

PGG Wrightson delivers impressive FY21 result

NZX Announcement



Group Performance

PGG Wrightson Limited* (PGW) today announced its results for the financial year ended 30 June 2021.

Key highlights of the financial year to 30 June 2021 included:

- ❖ Revenue of \$847.8 million (up \$59.8 million or 7.6%)
- ❖ Operating EBITDA** of \$56.0 million (up \$13.8 million or 33.0%)
- ❖ Net Profit after Tax (NPAT) of \$22.7 million (up \$15.0 million)
- ❖ Fully imputed final dividend of 16 cents per share
- ❖ Very strong performances from our Retail, Fruited Supplies, Livestock, Wool and Real Estate businesses
- ❖ Strong balance sheet and operating cash flows leading to a low net interest bearing debt balance at 30 June 2021
- ❖ Continuing solid demand and pricing for New Zealand produce underpinning outlook confidence for farmers and growers, and in turn agri-services

PGW Chairman, Rodger Finlay said that "...our team and the business have again proved that they are leaders in the field in supporting our customers, the agri-sector, and rural communities to deliver an excellent result. The financial year started and finished strongly with year-end Operating EBITDA at \$56.0 million, up \$13.8 million or 33.0% on last year's COVID-19 impacted result."

"PGW also delivered a NPAT of \$22.7 million which was up \$15.0 million. These results further vindicate the decisions taken over the last two years in divesting the Seeds business and with the concomitant recalibration of our cost base and systems."

"Based upon the strong full year earnings the Board declared a fully imputed final dividend of 16 cents per share. The dividend will be paid on 4 October 2021 to shareholders on PGW's share register as at 5pm on 10 September 2021. This will effectively bring the total fully imputed dividends paid for the year up to an impressive 28.0 cents per share which I am sure all shareholders will be delighted about."

"The Directors are particularly pleased that the business has backed up its strong first half result and has continued to trade well over the second half. This result reflects the collective efforts of the dedicated team that we have who are passionate about agriculture, supporting our customers and the role the sector plays for New Zealand. We have seen just how important and critical to New Zealand's success the primary sector is and this has come into stark focus through the global pandemic."

"As a business PGW is clear about its strategy of driving for growth through providing our customers with sector leading expertise and innovative solutions for their farming and production needs. We look

to lead the market through the specialist knowledge and technical expertise of our people. We do this through investing in their capability and in identifying and bringing to market new products that we source and prove in New Zealand conditions. Our customers value PGW's technical offering and see this as a distinguishing strength that we will continue to develop and foster. Our strong balance sheet allows us to contemplate earnings accretive growth ambitions, both internal and external."

Turning now to comment on the performance of our Business Units.

Retail & Water Group

PGW CEO, Stephen Guerin said, "Retail & Water's Operating EBITDA was a very pleasing \$37.5 million and was up \$4.3 million on the prior year's result; an increase of 13.0%."

"Both our Rural Supplies and Fruitfed Supplies businesses traded extremely well. We continue to increase our market share and much of this growth can be attributed to the superior technical expertise of our staff backed up by our leading product range. We have a very stable rep force who are well supported by our specialist technical and R&D teams."

"A significant challenge that we and many other businesses face is around the much publicised supply chain disruption that is being felt around the world. This will continue to have an impact on the timelines for sourcing product and grower inputs as well as exports to offshore markets. Our team continues to work assiduously to proactively minimise supply disruption to our businesses and customers."

"Our teams have been working collaboratively with our key suppliers, securing and taking product into stock earlier, and working with customers to lock in their seasonal requirements three to six months earlier than would ordinarily be the case."

"Our Rural Supplies business experienced particularly strong growth this year which is a fantastic result in a highly competitive market. This success is attributable to both new customers who have shifted business to PGW and also growth in our market share as customers respond positively to our value-added technical offering and advice."

"We have employed some great new talent in our business who have brought fresh ideas, and in some instances, new business. Our sales culture has grown through increased investment in our people and by providing more training opportunities across all levels of our business with the focus on sales and service."

"Our Fruitfed Supplies business has again registered another record year for both Operating EBITDA and revenue. This business is diversified across a number of crops and we continue to adapt to customer and market needs. The horticulture sector is growing and remains buoyant, and we are continuing to see investment and development."

"We enjoy impressive market share across a broad range of horticultural crops and with particular strengths in the grape, pip fruit, stone fruit, and kiwifruit, and we continue to grow in the avocado and cherry sectors."

"Our core focus remains to add value to our clients' businesses through the technical ability of our Technical Horticultural Representatives (THR) and by supplying specialist products and services. Our technical expertise offering is differentiated by our expert Technical and R&D teams who support our field and store staff. This team conducts a number of trials across the industry investigating new products and chemistry to assist our growers and engage with industry bodies and prove products in New Zealand conditions."

"Our wholesale subsidiary, Agritrade, which manufactures, sells, and distributes products continues to demonstrate positive momentum."

"Maintaining inventory during the worldwide supply chain disruption created by COVID-19 caused Agritrade to place orders and receipt stock earlier than usual. Whilst the inability to travel internationally has hampered product development opportunities, it is nevertheless pleasing to note that five new products were registered during the year and are being commercialised."

"We have reshaped the Water business to align with market conditions. This has resulted in an improvement in EBITDA compared to the previous year. Our full-service water and irrigation packages to customers through Rural Water has seen an increase in sales. However, shipping delays will likely push out some delivery timelines in the short to medium term."

Agency Group

“Our Agency group incorporates the Livestock, Wool and Real Estate businesses. Trading for this group is weighted towards the second half of the financial year. Operating EBITDA was \$25.2 million and was up \$9.5 million on the prior year’s result; an impressive increase of approximately 60.6%.”

“Our Livestock business has maintained market share throughout the country with the South Island achieving a very solid result, especially within the sheep and beef sector. During the year strong values were achieved for sheep farmers, and dairy farmers also received increased pay-outs which in turn supported our Livestock business. Our Deer business experienced a good velvet season where values offset lower venison prices.”

“We expanded our GO-BEEF and GO-LAMB product offering and launched GO-DEER. Next year we expect to add to our GO-STOCK range with GO-DAIRY, which we anticipate will be well received and grow our GO-STOCK offering further.”

“bidr®, our virtual saleyard has run over 400 auctions and sold more than \$50 million worth of livestock since its launch in June 2019. bidr® continued its significant software development and in FY22 live streaming from Fielding, Stortford, Wellsford, and Frankton saleyards will be launched with others to follow as we roll out this technology. Excellent Livestock Genetics results throughout the year culminated in the bull sales auction series where bidr®’s hybrid platform came to the fore.”

“PGW Wool has done a good job navigating through the ongoing challenges that have been accentuated by COVID-19. Our team worked closely with growers to reduce their stockpiles of crossbred wool and did see some benefit from improved pricing in the second half. Our export subsidiary, Bloch & Behrens worked diligently with overseas customers to ensure contracted obligations to our growers were fulfilled.”

“The Real Estate business has seen particularly strong demand across all sectors of the rural property market, which has also been fuelled by low interest rates. This resulted in the Real Estate business experiencing its best returns in over a decade at both an Operating EBITDA and gross commission income level.”

“We also see early signs of a positive spring for rural sales, with higher than normal appraisals taking place along with earlier spring listings occurring, which we expect will turn into continuing solid demand for the first six months of FY22. With strong commodity values in rural we anticipate a number of retirement and succession initiated listings coming to the market. The shortage of residential and lifestyle listings may continue with the current low interest rate environment a contributing factor.”

Cashflow and Debt

Mr Finlay noted that “PGW experienced strong operating cash flows during the year which benefited from the good Operating EBITDA performance and a focus on working capital management and receivables in particular. This focus has seen PGW’s overdue debtors balance continuing to track to historically low levels with our book in very good shape.”

“Capital expenditure of \$6.8 million was \$2.3 million lower than FY20 and was impacted by a slowing in the implementation of projects as a consequence of COVID-19 related disruption.”

“Net interest-bearing debt was approximately \$6.5 million as at 30 June 2021 and is the lowest recorded at 30 June in over a decade, excluding 30 June 2019 when the proceeds from the sale of its Seeds business were held.”

Outlook

Mr Finlay said, “The outlook is positive in the rural sector with strong farm gate and commodity prices. Robust demand is expected to continue for lamb and sheep meat and cattle prices are anticipated to remain high. There is also confidence in dairy with a positive outlook into next year and a solid pay-out predicted.”

“Looking ahead, the Board is confident that the PGW is well placed to continue to grow. We have recently undertaken an internal review of our PGW Group strategy and have reset our Group objectives and priorities and we are rolling this out within the business currently. This exercise has served to reconfirm a number of the key themes that are continuing to drive improved performance for the business. Key in this is our continued focus on the technical expertise of our people and technical offering which differentiates us from our competitors.”

“There remains a degree of uncertainty globally with increasing geopolitical risks and as new variants of COVID-19 emerge. Implications from the pandemic will continue to impact consumer markets and the

global supply chain. PGW is committed to supporting our customers through these ongoing challenges and has demonstrated that it can do this effectively and profitably.”

“We would hope to be in a position to provide guidance about our expectations for FY22 at our Annual Shareholders’ Meeting in October.”

All media enquiries to:

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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.*

***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. Please refer to our full accounts for details of how Operating EBITDA relates to GAAP. 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*