



ArborGen Holdings Announces Sale of ArborGen's ANZ Businesses

1 November 2021

- An agreement has been entered into for the sale of ArborGen's New Zealand and Australian businesses (ArborGen ANZ) for NZ\$22.25m in cash, with settlement scheduled for 30 November 2021
- Proceeds from the sale will be used to invest in and expand ArborGen's high-growth US and South American businesses, explore investment in new growth opportunities in *in vitro* and carbon-related segments, and repay debt
- ArborGen remains on track to deliver its highest MCP sales year to date in the US
- The sale of ArborGen ANZ affords ArborGen great strategic and financial flexibility, providing a strong balance sheet for the company to pursue growth opportunities

ArborGen Holdings Limited (NZX: ARB) (the Company or ArborGen) has entered into an agreement to sell ArborGen ANZ for NZ\$22.25m to Geysler Limited Partnership (Geysler).

The transaction has arisen as a result of the strategic review being undertaken by the Company (as announced on 30 June 2021 <https://www.nzx.com/announcements/374791>). The Company engaged PwC to assist with the strategic review.

ArborGen ANZ is an operationally separate and significantly smaller operation than ArborGen's US business. It is forecast to contribute approximately 15+% of Group Revenue in FY'22, but has a lower growth profile compared to ArborGen's other markets. ArborGen ANZ is currently operating at around its maximum combined productive capacity of approximately 30 million tree stocks per annum in NZ and 5.5 million per annum in Australia, and further expansion of capacity to grow the core forestry and horticulture businesses would require significant additional capital spend. The Board believes that sale proceeds are better deployed in higher growth markets in the US and Brazil.

The Company's core strategy is to grow the sales of its higher margin proprietary advanced genetic products (Mass Control Pollinated (MCP) and Varietals) in the United States where there is significant identified potential to grow market share and drive advanced genetics adoption. Further investment in the US comes at a time when that business is poised to benefit from decades of investment in developing best-in-class proprietary MCP products, expanding supply through orchards expansions across the US South, and upgrading both industrial and private landowner customers to MCP seedlings. The Company confirms 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, 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.

Further investment in Brazil comes at a time when ArborGen has grown to become one of the largest commercial suppliers of eucalyptus and loblolly pine seedlings, benefitting from increased recognition of its proprietary advanced genetics, and strong pulp and charcoal markets.

ArborGen’s chairman, David Knott Jr, said “The sale of ArborGen ANZ will realise value for the relatively mature ANZ business and provides the Company the flexibility to invest in expanding its high growth US and Brazilian businesses, explore investment in new growth opportunities in *in vitro* and carbon related segments and repay debt.”

“While the Company continues to consider other options to unlock value for the benefit of all shareholders, the sale of ArborGen ANZ affords ArborGen great strategic and financial flexibility, creating a strong platform for the Company to pursue growth opportunities for the benefit of all shareholders, including acquisition opportunities,” said David Knott Jr.

Summary of Key Terms

- Geyser has agreed to acquire the business of ArborGen ANZ, comprising the assets (including goodwill) of ArborGen New Zealand Unlimited and ArborGen Australia Pty Limited for a total purchase price of NZ\$22.25 million on a debt free and cash free basis and with a locked box mechanism applying from 1 October 2021. The purchase price of NZ\$22.25 million will be reduced by a working capital adjustment of NZ\$450,000 reflecting the seasonality of the business.
- The transaction is structured as an asset sale, with Geyser assuming all ArborGen ANZ’s obligations (other than tax) which were incurred before completion in the ordinary course of business.
- Completion of the transaction is scheduled for 30 November 2021.
- The transaction is conditional on at least 75% of ArborGen ANZ’s permanent employees accepting Geyser’s offer of employment and, and ArborGen New Zealand Unlimited effecting the transfer of its 2.34% shareholding in Radiata Pine Breeding Company Limited to Geyser. No other regulatory consents or approvals are required.
- Geyser is a consortium of New Zealand investors predominantly comprising charitable trusts and private families, with the consortium led by Mr Hugh Fletcher. Given Mr Fletcher’s historical relationship with ArborGen, the Board commissioned Grant Samuel to complete an independent assessment of the merits of the transaction, with the purchase price above the midpoint of Grant Samuel’s assessed valuation range of NZ\$20.7 - \$23 million. In Grant Samuel’s opinion, the consideration offered for ArborGen ANZ is fair. A copy of that report is attached to this announcement.
- The sale agreement contains a typical set of warranties concerning ArborGen ANZ. Except for claims relating to any business agreements which cannot be transferred at completion, any and all claims must be brought within three months of completion. Other than for certain breaches of certain fundamental representations (e.g. title to assets and the locked box undertaking, for which liability is capped at the purchase price), all claims under the sale agreement are capped at an aggregate NZ\$450,000.

ENDS

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* ArborGen ANZ's earnings are largely earned in the first 6-7 months of the fiscal year in line with the annual crop cycle (sales of treestocks in NZ and Australia are usually completed by September of each year, with establishment of the following year's crop commencing around then). Horticulture and other services revenues (a much smaller component) are spread more evenly through the year. The latest revised forecast US GAAP EBITDA for ArborGen ANZ for the full fiscal year ending 31 March 2022 is US\$2.0 million (NZ\$2.7 million). ArborGen's actual US GAAP EBITDA through to 30 September 2021 was US\$2.1 million (NZ\$2.9 million). Excludes NZ public company costs and the Strategic Review costs.

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.