



ARBORGEN ANNOUNCES STRONG FY24 RESULT

30 May 2024: ArborGen Holdings Limited (NZX: ARB) (ArborGen or the Company) has today announced its results for the financial year ending 31 March 2024 (FY24), reporting record sales Revenue and an Adjusted US GAAP EBITDA result ahead of guidance.

FY24 Snapshot (in USD, comparatives to FY23):

- Seedling unit sales of 373 million, consistent with prior year. Advanced genetics seedlings made up 44% of sales.
- Revenue \$67.7m, up 21% on prior comparative period as a result of strong pricing and margins.
- 32% year-on-year increase in gross profit to \$24.0m.
- Improvement in net loss after tax from \$(2.5)m to \$(0.2)m.
- Net debt (excluding capitalised leases) at \$14.4m as at 31 March 2024, with borrowings reduced to \$20.0m.
- 39% increase in Adjusted US GAAP EBITDA¹ to \$12.8m, ahead of guidance.

Strategic Momentum

The strong result highlights the value of the strategic reset undertaken three years ago, which saw ArborGen divest its Australasian operations and expand in Brazil, while maintaining its strong presence in its traditional US market. This has proven to be a winning formula, with Brazil contributing 39% of ArborGen's seedling sales revenue in FY24, up from 30% in the prior year. Despite the challenging conditions in the US South, which have had ripple effects across the industry, ArborGen's US business also turned in a satisfactory result with solid pricing and margins delivering a 5% increase in revenue despite reduced volumes.

Cost inflation and economic headwinds have continued and were particularly pronounced in the US. ArborGen has responded with a concerted effort to streamline the organisational structure, reduce costs and enhance operating efficiencies. In line with this, the company has entered into a purchase agreement to sell its in-vitro business for \$4 million with settlement expected at the end of June 2024. The proceeds will be used to pay down debt and allow for investment into growth and productivity opportunities. The company has also closed a nursery in the US. Together, these two initiatives will free up cash for investment into higher return opportunities and realise around \$1m in savings per annum, positively impacting ArborGen's bottom line.

FY24 Adjusted US GAAP EBITDA was a record at \$12.8m (excluding \$5.2m in one off, unusual and other costs) and was boosted by increased sales revenue.

Noteworthy this year was the revitalisation and reinforcement of the leadership team, spearheaded by Justin Birch who commenced as Group CEO in June 2023, followed by several other key leadership appointments. A review of ArborGen's business model and strategy has been undertaken, providing a clear roadmap to achieve growth objectives.

Market Performance

ArborGen's focus remains on its two regional markets, being the US South and Brazil, where it has identified strong growth and commercial potential, and can build on its existing footprint and market share.

CEO Justin Birch commented: "ArborGen remains a market leader in the US South, with a production capacity of more than 350 million seedlings annually. Our strategic focus remains on bolstering the adoption of higher value, advanced genetics seedlings throughout the region. These seedlings offer customers the opportunity to achieve higher yields and returns from premium grade timber, meeting the projected future market demand. Despite the flat market, we were able to increase our mix of MCP sales and expand margins in FY24. The 2023 cone harvest was lower than expected due to the freeze event in late 2022. This will result in a higher cost of seed to plant in FY25. Nonetheless, we maintain sufficient inventory to meet projected customer demand. With an intensified sales focus and energy, we aim to maintain our market share, continue the shift to higher value products and grow our margins.

"In Brazil, we are leveraging our strong position in the pine and eucalyptus seedling markets to build a sustainable, highly profitable business. Consistent with our growth aspirations, we have been expanding our production capacity. This now sits at over 135 million seedlings per year, through our own nurseries as well as contract growers. We are evaluating opportunities to further expand production to meet growing demand in Brazil. In addition, we have identified promising opportunities across the broader South America region. We are excited about the potential to continue our growth momentum in Brazil and anticipate another strong performance in FY25."

Outlook

Chair of ArborGen, David Knott, said: "Looking to FY25, we expect ongoing momentum in Brazil, while the current conditions impacting US sales are expected to continue, resulting in flat year-on-year sales volumes. Our team remains focused on transitioning customers to higher value products, and we will continue to expand our production capacity to meet demand, particularly in Brazil.

"The increased investment into the expansion of our team, nursery improvements and other strategic initiatives will be reflected in the FY25 year. This will be partially offset by savings from the ongoing cost reduction programme including savings from the closure of the Taylor Nursery and the sale of the in-vitro business.

"ArborGen is undeniably a market leader in advanced genetics seedlings and has a robust strategy in place. Our momentum is building, and we are looking forward to another stronger year in FY25."

Shareholders are referred to the Investor Presentation released today for more information.

ENDS

¹ 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 FY24, one-off and unusual costs were \$5.2m comprising: a non-cash \$1.8m provision for obsolete seed inventory, a non-cash \$1.0m VAT valuation allowance, and \$1.9m CEO transition costs, the majority of which were non-cash equity grants, (itemised as CEO transition costs, seed review and other in the Financial Statements), and other restructuring costs of \$0.5 million. 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. See the Investor Presentation for more information.

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ArborGen

ArborGen is the largest commercial global seedling supplier and a leading provider of advanced genetics, for the forest 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.