



ArborGen Holdings Updates Market on FY22 Guidance

28 October 2021

ArborGen Holdings Limited (NZX: ARB) (the Company) announced that, as mentioned at the Company's August 2021 Annual Shareholders Meeting, extreme rain conditions during the early, most vulnerable, phase of seedling growth, resulted in early season seedling inventory losses in the current production year. In order to gain greater visibility of the seedling crop available this year, the Company brought forward its usual November mid-season inventory count. This has confirmed approximately 25 million (or 7%) of seedling losses (slightly higher than the losses previously estimated). In addition, in the eastern portion of the market the Company is projecting slightly lower sales volumes of OP seedlings due supply chain issues (shortage of transport, logging and site prep crews) affecting customer demand. Labour, fuel and material costs during the second half of the year are also projected to be higher due to inflation. As pricing is largely agreed with customers for the current season, these inflationary pressures will impact current year margins.

Added to this, the Company is also recognising one-time (non-cash) charges of \$0.7 million relating to the eviction of the defaulting sub-lessee at its headquarter premises in Ridgeville, South Carolina and to prior year cost adjustments in Brazil. It is also expecting lower rental income for the HQ premises due to delays in the eviction process. This is simply timing due to the legal processes that were required in order to evict a defaulting tenant before the premises can be remarketed.

Partially offsetting these unfavourable items, are additional services and licensing income, and cost savings in the US. As reported in August, the Company executed a non-exclusive license agreement with a company focused on using biotechnology to develop trees that better capture and store carbon which resulted in an additional \$0.5 million of income.

Taking into account all these factors, the Company has updated its guidance for the fiscal year ending March 2022 (FY2022). US GAAP EBITDA¹ is now expected to be in the range of US\$11.3-11.7 million (previously expected to be US\$13 - 14 million). Adjusted for the one-off items noted above, Adjusted US GAAP EBITDA would be approximately \$12.0 – 12.4 million. Additional rental income is expected to add a further \$0.5 million on annualised basis when a new tenant is found.

The Company confirmed that it continues to be on track to deliver its highest MCP sales year in the US this year with year-to-date MCP sales orders now at approximately 105 million seedlings (over 97% of available inventory), 25 million units higher than the prior year. In particular, MCP unit sales to the private landowner segment, where the majority of MCP sales growth will occur are projected to be up over 45% compared to prior year.

Moreover, MCP seed production from ArborGen's orchards is forecast to increase materially in late calendar year 2022 from flowers pollinated in early calendar 2021. This seed will be available for seedling production in 2023 (fiscal year ending March 2024).

ENDS

1. US GAAP EBITDA excludes NZ public company costs and the Strategic Review costs.

To: NZX

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Further information on ArborGen Holdings Limited can be viewed at our web site <http://www.arborgenholdings.com>.