



ArborGen Holdings Half Year Results

23 November 2021

Unaudited Results for the Six Months to 30 September 2021 (1H FY22)

All dollar values in US dollars unless otherwise stated

- ArborGen continues to make progress in markets with identified growth potential (the US and Brazil) and remains on track to deliver its highest MCP sales year to date in the US.
- Agreement for the sale of ArborGen's New Zealand and Australian business (ANZ business) for \$22.25m is now unconditional with completion scheduled for 30 November 2021. Proceeds will afford ArborGen greater strategic and financial flexibility, strengthening our balance sheet so the company can pursue growth opportunities.
- Positive uplift in revenue for continuing operations (excluding the ANZ business) and operating earnings¹ of \$0.6m (in line with pcp), with consolidated net loss of \$0.5m reflecting inventory adjustment, strategic review and lease termination write-off costs during the period.
- The company has re-confirmed guidance of US GAAP EBITDA² to be in the range of US\$11.3 to \$11.7m for the FY22, subject to any future impact from supply chain and COVID related issues in the US.

ArborGen Holdings Limited (NZX: ARB) has announced its unaudited results for the six months to 30 September 2021, reporting a period of positive revenue and earnings growth in its US and Brazil markets.

The six-month consolidated result is presented showing the ArborGen's New Zealand and Australian businesses as discontinued. The sale of the ANZ business for \$22.25m is now unconditional and completion scheduled for 30 November 2021. The proceeds from the sale will afford ArborGen with greater strategic and financial flexibility, strengthening our balance sheet so the company can pursue growth opportunities.

ArborGen's core focus remains on growing sales of its higher margin proprietary advanced genetic products (Mass Control Pollinated (MCP) and Varietals) in the United States and the company is on track to deliver its highest MCP sales year in FY22, with year-to-date MCP sales orders now at approximately 104 million seedlings, 24 million units higher than the prior year.

Further growth of MCP is expected in future years, driven by increased supply from flowers pollinated in FY21 and ongoing maturity of orchards, and increasing adoption from both industrial and private landowner customers. A number of large industrial customers have publicly stated MCP targets ranging from 75% to 100% of their plantings as maturing stands of MCP trees demonstrate compelling value gains, with a much

¹ Earnings before other significant items - these comprise government grant subsidies of \$0.9 million, and one-off expenses relating to tenant eviction and accelerated upfront tenancy costs written off of \$0.5 million, Brazil inventory adjustment \$0.2 million, and Strategic Review costs of \$0.7 million. Other significant items in the prior period comprised \$2.3 million of government grant subsidies.

² US GAAP EBITDA excludes NZ public company costs and the Strategic Review costs.

higher percentage of valuable sawtimber generated per acre. ArborGen is the clear MCP market leader in the US, responsible for 80% of all MCP sales in the addressable market.

The US business is now poised to benefit from decades of investment in developing best-in-class proprietary MCP products, increasing supply through orchard expansions across the US South, and upgrading both industrial and private landowner customers to MCP seedlings.

ArborGen is replicating its US strategy in Brazil, to convert the market to products with superior genetics from its portfolio of licensed and owned proprietary products. After years of oversupply, both pine and eucalyptus seedling markets are now supply constrained. ArborGen is the only company providing superior, proprietary genetics to Brazilian pine and eucalyptus growers and is well positioned to meet demand as it addresses production capacity.

Strong underlying growth drivers – US housing growth, Brazil pulp and charcoal demand and carbon markets – are supporting ArborGen’s positive outlook, with proceeds from the sale of the ANZ business to provide flexibility to invest in new and existing opportunities.

Chair of ArborGen, David Knott Jr, said: “ArborGen is poised for growth, as we proceed with a strong balance sheet and funding to execute our strategy and invest into new and existing opportunities. Our strategy is working and the benefits of our long-term focus on advanced genetics is now becoming clear. The growing demand for our seedlings is testament to the value we offer and gives us real confidence to continue with our chosen pathway.

“Investors are increasingly interested in companies such as ours that provide sustainability benefits alongside sound financial results. We now have the capacity to further investigate new opportunities in the carbon market, as well as the use of our technology for other crops. It has been a busy six months for our team, as we have focused on continuing to grow our business against a background of Covid-restrictions and supply chain issues, as well as the strategic review, and they have done a great job.”

Financial Performance

Revenue for ArborGen’s continuing operations in the US and Brazil was \$4.6m, up 59% on the prior comparative period (pcp). Operating earnings before other significant items of \$0.6m. The US and Brazil are both markets that have been identified as offering significant growth potential for ArborGen.

The company reported a net loss of \$0.5m (excluding the ANZ business), which included Government subsidies of \$0.9m and costs of \$1.4m associated with inventory adjustments, the strategic review and a lease termination write-off.

Net debt was reduced to \$29.9m as at 30 September 2021. Tree stock sales in the US are weighted towards the second half of the fiscal year and, along with the proceeds of the sale, debt is expected to reduce materially in the second half of the year.

Outlook

Demand for MCP seedlings is growing and ArborGen is on track to deliver its highest MCP sales year in the US in FY22. Timber prices remain strong and recent weather conditions have been conducive to site preparation and seedling planting activities, which bodes well for the rest of the season and the FY23 financial year. Strong sales and margin growth is also being seen in Brazil.

In the short term, there are supply constraints particularly in our western regions due to extreme rain conditions, which resulted in the loss of 25 million seedlings early in the season (almost all open pollinated or OP seedlings). The harvest of softwood timber in the US South is also expected to fall short of previous expectations, largely due to pandemic related supply-chain issues and numerous weather events leading to temporary mill shutdowns. This will have a flow-on effect on the number of seedlings being purchased for replanting, particularly in the coastal regions. Approximately 90% of overall available seedlings are currently sold. Inflationary cost pressures are also expected to impact in the FY22 financial year, although will be incorporated into new pricing and contracts for FY23 onwards.

The company has re-confirmed guidance of US GAAP EBITDA¹ to be in the range of US\$11.3 to \$11.7m for FY22, subject to any future impact from supply chain and COVID related issues in the US. This includes \$2 million related to ArborGen ANZ's six-month performance, and \$0.9 million of non-recurring costs.

ENDS

Any enquiries should be directed to:

Sharon Ludher-Chandra

Company Secretary & Performance Improvement Director (NZ-based)

E: info@arborgenholdings.com

Tel: 021 898 624

<http://www.arborgenholdings.com> or email info@arborgenholdings.com

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.