



ARBORGEN 2024 ASM SPEECHES

CHAIR'S PRESENTATION

OUR VISION

ArborGen remains a global leader in advanced genetics seedlings, with more than 2,000 customers, 24 seedling nurseries and orchards, and a production capacity of almost 500 million seedlings each year.

Our overall goal remains steadfast – to drive sales of our advanced genetics seedlings in our target markets, thereby delivering increased value for forest owners and greater returns for our business and our shareholders.

DUAL PATHWAY STRATEGY

Our dual pathway strategy provides the framework for our actions.

We are building a strong platform for our business and Justin has done some great work over the past year to optimise our asset base, improve efficiencies and productivity and create a strong performance culture.

The US South and Brazil remain our primary markets and we have identified strong growth and commercial potential in both of these regions. Our focus on advanced genetics continues to deliver superior prices and margin.

Long term macro trends support our go-to-market story and Justin will talk to these shortly.

FY24 HIGHLIGHTS

FY24 was another year of improved performance and a positive upturn in our financial results, and we were pleased to report record revenue and a record adjusted US GAAP EBITDA result.

In particular, our growth efforts in Brazil are yielding impactful contributions with record sales, pricing and margins, supported by a solid performance in our longstanding US market.

The Board has determined that the optimal allocation of available cash flow at this time, is to reinvest in growth opportunities rather than distribute dividends. While we recognise the importance and desire of shareholders to receive a dividend, we believe that growth initiatives will deliver long term value creation for shareholders.

The tangible and positive results now being delivered as we execute on our strategy, gives us confidence that we are on the right track and have the right team and leadership in place to realise our goals.

GROWTH STRATEGY DELIVERING TANGIBLE RESULTS

Last year's strong result highlights the value of the strategic reset undertaken three years ago, which saw us divest our Australasian operations and expand in Brazil, while maintaining our strong presence in our traditional US market.

This has proven to be a winning formula with a significant reduction in debt and a 22% increase in gross profit over the last four years, with record revenue and adjusted EBITDA reported in FY24.

SHARE PRICE DISCONNECTED FROM FUNDAMENTAL VALUE

We are conscious that ArborGen's share price performance – seen in green - is not reflective of the strong underlying performance of the company and our recent record results. There are several reasons we can see for this: We have few institutional investors, low liquidity and there has been selling pressure over the past 24 months.

We understand that similar businesses to ours in the US have sold recently for multiples of up to 10x EBITDA; ArborGen's current share price values our company at just 4.5x EBITDA – a significant value gap. As ArborGen's debt decreases and earnings increase, this gap will become even more pronounced and our company will be increasingly positioned as a value opportunity.

While your board and management remain focused on sharing our story, it has been difficult to attract institutional investors or funds to a smaller company listed in New Zealand but with our operations offshore.

We believe that ArborGen's share price does not appropriately reflect the intrinsic value of the business and, as announced this morning, we are therefore planning a share buyback of up to \$US500,000. We see the purchase of shares, at current market prices, as value accretive for all shareholders.

We are well positioned to continue investing in the business, while also opportunistically repaying debt or buying back shares, depending on market conditions. The buyback reflects the Board's confidence in the long term strategy and opportunities for our business. We are finalising the details and will advise the market when it commences.

BUILDING VALUE IN FY25

We will continue to build value in FY25 and are already onto a good start, albeit this season's planting and sales in the US have been hampered by recent weather events and the ongoing industry and economic conditions.

The team are continuing to identify opportunities for greater efficiencies. One important initiative has been the sale of the in-vitro business and subsequent lease of the Ridgville building ahead of a potential sale. This allows us to recycle cash into growth, including the acquisition of additional nurseries in Brazil, increasing container capacity and investing into R&D.

We are committed to driving value for shareholders as a result of strong earnings and cashflow growth.

CLIMATE RESILIENCE AND OPPORTUNITIES

As a horticultural business, ArborGen's operations are inherently linked with climate, which provides both risks and opportunities for our business.

As we operate mostly outdoors, we face risks from excessive rains, hail, freezing, hurricanes, drought and excessive heat. We have been managing these weather events for more than 30 years and feel confident that we have already taken many steps to protect our assets from extreme weather. As such, we consider that we are well positioned to mitigate risks and respond to opportunities arising from the transition to a low-emissions, climate resilient future.

These opportunities include the increasing emphasis on the role trees can play in offsetting carbon emissions through sequestration; reforestation and afforestation projects; as well as a consumer shift towards more sustainable materials such as timber. Given the nature of our business, there is also the opportunity for ArborGen to utilise green bonds and sustainability linked loans, as there is for our customers.

Recently, we released ArborGen's first climate related disclosures under the New Zealand Climate Standards. This was a significant piece of work, taking into account climate scenarios in our two markets, and building on our own knowledge and strategy. This report can be viewed on our website.

STRONGLY POSITIONED FOR THE FUTURE

Our company is strongly positioned for the future – the value and science behind our advanced genetics is now proven, we are a leading provider to the forestry industry, and we have strong and established footprints in our target markets. We have an experienced sales force, who work directly with foresters, providing advice and education to help our customers in their sustainable forestry journey.

In Brazil, we are leveraging our strong position in the pine and eucalyptus seedling markets to build a sustainable, highly profitable business that is recognised as the preeminent seedling supplier.

And in the US, we are focused on driving increased adoption of advanced genetics across the US South, leveraging decades of investment in developing best-in-class proprietary products.

The long term macro trends are positive and we have the capacity and the resources to leverage future demand.

CEO'S PRESENTATION

FY24 HIGHLIGHTS

I have now been with the company for just over 14 months, having started in June last year. It has been a busy time, with a particular focus on productivity and operating strength. This has seen us streamline our organisational structure, reduce costs and enhance operating efficiencies.

We've also invested in growth, acquiring two nurseries and expanding container production, as well as continuing our comprehensive R&D and product development programme which allows us to create new genetics that provide our competitive advantage.

FY24 FINANCIAL SNAPSHOT

If we look at the FY24 results... we reported record revenue and record Adjusted US GAAP EBITDA, improved our gross profit by 32%, and significantly reduced net loss after tax. Borrowings also reduced year on year.

GROUP REVENUE

Revenue was up 21% to a record \$67.7m. This was driven by a strong performance from Brazil which provided 31% of revenue, with US revenue also up on the prior year, despite subdued volumes. Strong pricing and margins in both regions helped deliver year on year revenue increases.

ADJUSTED US GAAP EBITDA

Adjusted US GAAP EBITDA was also a record at \$12.8m, up 39% year on year. This was boosted by increased sales revenue and an improved gross margin.

OPTIMISING THE BUSINESS

During the year, as part of our strategic pillar to optimise productivity, we conducted a review of assets within our business, to ensure these meet the Board's investment criteria and provide value for shareholders.

In line with this, we elected to exit the Taylor Nursery and subsequent to year end, sold the in-vitro business. Combined, this will provide around \$1m in savings per annum. We are using the proceeds to pay down debt and invest into growth initiatives, with borrowings down to \$20m at year end. Positively, over the past four years, our interest cover has improved to 3.2x, our gearing has reduced from 23% to 13% and bank debt as a percentage of tangible assets has also reduced significantly, down to 18%. This has substantially increased ArborGen's financial stability and flexibility, making our company more attractive to investors and providing the ability to invest into identified growth opportunities.

INVESTMENT IN GROWTH

We continue to invest in growth in FY24, with the expansion of container capacity at two nurseries and the purchase of the Jasper Nursery in the US which we have leased since 2018; the acquisition of an additional eucalyptus nursery in Brazil, and continued R&D and product development.

US SOUTH

The US market is facing economic and industry headwinds. Firstly, demand for pulp timber has reduced with several major pulp mills closing due to historically low pulp prices. In addition, due to cyclical economic conditions, the level of residential and commercial construction and renovations has declined, leading to subdued demand for saw timber with many saw mills losing money in the current environment.

These conditions have led some customers to postpone harvesting, subsequently affecting their demand for seedlings. On top of this, wet weather conditions during the summer impeded ground preparation for replanting. This all had an impact on our US sales volumes in the FY24 year.

Pleasingly, revenue was ahead of last year as we focused on selling higher margin products.

US SOUTH MARKET OVERVIEW

Current conditions in the US are expected to continue into FY25. Looking ahead, while we anticipate a return to a more commercial processing cycle for US pulp production, the long-term trend suggests a continued decline. Meanwhile, a recovery in demand for saw timber is projected by 2025.

These market dynamics support ArborGen's go-to-market story. Our advanced genetics seedlings offer customers the opportunity to achieve higher yields and returns from premium grade timber, meeting the growing market demand.

US SOUTH STRATEGY

We will continue to focus on the sale of higher value advanced genetics products, and thoughtful growth. This will primarily be organic growth, such as expansion of our container offering, but we will also consider m&a if appropriate and it meets the board's criteria.

MANAGING FOR EXTREME WEATHER

As Dave mentioned, extreme weather events are becoming more common with climate change. This has been particularly evident in the US South, most recently with Tropical Storm Debby which brought huge rainfall in the south, as well as earlier storms in the spring including Hurricane Beryl which dropped 30% of annual rainfall in a month in some areas of Texas.

We are using science based planning and investment to build our resilience and have initiated strategic measures to both mitigate and offset the potential impact of such events.

- We are investing in containers, which help protect seedlings, and also use agricultural products to help hold seed in the field.
- We are managing our planting schedules and aiming for wider planting windows.
- We are undertaking contour mapping of our nurseries and orchards and improving drainage.
- We also mitigate our risk through orchard diversification, both geographically and age class. By recycling older orchards, we can ensure there are younger, more resilient orchards which are better suited to withstand tropical force winds.
- We're also investing in backup power systems to combat damage from storms and maintain our ability to grow crop and store our seed.

BRAZIL

Brazil has continued its positive track record and delivered another record result in FY24, with volume growth bolstered by strong pricing and margins. Over the last three years, revenue has grown at 51% per year with a record \$26.5m delivered in FY24.

BRAZIL STRATEGY

We see great potential in Brazil to leverage our strong positions in the pine and eucalyptus markets, and convert customers to products with superior genetics.

Brazil is the world's largest producer and exporter of hardwood pulp, and ArborGen is one of the largest commercial providers of pine and eucalyptus seedlings. While the production capacity has expanded across the industry, yields have declined due to environmental and weather-related factors.

The market is seeking new clones with higher yields that are also more resilient, and this presents an opportune landscape for ArborGen. Our superior trees offer higher yields and higher wood density than standard market clones, improved disease and insect resistance, and good drought tolerance.

We are moving quickly to leverage this demand, with investment into nurseries and orchard development to transform more product from market (unprotected) to protected clones. In October last year, we acquired an additional eucalyptus nursery business, and our production capacity now sits at over 135 million seedlings per year, through our own nurseries as well as contract growers.

As well as expanding our production in Brazil, we have identified promising opportunities across the broader South America region and are continuing to investigate these.

FY25 CURRENT TRADING

If we now look at our progress in the current financial year...

The headwinds seen last year in the US South are ongoing - lumber demand and prices are down, sawmills are curtailing production, and weather has impacted the ability for some customers to prep for planting. Taken together, this has seen some forestry owners defer harvesting and therefore planting until conditions improve.

The introduction of new sales terms, with stricter cancellation terms, has also delayed orders, with customers waiting till they have more certainty on their requirements.

We are continuing to identify new and innovative ways to grow and market our superior product, as well as explore further ways to streamline the business. As previously advised, cost of sales will be higher this year due to the freeze event in late 2022, which reduced the amount of seed available.

Momentum is continuing in Brazil and we expect another strong year in this region as we benefit from recent expansion of our production capacity. We are continuing to shift sales from licensed products to proprietary ArborGen genetic seedlings which will deliver superior prices and higher margins.

FY25 OUTLOOK

In FY25, we expect to see ongoing growth momentum in Brazil, while headwinds in the US South will continue to impact on demand across the industry. Given this, we are expecting full year sales volumes to be flat or slightly down on last year, with Adjusted US GAAP EBITDA expected to be largely in line with FY24.

Thank you.

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