businesses. The Board notes that the execution of the strategy outlined at the Annual Shareholders Meeting in October is on track across the three themes of improve, grow and change."

Mark Dewdney said, "Some current examples of our strategy implementation include launching the project to construct our new logistics facility in Montevideo, Uruguay, the successful implementation of our back office systems upgrade project, and the national roll out of tablets to all Retail Technical Field Representatives and Livestock agents, which creates the platform to build up a suite of mobility solutions for our frontline staff.

"PGW has also recently announced that it has become the exclusive and head agent for Roundup™ products in packages of five litres and larger. Roundup™ will be marketed and distributed to all rural merchants through the company's Agritrade business unit. This is new business for PGW and an example of the type of opportunities that we are targeting to grow our business further. At the same time we are also ensuring that we are doing the right things in our business to prioritise the welfare and safety of our staff. We have implemented a range of health and safety related initiatives to lift awareness, to identify and address risk areas and to further promote a culture where workplace safety is simply part of the way we do things at PGW."

PGW's last trading update in December reiterated guidance that PGW was on track to better last year's Operating EBITDA (excluding earnings of associates) of $58.7 million. While the impact of a number of factors in the remainder of the financial year are yet to be determined, PGW updated full-year guidance to a $62 to $68 million range.

"The strength of this first half result has given us confidence that the 2015 full year result will be a solid one", explained Mark Dewdney, "However there is still a lot of trading activity to get through yet.

"The dry summer in New Zealand will lead to reduced farm spend if it remains as widespread as it was in 2013. On the other hand, if the dry conditions become more localised, that could stimulate trading in livestock and feed. The livestock segment makes most of its contribution to earnings in the second half and changes in livestock prices will continue to affect the results.

"The weather over the next few months will also impact the results out of our Australian and South American operations. The earnings of both businesses are weighted towards the second half of the year. Australia is currently shaping up similar to last year, but things can change quickly there. It's been very wet in our key selling areas in South America, which together with lower commodity prices has so far constrained demand somewhat.

"While these external factors will impact our results going forward, both positively and negatively, PGW is well placed operationally to capitalise on the opportunities in the sector. The business is on the right track."

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 excluding earnings of associates: *Earnings before net interest and finance costs, income tax, depreciation, amortisation, fair value adjustments, non-operating items and equity accounted earnings of associates.*

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

GAAP to non-GAAP reconciliation:

($m)	*Dec 2014*	*Jun 2014*	*Dec 2013*
Profit/(loss) for the period (GAAP, commonly referred to as Net Profit after Tax)	***19.7***	***42.3***	***13.4***
Add (Profit)/loss from discontinued operations (net of income tax)	*(0.2)*	*(0.9)*	*(1.4)*
Add Income tax expense	*8.5*	*8.5*	*2.3*
Add Net interest and finance costs	*3.3*	*7.9*	*5.8*
Add Depreciation and amortisation expense	*3.7*	*11.2*	*3.7*
Add Fair value adjustments expense / (income)	*(0.3)*	*(1.3)*	*(1.4)*
Add Non-operating items expense / (income)	*(1.0)*	*(6.4)*	*1.1*
Operating EBITDA including earnings of associates	***33.8***	***61.2***	***23.6***
Deduct Equity accounted earnings of associates	*(0.2)*	*(2.5)*	*(1.3)*
Operating EBITDA excluding earnings of associates	***33.6***	***58.7***	***22.3***