Strong growth and profitability increases from PGG Wrightson

PGG Wrightson Ltd* (PGW) has announced a strong half-year performance under its new Chief Executive.

For the six-months ended 31 December 2013, PGW achieved operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA)** of $22.3 million, up from $18.0 million for the corresponding period last year.

Mark Dewdney, who took up the role of PGW Chief Executive on 1 July 2013, called it a strong result with increases recorded across most areas of the business.

“PGW is on a steady path to re-claiming its position as a leading option for investors looking for exposure to the ongoing strength of New Zealand agriculture.

“This half-year result reflects gains in our underlying performance and improved conditions on-farm. Staff throughout our many businesses are working with renewed energy and focus to make the most of our Group’s strengths, he said.

Group revenue was up 8% and net profit after tax increased to $13.4 million, up from $4.8 million last year. Operating cash flow increased to $10.5 million, up from $1.7 million last year.

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 2014. The dividend will be paid on 2 April 2014.

Mark Dewdney said ‘One PGW,’ an internal initiative launched in October was playing an important role in the results being achieved.

“’One PGW’ is an in-house programme that sharpens our focus on customers, and the value that PGW can provide them from our whole range of products and services. Business units are increasingly working together, rather than independently, which is historically how we tended to operate. Senior staff developed the initiative, and now the wider team is making it a success, he said.

“Results show improvements throughout the Group with almost every business unit ahead of last year’s results, he said.

“Real Estate stands out having delivered an Operating EBITDA of $2 million, compared with a break-even position last year.

“Our Water business acquired and integrated Water Dynamics and Aquaspec during the period, and also undertook an unprecedented level of repair work following September’s Canterbury windstorm. Ongoing demand for new irrigation installations remains strong.

The only major business not to deliver an uplift was Wool, as a consequence of Sheep farmers destocking following the drought, and continued land use change to dairy.

PGW’s balance sheet remains strong. In October, the sale of shares in Heartland Bank realised $11.2 million. When the business resumed dividends last year, our primary focus moved away from debt reduction, to growth. Banking facilities were refinanced during the period, achieving a lower overall cost and increased flexibility.

Alan Lai, PGW Chairman, commented, “We are pleased to see significant improvement across all segments of our core businesses. Our Group is now in a more solid financial position as a result. The Board looks forward to working closely with the PGW management team to drive PGW’s growth strategy in the years ahead.

Mark Dewdney said, “we are completing a wider review of our overall business strategy, which we will share with the market in the next few months.

"At the Annual Shareholder Meeting in October, we forecast Operating EBITDA for the current financial year to be $52-$56 million. While we have had a very strong start and are $4 million ahead of the same period last year, we have not changed our full-year forecast.

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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 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 finance costs, income tax, depreciation, amortisation, fair value adjustments, non-operating items and equity accounted earnings of associates*

GAAP to non-GAAP reconciliation:

($m)	*Dec - 2013*	*Jun-2013*	*Dec - 2012*
Profit/(loss) for the period (GAAP, commonly referred to as Net Profit after Tax)	***13.4***	***(306.5)***	***4.8***
Add Profit/(loss) from discontinued operations (net of income tax)	*(1.4)*	*1.6*	*0.0*
Add Income tax (expense)/income	*2.3*	*5.0*	*1.0*
Add Net interest and finance costs	*7.6*	*6.1*	*5.5*
Add Depreciation and amortisation expense	*3.7*	*7.7*	*3.9*
Add Fair value adjustments	*(3.1)*	*5.2*	*0.6*
Add Non operating items	*1.1*	*7.1*	*2.9*
Add Impairment losses on goodwill	*0.0*	*321.1*	*0.0*
Deduct Equity accounted earnings of associates	*(1.3)*	*(1.5)*	*(0.7)*
Operating EBITDA	***22.3***	***45.8***	***18.0***