



## ArborGen Interim Results and Revised FY25 Guidance

26 November 2024: ArborGen Holdings Limited (NZX: ARB) (ArborGen or the Company) has released its unaudited results for the six months ended 30 September 2024. All dollar values are in US currency unless otherwise stated.

The company has made good strategic progress, further expanding its nursery footprint and improving operational processes in Brazil, and streamlining the US network as it positions itself for a return in demand.

CEO Justin Birch said: “ArborGen continues to demonstrate resilience and deliver solid results despite the challenging market, particularly in the US South which remains at the low end of the cycle. Our long-term focus on advanced genetics is delivering superior prices and margin, even as the broader market faces pressure. We are well-positioned to respond swiftly and capitalise on opportunities as the market cycle turns upward.

“Brazil remains an exciting growth opportunity for ArborGen and we are continuing to expand our production capacity and target higher margin sales. The steps we are taking now to strengthen our processes and operations will support the business as it continues its growth trajectory.”

### 1H25 Financial Performance

Sales revenue for the half year was down 3% to \$12.8m, following a record 78% year on year increase in the corresponding prior half year period (pcp 1H24), but remains significantly ahead of 1H23. Revenue is predominantly from Brazil, with the majority of US sales recognised in the second half of the year.

Cost of sales increased 15% compared to pcp, due to higher US seed cost as a result of the freeze event in late 2022, as well as inventory losses from earlier flooding after planting; and following operational adjustments in Brazil. Cost mitigation efforts remain a priority across both regions, with significant operational savings being seen in the US from the sale of the in vitro business, the closure of the Taylor Nursery and lease of the Ridgeville building.

The company has reported a net loss after tax of \$(2.1)m (1H24: \$(0.1)m). Excluding one-off and unusual items of \$2.0m, Adjusted US GAAP EBITDA<sup>1</sup> was \$(2.7)m (1H24: \$(0.5)m).

---

<sup>1</sup> Adjusted US GAAP EBITDA is a non-GAAP financial measure and excludes one-off and unusual items which may include restructure costs, impairments and write downs on assets, acquisition/sale transaction costs and other one-off items. In 1H25, one-off and unusual items were \$2m. Refer to page 8 in the Interim Report for reconciliation table. Management believes this measure provides useful information, as it is used internally to evaluate performance, and it is also a measure that equity analysts focus on for comparative company performance purpose.

The sale of the in vitro business for \$4.1m in July 2024 aided the reduction of debt, providing increased headroom for investment in productivity and growth opportunities. This includes investments in container capacity in the US, and the purchase of a further nursery in Brazil for \$2.5m which settled on 1 November 2024 and will be earnings accretive in FY25. Cash was \$4.3m at 30 September 2024, with net debt of \$19.9m compared to \$14.4m as at 31 March 2024 (1H24: \$16.7m), with the increase mainly due to working capital timing and strategic capex projects.

The company commenced an on-market share buyback of up to US\$500,000 in September 2024. This was active for several weeks before being paused for the black out period prior to the release of the half year results, and will recommence on 2 December 2024. The buyback reflects the Board's confidence in the long-term strategy and opportunities for the business. As at 30 September 2024, 286,029 shares had been purchased at an average price of \$0.147 per share.

### **US South**

Adverse economic and sector headwinds have continued and, alongside extreme weather events, are having a compounding effect on the industry in the US South. Pulp prices remain at historical lows, lumber demand and prices are down, sawmills are curtailing production, and weather has impacted the ability for some customers to prepare for planting. Taken together, this has seen some forestry owners defer harvesting and therefore planting of new seedlings until conditions improve. When it occurs, a recovery in the residential construction market will drive demand for higher quality lumber, for which ArborGen's MCP® seedlings are ideally suited.

Hurricanes and drought conditions have had minimal effect on the FY25 crop, however, they have had some impact on the seed inventory buffer for future years. ArborGen confirms it has sufficient inventory to meet projected customer demand. The company continues to take steps to protect its assets from extreme weather, with the investment in container planting playing a critical role in minimising the damage from the recent hurricanes.

The long-term macro trends in the US are positive and ArborGen has the capacity and the resources to leverage future demand. A recovery in demand for saw timber is projected to start in mid-2025 as the US economy improves, although the timing remains uncertain.

### **Brazil**

In Brazil, ArborGen is one of the largest commercial providers of pine and eucalyptus seedlings and is well positioned to meet growing market demand for more resilient, higher yield clones. The company is continuing to shift sales from licensed products to proprietary ArborGen genetic seedlings which will deliver superior prices and higher margins. This transition is having some short-term impact on operations and costs.

While revenue and average selling price were slightly higher in local currency, Brazil seedling sales were down 5% on pcp, partly due to a severe drought in the last part of the half year which impacted customers' ability to plant. However, recent favourable weather conditions have seen sales volumes start to normalise.

Momentum is continuing and ArborGen is growing rapidly to expand production capacity and capability, with the recent acquisition of the Eco Empreendimentos nursery. An operational reset has been undertaken to strengthen the team and improve financial processes and systems, with one-off adjustments impacting cost of sales in FY25. The steps we are taking now to strengthen our processes and operations will support the business as it continues its growth trajectory.

#### **FY25 Outlook and Revised Guidance**

The company's overall goal remains to drive sales of its advanced genetics seedlings in its target markets in the US South and Brazil, both of which offer strong growth and commercial potential.

Growth momentum and higher volumes are expected in Brazil in 2H25 following the softer first half year. Headwinds in the US South are expected to continue to impact across the industry, resulting in lower demand and offsetting the growth in Brazil. Given this, ArborGen is expecting full year Group sales volumes to be down on last year with a corresponding impact on earnings. Excluding one-off and unusual items, Adjusted US GAAP EBITDA is therefore expected to be between \$8.5m to \$10m (FY24: \$12.8m).

ENDS

#### **Authority for this announcement:**

Justin Birch, President and CEO, ArborGen Holdings Limited

#### **For more information, please contact:**

Jackie Ellis, Ellis and Co e: [jackie@ellisandco.co.nz](mailto:jackie@ellisandco.co.nz), t: +64 27 2462505

#### **ArborGen**

*ArborGen is the leading supplier of advanced seedling genetics to the global commercial forestry industry. Employing state-of-the-art technology, ArborGen is developing high-value products that significantly improve the productivity of a given acre of land by enabling our customers to grow trees that yield more wood per acre with greater consistency and quality in a shorter period of time. For more information, please visit ArborGen's website at [www.arborgen.com](http://www.arborgen.com) and [www.arborgenholdings.com](http://www.arborgenholdings.com).*