

PGG Wrightson announces strong FY21 half year result and dividend

NZX Announcement



Results Summary & Dividend

PGG Wrightson Limited (“PGW”)* today announced its results for the first half of FY21.

Key highlights of the first six months to 31 December 2020 included:

- ❖ Revenue of \$499.3 million (up 6%)
- ❖ Operating EBITDA** of \$42.1 million (up \$7.4 million or 21%)
- ❖ Net Profit after Tax (“NPAT”) of \$18.0 million (up 41%)
- ❖ Fully imputed interim dividend of 12 cents per share
- ❖ Very strong performances from our Retail, Livestock and Real Estate businesses
- ❖ Strong balance sheet and improvement in cash flows from the prior comparative period
- ❖ Reconfirmed full year Operating EBITDA guidance of around \$57 million

PGW Chairman Rodger Finlay said “Our strong half year results reflect well on the health of the business and the performance of our people as they continue to deliver for our customers in the agri-sector that is the powerhouse of New Zealand’s economy. It is particularly pleasing to be able to report that our Operating EBITDA for the six months to 31 December 2020 was \$42.1 million; up 21% on the same period last year (1H20, \$34.7 million).”

PGW delivered a NPAT of \$18.0 million from continuing operations which was also up 41% on the corresponding period (1H20, \$12.8 million).

“The Directors are delighted with the performance of the business over the first half as PGW has traded very well and executed upon its strategy to drive consistent performance and growth. Our focus remains on serving and adding value to our customers’ businesses by supplying on farm and grower solutions together with leading technical advice.”

“We are seeing the results of our continued investment in the business and our customers are also benefitting from the enhancements in the PGW Group offering. Recent examples include the launch of our eCommerce channel last year, our on-farm hybrid bid[®] auctions, and the promotion of our popular livestock programme, GO-STOCK. These initiatives, along with the investment we are making in R&D enable us to bring new technically proven products and solutions to the New Zealand primary sector and demonstrates our commitment to innovation and the bright future of the primary sector.”

Mr Finlay said, “Following the strong performance of the business over the first half the Board declared a fully imputed interim dividend of 12 cents per share which will be paid on 24 March 2021 to shareholders on PGW’s share register as at 5pm on 3 March 2021.

First Half Trading Performance

PGW CEO, Stephen Guerin commented that “The result reinforces the combined strength of PGW Group and the diverse portfolio of businesses that serve farmers and growers across the length and breadth of the country.”

Retail & Water

“The first six months of the 2021 financial year provided a very good start with all business units within Retail and Water trading ahead of the corresponding period last year. Operating EBITDA for this group was \$35.8 million (up 15%) and revenue was \$413.4 million (up 8%) on the solid performance in the first half last year.”

“The superior technical ability of our staff and our very stable rep force, who are well supported by our expert technical and R&D teams, have contributed to an increase in market share. Growth has also been supported by the uptake in our new PGW eCommerce offering which was launched in June 2020. While online orders are a relatively small channel for us at this time we are seeing orders come in from all corners of the country which serves to increase the awareness of our product range, as well as influencing in-store purchases and attracting new customers.”

“In Rural Supplies we have seen solid growth across most categories. The outlook for our Rural Supplies business is tempered with sheep and beef farmers cautious about the meat company schedules which are back on last year. However, dairy farmers are more positive with solid pay-outs expected.”

“The forecast remains very positive for our Fruitfed Supplies business with positive returns for the sector and stability in prices being obtained by our growers. Crops not affected by the recent weather events are in good health, with harvest for a number of significant crops underway or commencing shortly.”

“The horticultural sector continues to be buoyant, experiencing good yields, profitable returns, and a positive outlook, which is driving investment and further development. Our market leading Fruitfed Supplies business is diversified across a range of crops and continues to adapt to our customer and market needs.”

“We are heartened by the improvement in our Water business in its first half trading results following our restructure of the business undertaken at the beginning of this financial year. It is pleasing to see these early positive signs and we see room for further gains for our Water business as we focus on growing our service offering.”

“We are conscious of the challenges in international supply chains given widespread disruption caused by the impacts of COVID-19. We are remaining vigilant in this space and doing what we can to mitigate supply risks for our Agritrade wholesale and retail businesses. Our stores have reviewed their forecasts and stock levels and are ordering for early delivery to assist with continuity of supply in coming months.”

Agency

“Trading for our Agency group delivered an Operating EBITDA of \$9.5 million for the first six months of the 2021 financial year (up 44%) and revenue was \$84.8 million, in-line with the same period last year.”

“With many parts of the country coming out of drought conditions we saw a number of farmers rebuilding their capital stock numbers. Buoyant prices and widespread rain throughout the South Island created good conditions with plenty of feed on-farm stimulating farmer confidence.”

“Strong global demand for dairy persists with farmgate prices continuing to rise and underpin confidence in the dairy sector.”

“With capital available to support growth of our GO-STOCK livestock grazing programme for trading and finishing beef and sheep, we have increased the promotion of our GO-STOCK offering. With good demand for this popular livestock trading solution we expect to see further demand and utilisation of GO-STOCK.”

“bidr[®] continues its commitment to offering buyers and sellers of livestock a seamless online experience whether they are bidding on-farm or at a saleyard auction. Following the launch of the on-farm hybrid auctions for on-farm/auctioneer sales, bidr[®] announced it will expand into livestreaming auctions at saleyards from April 2021.”

“Uncertainty around global markets and the effects of COVID-19 are causing farmers to take a more conservative approach than normal in the cattle and lamb trading space. The venison market has also been affected with schedules having been reduced by over half with most companies only processing if they have orders.”

“All three categories of our PGW Real Estate business including rural, lifestyle, and residential experienced the strongest six months of sales in the past six years. Every sector of rural, particularly sheep and beef, grazing, and finishing properties experienced significant activity with dairy farms also enjoying heightened interest.”

“The outlook for real estate for the second half of the financial year remains positive subject to the availability of listings, especially within the lifestyle and residential sectors. We anticipate there will be a steady flow of rural properties with new rural listings coming to the market ahead of the traditional autumn selling period.”

“PGW Wool continues to proactively navigate through depressed crossbred wool prices, associated international demand challenges, and supply chain issues accentuated by impacts of the global pandemic. Despite these challenges, Operating EBITDA for PGW Wool was up modestly compared to the same period last year.”

Cashflow and Debt

Cashflow from operating activities saw a \$3.9 million inflow; an \$18.8 million improvement on the prior period's result. Capital expenditure was \$1.5 million, \$3.0 million lower than the comparative period, with cashflows from the disposal of property, plant, equipment, and investments totalling \$0.5 million.

Net interest bearing debt as at 31 December 2020 was \$39.2 million, which was 34% lower than 31 December 2019. PGW renewed and extended its bank facilities during the period.

New Insurance JV Offering

“I am pleased to note the new joint venture relationship that PGW has entered into in recent days with BrokerWeb Risk Services Limited (“BWRS”) who will take customer referrals and provide leading insurance broking services to PGW's customers and the wider rural community.” Mr Guerin said.

“The relationship has a strong strategic fit for us given that BWRS already has a solid presence in the rural sector and our association will provide an excellent opportunity to deliver another important and tailored service to our customer base. BWRS's brokers have local knowledge access to market-leading insurance products and risk advice that our customers will benefit from. Both PGW and BWRS place customers at the centre of everything we do and focus on building enduring relationships by working together and delivering outstanding service.”

Outlook

Mr Finlay said “Global markets continue to support New Zealand's primary exports while international supply chains may pose some challenges in the short to medium term. Following the roll out of vaccines in our trading market countries we anticipate these challenges will ease over time. With these dynamics at play we are seeing reasonable confidence from our farmer and grower customers and remain optimistic about the prospects for the sector. Although there will always be unforeseen events, PGW and the country are in a stronger position than we were at the outbreak of the virus to navigate these.”

“The Directors are very pleased with the progress achieved in the first half and the financial performance of the business. We remain cautiously optimistic about the remainder of the financial year and believe the company is well placed to deliver our 2021 full year Operating EBITDA guidance of around \$57 million.”

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* All references to PGG Wrightson Limited refer to the company, its subsidiaries and interests in associates and jointly controlled entities.

** 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.

PGW has used non-GAAP profit measures when discussing financial performance in this document. For a 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)