16 AUGUST 2022

PGG Wrightson

NZX Announcement

PGG Wrightson delivers exceptional FY22 result

$67.2m
Operating EBITA

$24.3m
Net Profit After Tax

16 cents
Per Share, Fully Imputed
Final Dividend

Group Performance

PGG Wrightson Limited* (PGW) today announced its results for the financial year ended 30 June 2022.

Key highlights of the financial year to 30 June 2022 included:

- Operating EBITDA** of $67.2 million (up $11.1 million or 20%)
- Net profit after tax of $24.3 million (up $1.6 million or 7%)
- Revenue of $952.7 million (up $104.9 million or 12%)
- Fully imputed dividend of 16 cents per share
- PGW Group Strategic Measures:
  - Financial Growth Measures
    - Achieved +38% Total Shareholder Return (exceeding our 10% target)
    - Achieved CPI normalised EBIT growth of 29%
  - Safety Measure
    - Achieved Total Recordable Injury Frequency Rate (TRIFR) reduction of 3% since the FY20 baseline
  - Customer Experience Measure
    - Achieved a positive 5-point improvement in PGW Group's Net Promotor Score from last year's customer research

PGW Chairman, Joo Hai Lee said that "Our exceptional financial year results are a record for the business and is a result the PGW team is very proud of, especially after a challenging year at many levels. Like all businesses we have had to navigate managing COVID-19 protocols, dealing with a high proportion of health-related staff absences, responding to supply chain challenges, and resourcing the business in an extremely tight labour market.

NPAT in this financial year was $24.3 million which was up $1.6 million or 7 per cent on last year.

Importantly, these results were achieved as a consequence of significantly higher revenue growth (up $105 million or 12 per cent from FY21) with margins broadly in line with last year.

The Board is delighted with this year's financial results and declared a fully imputed final dividend of 16 cents per share. The dividend will be paid on 3 October 2022 to shareholders on PGW's share register as at 5pm on 9 September 2022. This will effectively bring the total fully imputed dividends for the year up to 30 cents per share."

Retail & Water Group

PGW CEO, Stephen Guerin said, "Our Retail & Water businesses performed extremely well and achieved outstanding results with new highs. Operating EBITDA was an impressive $52.5 million and up $15.0 million on the prior year.

Our core focus remains to add value to our clients' businesses and much of this is through the superior technical ability of our people. During the year we continued to invest in training for our people from both a technical and sales perspective. Our commitment to the personal development and upskilling of staff supports a very stable and knowledgeable rep force. As clients see the value in the expertise of our people, we continue to see new clients coming into stores and asking reps to come on-farm and orchard. This is in turn continues to be reflected in the incremental market share gains.

Supply chain disruption has continued and has impacted timelines in sourcing products. Being able to get the right products to our clients at the right time has highlighted the importance of the strong relationships we have with our suppliers. To help mitigate supply chain risks, we have also sourced product earlier and carried more inventory that we have historically.

It was an outstanding year for our Rural Supplies business. Through our client focused offering, we have seen growth in a relatively tough market. Rural Supplies has sustained the momentum of recent years and has investigated opportunities to expand into adjacencies and categories where there is unmet client demand.

Our reps continue to increase their usage of technical platforms which streamline their day-to-day activities and make their interactions with clients more efficient.

Fruitfed Supplies had another excellent year, with new Operating EBITDA and revenue records. We maintain a high market share across most horticultural sector categories and continue to build relationships as a key supplier of winery inputs into the viticulture industry.

We continue to see significant investment by clients in large horticultural developments. Fruitfed Supplies has been well placed to benefit from these developments in supporting the supply of a significant amount of capital development. Many of the developments that we have assisted with over the past few years are now coming into production and Fruitfed Supplies is generally seen as the logical partner for clients as their investments transition from development projects into production.

Our Technical Team conducted a number of trials during the period looking for new products and chemistry that will help support our clients. A focused sales training programme was also rolled out to increase the knowledge of our frontline staff.

Agritrade, our wholesale business division, manufactures, sells, and distributes products to improve farmer and grower production. Agritrade has continued to perform well over the year. This was despite COVID-19 and supply chain challenges causing volatility in sourcing products and price increases that have been borne by the total supply chain. During the year 12 products that are new to the New Zealand market were commercialised.

Implementation of our Water Strategy has contributed to improved business performance. Technology initiatives included improving our client asset management system and online tracking of builds to increase efficiencies in project delivery. Product shortages and shipping disruptions caused delays in project delivery and are expected to hinder project completion for the near term.

Agency Group

Our Agency group incorporates the Livestock, Wool and Real Estate businesses. Operating EBITDA was $21.8 million and was down $3.3 million on the prior year's strong result.

Our Livestock business performed well in a challenging climate with higher revenue and Operating EBITDA achieved. In particular, the South Island recorded its strongest trading performance in a decade. Solid values were reached in all categories, especially cattle and sheep, which compensated for reduced volumes through meat processors.

During the year GO-STOCK DAIRY was launched. GO-STOCK DAIRY is an extension of our GO-STOCK grazing contracts which are continuing to grow with increased uptake with transacted stock volumes at their highest levels.

PGW's online trading platform, bidr®, continued to grow its database of buyers. This was bolstered by the successful launch of the livestreaming of cattle sales at a number of saleyards, as well as continued demand for on-farm hybrid auction coverage.

Although the velvet business experienced shipping delays and port closures in China, the outlook is positive with further sales growth predicted in Asian markets. During the year PGW's velvet team exported the first ever dry (processed) shipment of velvet to China.

The Deer Team had a successful year with both live sale numbers and prices on the rise. Venison prices are now recovering back to near the five-year average and are forecast to lift as logistical challenges on the chilled markets in the United States and European Union (EU) reduce.

Strong and cross-bred wool market prices remain challenging and have been accentuated by pandemic related disruption negatively impacting on demand. Fine wool prices remain solid, with merino being supported by high value grower contracts and healthy auction values.

Our wool contract business grew, and our grower client base benefited from fine wools, organic wools, and crossbred lambswool contracts delivering good premiums.

The Real Estate business has enjoyed another successful year. Whilst returns in the residential and lifestyle channels have been challenging, sale volumes of rural properties have been strong.

We anticipate continued solid performance in the rural property market segment with favourable spring appraisals and listings due to continued horticulture growth and carbon / forestry interest in sheep and beef properties."

Cashflow and Debt

Mr Lee said that "PGW recorded operating cash flows during the year of $23.7 million which benefited from our strong Operating EBITDA performance.

PGW Group has invested in working capital during the year including growing the range of GO-STOCK receivables which was $66.1 million on 30 June 2022, an increase of $20.2 million or 44 per cent from 30 June 2021. In addition, inventories were $20.6 million higher than 30 June 2021 which reflects a conscious decision to have product available for clients and higher inventory levels.

Capital expenditure of $8.8 million was $2.0 million higher than 30 June 2021 which was impacted by a slowing in the implementation of projects as a consequence of COVID-19 related disruption.

Our net interest-bearing debt was $32.8 million as of 30 June 2022. PGW renewed and extended its bank facilities for a three-year term in late 2021."

Outlook

Mr Lee noted, "The profitable run for most New Zealand agri sectors looks likely to continue through the remainder of 2022 and into the coming year. However, inflationary pressures on input costs will likely translate into reduced on-farm profits, and exporters will still need to navigate high shipping costs and challenging logistics.

While input prices are increasing, rising food prices are expected to be beneficial overall for New Zealand's agricultural sector. With a predominance of pasture-based production, New Zealand's dairy, sheep and beef farmers are relatively less exposed than international peers to the disruptions to grain markets from geopolitical unrest. In the near term, most agricultural industries are facing similar pressures to other businesses, including a tight labour market and disruption to production from ongoing challenges presented by the pandemic. Labour shortages are constraining production, including limiting fruit harvesting and leading to delays in meat processing.

These macro-economic factors, coupled with concerns relating to the raft of regulatory and compliance change impacting the sector have resulted in recent poll results that show record lows in New Zealand farmer sentiment.

After a very wet winter so far, soil moisture levels are currently ranging from between normal to well above normal across much of the country. On balance, this should be positive for the sector and PGW as we look towards the approaching spring season. PGW are well positioned to assist our farming and grower clients with their cultivation needs as they gear up their operations for production as we move towards the warmer production months.

Taking into consideration these issues we remain cautiously optimistic about the financial year ahead. Consumers in countries that have and continue to remove restrictions, want high-quality and safe food that our farmer and grower clients produce. The reopening of New Zealand's borders to travellers should over time help to ease the tight labour market. The war in Ukraine has tightened the global commodity market and although there have been recent drops in the global dairy auction, elevated dairy prices are expected to remain. The negotiations for the United Kingdom and EU Free Trade Agreements have concluded and provide further clarity for our exporters.

New Zealand producers are renowned for their technical innovations to improve the quality of their produce and PGW is well placed to support our farmer and grower clients.

Overall, we consider that the macroeconomic indicators for the New Zealand agricultural sector are positive. It is too soon in the year to provide meaningful guidance, but the Board intends to update expectations for FY23 at our Annual Shareholders' Meeting in October."

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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, impairment and 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*