PGG Wrightson

$64.5m
Operating EBITDA

$46.3m
Net Profit after Tax

2 ¢ Per Share, Fully Imputed
Final Dividend

8 August 2017

PGG Wrightson delivers strong FY2017 result

PGG Wrightson Ltd* (PGW) announced for the year ending 30 June 2017 a full year operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA)** of $64.5 million (FY2016 $70.2 million) and net profit after tax of $46.3 million (FY2016 $43.8 million).

The company declared a fully imputed dividend of 2.00 cents per share, which will be paid on 4 October 2017. This will bring the total fully-imputed dividends paid for the year to 3.75 cents per share.

PGW Chairman Alan Lai said, "We previously indicated that we thought this year was going to be more challenging than FY2016 as we expected lower commodity prices to lead to reduced farmer spending. What we could not foresee was the impact of the very wet conditions in New Zealand over the final quarter. Together, these factors brought our full year results towards the mid-point of our guidance range. This is a very positive result which further demonstrates the strength and stability of the business."

PGW Chief Executive Mark Dewdney reiterated, "This is a great result. We advised in August 2016 that we expected the 2017 financial year to be tougher than FY2016. Prior to autumn we were tracking ahead of our forecasts and defying the effects of general market conditions. Severe weather events (including two sub-tropical cyclones) in April 2017 across New Zealand negatively influenced our final quarter earnings. The very high rainfall made crops difficult to harvest, and paddocks challenging to work. Our New Zealand Seed and Grain business was most affected by the conditions. For our Seed business, autumn demand for our seed products has been less than expected as many farmers have simply been unable to complete their re-grassing and autumn pasture renewal plans. For Grain, much lower harvest yields have reduced earnings from our processing and drying facilities.

"Our Livestock business delivered an impressive result this year. In a diversified business like PGW, when one business is facing difficult market conditions, another is performing well. Livestock delivered a record Operating EBITDA as strong international demand for protein and lower stock numbers have combined to push up livestock prices.

"Retail performed extremely well. With spring being the key trading period for our Rural Supplies business, they were less affected by the autumn rains. All three Retail business areas (Rural Supplies, Fruitfed Supplies and Agritrade) contributed to the strong result, and it is particularly pleasing to see Retail continue to extend its market share and profitability gains in a highly-competitive market.

"By contrast, the performance of our Wool procurement and brokering business has been impacted by the collapse of the global crossbred wool price over the past 15 months, which has resulted in much lower volumes of crossbred wool being sold. At this point it is unclear when the crossbred wool market will recover. In contrast, our wool export business increased its profitability which was pleasing.

"In terms of performance of other segments in Agency, our Real Estate and Insurance businesses each performed well and broadly in line with the corresponding period last year.

"For Retail and Water, revenues and earnings for the construction part of the Water business dropped year-on-year with a continued reduction in demand for irrigation projects. This was offset by the continued strong performance from the Retail businesses.

"A good performer in Seed and Grain during 2017 was South America, which bounced back with a lift on last year's Operating EBITDA. This result is particularly pleasing as it was achieved despite low commodity prices and difficult financial circumstances for many of our customers following a tough year in 2015-16. In New Zealand, our Seed business, despite exceeding plan, was affected by cautious spending from the dairy sector and our

Grain business performance was negatively influenced by a poor maize harvest. In Australia, a mild summer in the key dairy regions of Victoria and low confidence in dairy prices dented demand," concluded Mr Dewdney.

Net cash flow from operating activities reduced $14.7 million to $20.5 million. We spent $19.9 million on capital expenditure and investments and realised $26.8 million from the sale of non-strategic assets. We also made a Group Defined Benefit Superannuation Plan contribution of $7.6 million and paid dividends of $29.2 million, Net interest-bearing debt increased marginally by $1.7 million to $128.2 million which reflects our continued focus on cash management.

Mr Dewdney added, "I've mentioned this many times before - our people are key to our continued robust performance - their commitment and passion for agriculture and the company ensures that we perform strongly in all market conditions. I am very proud to say that the levels of morale and staff engagement at PGW remain high.

"As we enter our 2018 financial year market conditions are improving. The weather impact on autumn planting has affected many New Zealand farmers and the implications of this both on the supply of livestock and crop production will be a key factor in the year ahead. In South America we have seen a positive recovery this year, but the long-term effects of the April 2016 flooding on farmer confidence, and their demand for inputs, is likely to remain a constraint in the near term. Weather across New Zealand, Australia and Uruguay will continue to be a key driver as it always is in agriculture."

Mr Dewdney concludes, "It is pleasing to see signs of improving confidence in a number of key agricultural sectors, and the early indications for our 2018 financial year are looking encouraging. Rabobank's rural confidence survey released in June 2017 saw net rural confidence in New Zealand at its highest level since the survey commenced in 2003. With a buoyant horticultural sector, impressive global beef market, and an improved farmgate milk price forecast for the 2018 season, we see some positive indicators to underpin that optimism.

"While early days, we expect that the improved sector confidence along with the grit and determination we have shown battling through the challenging market and weather conditions of the past year, will lead to higher earnings for PGW in FY2018. Net profit after tax should reduce to a more normalised level as we will not have gains from the divestment of properties. As is our custom, it is our intention to provide more information on our progress, including an earnings forecast, at the time of the Annual Shareholder Meeting scheduled for 31 October," said Mr Dewdney

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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)	*Jun-17*	*Jun-16*
Net Profit after Tax (GAAP)	***46.3***	***43.8***
Add (Profit) / loss from discontinued operations (net of income tax)	*0.0*	*0.2*
Add Income tax expense	*10.4*	*10.4*
Add Net interest and finance costs	*6.2*	*10.5*
Add Depreciation and amortisation expense	*10.7*	*9.2*
Add Fair value adjustments expense / (income)	*0.4*	*0.2*
Add Non-operating items expense / (income)	*-9.5*	*-4.1*
Operating EBITDA	***64.5***	***70.2***