PGW annual result impacted by trading environment and goodwill write down

PGG Wrightson Ltd* achieved operating earnings before interest, tax and depreciation (Operating EBITDA)** of $45.8 million for the year ended 30 June 2013. While down on the previous year, the result was within the Company's profit guidance range announced in May and reflects the challenging on-farm conditions during the year.

After a detailed review by the Board of directors, the Company has written off goodwill of $321.1 million. This goodwill largely arose as an accounting entry from the 2005 merger of PGG and Wrightson. A number of factors, including the Company's share price, slower than expected recovery and a range of external variables, led the Board to conclude that a write-down of historic goodwill was appropriate.

As a consequence of the goodwill write-down the Company will post a loss of $306.5 million for the year. Ignoring the goodwill write-down, a profit of $14.6 million would have been posted compared to last year's profit of $24.5 million. The goodwill write-down has no impact on the Company's operations or cash flow. Operating cash flow was $39.3 million.

A dividend of 2.2 cents per share was paid in March and a further fully imputed dividend of 1 cent per share will be paid to shareholders registered at the record date of 30 August 2013. The dividend will be paid on 13 September 2013.

Chief executive, Mark Dewdney noted that the operating result was a solid achievement.

“Drought in the North Island and in parts of Australia, as well as reduced prices for key agricultural commodities made late-autumn trading conditions challenging and our business units experienced varying fortunes in the year to June 2013,” he said.

“Despite this our business is in good shape. Our people, and the strength of their relationships with customers, are the key to our success. Customer satisfaction and staff engagement measures show that we are making excellent progress in these critical areas.

PGG Wrightson's retail, wool and irrigation businesses performed strongly with improved market share across a number of key categories. Livestock, real estate, seeds and grain faced challenges.

“Year on year trading figures in many of our rural supplies stores were up, and our irrigation business showed excellent growth, particularly around some of the large irrigation schemes coming on stream in the South Island. The full year benefits of reintegrating the wool business back into the broader group delivered both improved performance and reduced support costs.

“However, the drought and lower market values for lambs took a toll on farm profitability, and this is reflected in our livestock business. Timing of rainfall in dairying regions is a factor in the fortunes of our Australian seed business, and conditions resulted in poorer than expected sales,” he said.

PGG Wrightson, Chairperson Sir John Anderson said the decision to write-off goodwill would have no impact on the Company's operations.

“The investment market currently does not attribute value to the goodwill and writing it down has no effect on the Company's day-to-day business or banking arrangements and no bearing on our ability to generate cash or on our dividend policy.

“We expect to see continued improvement in the fundamental performance of the business through 2013/14 based on stronger agricultural commodity prices and assuming a return to normal conditions on farm,” he said.

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*All references to PGG Wrightson Limited or the Company 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. 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 finance costs, income tax, depreciation, amortisation, fair value adjustments, non-operating items and equity accounted earnings of associates*

GAAP to non-GAAP reconciliation:

($'000)	*2013*	*2012*
Profit/(loss) for the year (GAAP)	***(306,505)***	***24,453***
Add Profit/(loss) from discontinued operations (net of income taxes)	*1,584*	*809*
Add Income tax (expense)/income	*5,029*	*3,341*
Add Net interest and finance costs	*6,102*	*13,835*
Add Depreciation and amortisation expense	*7,642*	*8,323*
Add Fair value adjustments	*5,151*	*2,560*
Add Non operating items	*7,134*	*1,941*
Add Impairment losses on goodwill	*321,143*	*-*
Deduct Equity accounted earnings of associates	*(1,483)*	*(101)*
Operating EBITDA	***45,797***	***55,161***