ArborGen Holdings Advises Uplift in FY21 Guidance

10 May 2021

Global advanced genetics seedling company, ArborGen Holdings Limited (NZX: ARB) has advised of an uplift in the Company's earnings guidance.

The Company now expects US GAAP EBITDA[1] to be in the US$11-11.5 million range for the fiscal year ending March 2021 (FY2021) – up from the US$10 - $11 million guidance provided in January 2021[2], and materially ahead of prior year comparable EBITDA of US$5.4 million. This upgraded guidance includes US$3.7 million of Covid-19 related government grant income (previously forecast to be US$2.6m). The Company estimates that the grant income received approximates the impact of lost sales due to Covid-19 (i.e. unsold seedlings) as well as incremental Covid-19 related costs incurred during the period.

In addition, net bank debt reduced to approximately US$28 million[3] at year end ($30.3m as at 30 September 2020). Net debt would have been even lower but for the late lifting season brought about by restrictions on migrant labour into the US from Central America, which resulted in accounts receivable, being approximately US$2 million higher than would otherwise have been the case. Those receivables have since been collected in April 2021. The main use of cash during the period was a US$2.5 million spend on building our supply of higher value MCP seed inventory in the US, which will be available for sale in FY2022 and FY2023.

Commenting on the Company prospects for the new fiscal year, ArborGen's Chairman, David Knott said "While FY2021 was a very challenging year with Covid-19 materially impacting sales in two of the three regions in which we operate, looking ahead, increased availability of our proprietary MCP seedlings in the US, improving markets in all regions, and higher demand for our proprietary genetics in the US and Brazil, create strong tailwinds for fiscal 2022[4]. In light of this, and subject to any uncontrollable factors, we are targeting continued strong growth in US-GAAP EBITDA and cash generation for the fiscal year ending March 2022. We are committed to delivering increasing value for our shareholders".

1. *US GAAP EBITDA excludes NZ public company costs of US$1.3 million.*
2. *US GAAP EBITDA (inclusive of Covid-19 related government grant income of US$2.6 million) forecast to be in the US$10 million - $11 million range for our fiscal year ending March 2021.*
3. *This includes a US$0.9 million loan from the Small Business Administration (SBA) under the CARES Act Paycheck Protection Program (PPP) (i.e. not included in FY2021 earnings).*
4. *Year ending 31 March 2022.*

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.

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