

18 December 2018

PGG Wrightson flags tough trading for Seeds in South America while its sale remains on track

PGG Wrightson Limited (PGW)* Chief Executive Ian Glasson advised today that continued difficult trading conditions in South America are adversely impacting its Seed and Grain business performance leading to the acquisition of the balance of its Uruguayan retail joint venture, AgroCentro. Meanwhile, the sale of the Seed and Grain business to DLF Seeds remains on track.

Challenging climatic conditions in Uruguay have impacted crop yields in recent seasons causing liquidity issues in the agricultural sector as credit pressures have tightened for farmers. This has negatively impacted AgroCentro. To safeguard the Uruguayan business, PGW has agreed to acquire the remaining 50% of the retail joint venture and hence consolidate this business.

Mr Glasson noted that “the challenges facing AgroCentro will reduce the Seed and Grain Operating EBITDA** and its net profit after tax (NPAT) in comparison to the half year ending 31 December 2017. This will cause the Seed and Grain Operating EBITDA** to be down significantly on the same period last year and create a loss at an NPAT level. The AgroCentro acquisition is expected to complete by late January 2019.”

“However, as the DLF Seeds transaction is based on the value of the business as at 30 June 2018, this impact in South America will not reduce the purchase price for the Seed and Grain business. PGW remains confident that the sale to DLF Seeds will receive the necessary regulatory and other approvals in the new year.”

On completion of the sale of the Seed and Grain business PGW expects to record a capital gain of circa NZD\$120 million flowing through to NPAT.

Mr Glasson noted that “PGW’s Rural Services business (Agency and Retail and Water) has been trading solidly, although slightly behind last year due to a later start to spring sales and a delayed recovery following recent heavy rainfall across a large portion of New Zealand. Once we end the first half of the financial year we will be able to form a clearer picture of these impacts on the full year earnings.”

PGW expects to be in a position to update guidance when announcing its half-year result on 27 February 2019.

Ends

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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. 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).