PGG Wrightson

NZX Announcement

25 FEBRUARY 2025

PGG Wrightson announces FY25 half year result

GROUP PERFORMANCE

PGG Wrightson Limited[1] (PGW) today announced its results for the first half of FY25. Key items for the first six months to 31 December 2024 include:

❖ Operating EBITDA[2] of $41.4 million (up $4.7 million or 13%*).

❖ Operating Revenue of $570.3 million (up $9.4 million or 2%*).

❖ Net profit after tax of $16.0 million (up $3.2 million or 25%*).

❖ Interim dividend declared of 2.5 cents per share.

❖ Reaffirmed FY25 full year Operating EBITDA guidance of around $51 million.

(* compared to the prior corresponding six months to 31 December 2023)

PGW Chair, Garry Moore said "PGW started the first six months of the financial year with improved returns in Rural Supplies. Stronger demand for beef underpinned our Livestock results and there was a positive rebound in Real Estate. Continued focus by the business in the prudent control of operating expenses also assisted.

The sector is competitive, with customers remaining cost sensitive and limiting discretionary spend. However, our service offering and technical expertise are valued by our customers, and we continue to consolidate our position as leader in the markets where we operate.

Economic conditions are showing early signs of improvement, with several indicators pointing to a healthier outlook with lower inflation and interest rates easing. Agricultural input prices stabilised in the past six months but remain above historical norms. In addition, a higher forecast milk payout, strong beef export returns, and generally solid commodity prices are beginning to positively impact farmer and grower sentiment."

The Board declared a fully imputed interim dividend of 2.5 cents per share which will be paid on 3 April 2025 to shareholders on PGW's share register as at 5pm on 26 March 2025."

Retail & Water Group

PGW CEO, Stephen Guerin commented that "Our Retail & Water business which incorporates Rural Supplies, Fruitfed Supplies, Water, and Agritrade saw Operating EBITDA of $39.5 million (down $0.5 million), and revenue of $490.3 million (up $12.0 million) on the prior corresponding period.

The reduction in interest rates and the improved dairy payout have bolstered confidence. This budding optimism is beginning to be demonstrated through farmers looking to invest in their operations again, after several years of budgetary restraint. As farmer confidence levels gradually return, Rural Supplies has seen a positive impact, with nearly all categories showing some growth compared to last year. This has been most evident in the animal health, seed, stockfood, fertiliser, water and fencing categories.

Favourable growing conditions across most regions have contributed to growers reporting excellent crops across a range of fruit and vegetables. This should provide support for growers, although the true value will only be known once crops have been harvested and sent to market.

Agency Group

Our Agency group includes Livestock, Wool, and Real Estate. Agency delivered an Operating EBITDA of $6.8 million for the first six months of the 2025 financial year, an increase of $5.4 million compared with the same period last year. Revenue was $79.1 million, down $2.4 million compared to the prior period.

Favourable spring conditions across much of the country boosted sheep and cattle values, supporting farmer confidence. Good feed throughout the country, strong processor demand, and a general shortage of cattle have underpinned values. Sheep pricing has improved, particularly in recent months. The reduction in lamb processing volumes out of Australia has provided an opportunity for New Zealand sheep meat to command better export prices than last year.

Buoyant milk payout prices are predicted within the dairy industry. Fonterra’s current mid-point forecast price of $10.00 per kg of milk solids is at the highest levels since the Co-operative’s formation.

We have seen improved crossbred wool prices with the highest levels in seven years, driven by supply and demand dynamics. Declining sheep numbers and reduced wool volumes are creating a more competitive environment amongst buyers. The weakness of the New Zealand dollar has encouraged buyers to fill their order books.

The increased demand and more competitive pricing for strong wool is an encouraging sign for growers and the industry. However, there is still a way to go to achieve more sustainable prices and provide much needed confidence for wool growers. Ultra-fine wool remains sought after, with strong competition from international buyers.

Improving market dynamics, including ongoing official cash rate reductions, have resulted in increased real estate activity. November and December were busy with good sales and a diverse range of properties, with average prices up on the previous year.

Demand has remained high in the dairy sector, buoyed by improving dairy prices, however there are a limited number of dairy properties on the market. PGW Real Estate facilitated 10 transactions exceeding $10 million, with the highest surpassing $50 million during the period.

The number of sheep and beef farms converting to forestry has slowed. Horticultural properties are showing signs of revived activity after a quiet 18 months. As we approach the autumn selling season, the residential, lifestyle, and rural sectors are showing good growth.

Cashflow and Debt

PGW recorded an operating cash outflow of $31.0 million for the first six months of the financial year. This was a $24.2 million higher outflow versus the prior comparative period of $6.8 million.

The higher operating cash outflow is a result of the seasonal increase in working capital for the Group, with GO-STOCK receivable movements $27.4 million higher. This was partially offset by $4.7 million higher Operating EBITDA, $1.5 million lower income tax payments on the FY2024 financial result, and no final FY24 dividend being declared.

Cashflows from investing activities included $8.2 million of capital expenditure during the period, an increase of $1.3 million and included further investment in our Business Improvement Programme. The Group sold its interest in the Kauri and Kauroa Saleyards during the period, with fixed asset disposals generating $2.7 million.

Lease liability payments increased $0.9 million versus the prior period to $11.2 million.

Net interest-bearing debt was up $9.8 million from 31 December 2023 to $106.7 million."

Outlook

Mr Moore noted, "PGW's outlook for New Zealand's agricultural sector is promising yet cautious. With economic signals improving, including lower inflation and interest rates together with increased commodity prices, farmer and grower confidence is on the up. The weaker New Zealand dollar is benefitting exporters though this raises the costs of imported inputs.

Favourable feed conditions nationwide, good demand from processors, and export demand have underpinned solid cattle pricing, and improved sheep values. With a positive payout predicted for dairy farmers, the outlook for the livestock sector is more positive than a year ago. There is also strength in horticulture prices, with the kiwifruit industry likely on track for record exports.

While new trade agreements will be beneficial for our primary producers and exporters over time, speculated trade tariffs could create a less certain export environment.

A recent report issued by MFAT anticipates that exporters should benefit in the current year from the strengthening of global commodity prices and the weaker New Zealand dollar. Supply and demand fundamentals are expected to underpin more optimistic farmgate pricing for many key commodities in 2025.

A summary of key factors we expect to influence the sector through the remainder of the current financial year and beyond include:

❖ Dairy:	Dairy farm margins are likely to benefit through 2025 from strong export demand and farmgate milk pricing.
❖ Beef:	Beef farmgate pricing is expected to remain above the five-year average throughout 2025.
❖ Sheepmeat:	Sheepmeat values are looking stronger in 2025 with current lamb farmgate pricing now above the five-year average.
❖ Horticulture:	Horticultural export outlook is positive with strong kiwifruit signals for 2025, and exports projected to reach $3.5bn for the first time.
❖ Farm inputs:	While farm input pricing is generally predicted to be more stable during 2025 a weak NZ dollar is likely to keep imports such as fertiliser and chemical pricing at elevated levels.

New Zealand's agricultural sector is well-positioned to respond to global demand and PGW is well placed to support our farmer and grower customers with their production needs. We are cautiously optimistic about the remainder of the financial year and note that PGW remains on track to deliver our forecast FY25 full year Operating EBITDA guidance of around $51 million."

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[1] All references to PGG Wrightson Limited refer to the company, its subsidiaries and interests in associates and jointly controlled entities.

[2] 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).