



ArborGen Holdings Market Update

24 October, 2019 – Today, ArborGen announced the expansion of its operations in Brazil, and updated the market on current year earnings.

ArborGen’s CEO, Andrew Baum, said “ArborGen Brazil is one of the largest commercial suppliers of eucalyptus and pine tree seedlings in Brazil, and we are excited to announce that we have leased a eucalyptus nursery in the town of Inimutaba, Minas Gerais state in Brazil from Brotale, which we will begin operating on 1 November, 2019. The nursery will produce 15 million eucalyptus seedlings, including genetically improved clonal material from Gerdau and International Paper do Brazil pursuant to exclusive licence agreements with each of these companies.”

Working primarily through contract nursery seedling growers, ArborGen’s eucalyptus products are already available in the Mato Grosso do Sul, São Paulo, Minas Gerais, Mato Grosso and Paraná states. Gabriela Monnerat, the General Manager of ArborGen Brazil, said “By leasing the nursery in Inimutaba, we have enhanced our ability to make our portfolio of advanced eucalyptus seedling genetics accessible to landowners in the Minas Gerais state, while also improving our ability to provide customers with the highest level of seedling quality. Our seedlings offer growers excellent yield and high wood density, making them ideal for the charcoal and energy markets, and with this move, we will be able to increase our commercialisation efforts in the state of Minas Gerais.”

The Brazilian forestry industry is one of the largest, fastest-growing in the world, and Brazil is the world’s largest producer and exporter of hardwood pulp. The eucalyptus market utilizes approximately ~700 million seedlings per year.

Commenting on current fiscal year earnings, David Knott, the Company’s Chairman, said “As a result of market share expansion, as well as continued general market recovery in all of its core markets, this year’s unit seedling sales and revenue will be materially higher than prior fiscal year. However, consistent with earlier statements, the severe weather events in the US from last year and earlier this year will unfortunately result in constrained advanced genetics sales this fiscal year (i.e. circa 5% lower than prior year), as well as lower than normal unit seedling margins as these higher weather-related costs are expensed. These weather-related stress events have also resulted in extremely unusual widespread seedling survival issues throughout the US South-eastern region in relation to last year’s seedlings, including across some of our customer sites. While we don’t believe this mortality issue can be attributed to our seedling quality, the industry has agreed to share the cost of this loss, and accordingly we will have an abnormal expense of approximately US\$1 million in the current fiscal year. Having said all of that, we continue to believe ArborGen’s US-GAAP underlying earnings¹ will be circa 20% higher² than prior year’s US\$6.1 million² result (*subject to any uncontrollable factors*). And in terms of future performance, we believe we will be reporting double-digit US-GAAP EBITDA next fiscal year, with earnings increasing materially each year in line with our projected MCP seed supply growth.”

¹ US GAAP underlying earnings is a non-GAAP earnings measure which does not have a prescribed meaning by GAAP, and may not be comparable to similar financial information presented by other entities. Please refer to Note 30 of the 31 March 2019 Financial Statements.

² For the avoidance of doubt, this figure is pre public company costs of approximately US\$1.5 million.

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.

Brotale

Brotale has been in the Brazilian Eucalyptus seedling market since 2007 and produces, in addition to Eucalyptus, Banana and Sugarcane seedlings with advanced technology. Brotale, with the lease of the Eucalyptus seedling nursery, will now focus its activities in the sugarcane and Banana seedling area and transfer the Eucalyptus activities to ArborGen.

To: NZX

From: Sharon Ludher-Chandra

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