



ArborGen Holdings' Market Update

9 April, 2020

Expansion of Brazil Operations

Today, ArborGen announced the continued expansion of its Brazil operations with the lease of a eucalyptus nursery from Brotale in the town of Ribas do Rio Pardo, in the state of Mato Grosso do Sul in Brazil. The nursery in Ribas will begin by producing 12 million eucalyptus seedlings, including genetically improved clonal material, and the plan is to increase its production to 15 million seedlings by 2021. This lease follows the lease of a 15 million eucalyptus seedling nursery in the town of Inimutaba, Minas Gerais state in Brazil, also from Brotale, in November, 2019.

ArborGen Brazil is one of the largest commercial suppliers of eucalyptus and pine trees seedlings in Brazil with its eucalyptus products also sold in São Paulo, Mato Grosso do Sul, Minas Gerais, Mato Grosso and Paraná states. ArborGen's CEO, Andrew Baum, said "We are excited to announce the lease of the nursery in Ribas, which will further strengthen ArborGen's presence and ability to make our portfolio of advanced eucalyptus seedling genetics accessible to landowners in Mato Grosso Do Sul."

Gabriela Monnerat, the General Manager of ArborGen Brazil, said "To further expand our sales and marketing capability, we are also adding two additional people to our sales team – one in Minas Gerais and the other in Mato Grosso Do Sul. ArborGen's seedlings also offer growers excellent yield and high wood density, making them ideal for pulp, charcoal and energy markets, and we are confident, with these recent additions, we will continue to strengthen our position in Brazil."

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 utilises approximately 700 million seedlings per year.

COVID-19 and General Update

Commenting on the current COVID-19 situation, ArborGen's chairman, Dave Knott, said, "ArborGen continues to operate all its global nurseries and orchards while strictly adhering to region specific government guidelines and regulations. The safety and wellbeing of our employees is paramount to us, and as the crisis has evolved we acted to ensure that in the vast majority of our geographies, any employee who was able to move to remote home working was supported to do so.

"Last month we announced that in NZ, in compliance with strict requirements, ArborGen will continue to undertake critical irrigation and associated activities necessary to ensure the survival and viability of the current year's crop leading up to the 2020 lifting season.

To: NZX From: Sharon Ludher-Chandra

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“In ArborGen’s largest market – the US, the US Department of Homeland Security has defined the forestry industry as an “essential critical infrastructure workforce”. As such, our operations across all nurseries and orchards continue to progress with all typical activities continuing as planned, while ensuring compliance with all appropriate state specific regulations and requirements. The 2019-2020 crop lifting and sales season is now complete, and preparations are now underway for the 2020-2021 crop season. Customers continue to indicate they are committed to their planned 2020-2021 planting programs. That said, given the rapidly evolving market conditions surrounding the impact of COVID-19, the company is pro-actively taking additional steps including reducing discretionary costs and capital spend to mitigate any downside risk.

“In Brazil, while most of ArborGen’s customers are continuing with their 2020 planting programs, planting rates have slowed moderately as planting crews adjust to new health and safety measures. On a positive note, as pulp and paper is forestry’s primary end-market in Brazil, forestry is considered an essential activity. ArborGen’s combined internal and outsourced eucalyptus and pine production capacity is approximately 100 million seedlings.

“In respect of fiscal year ending March 2020, in our September 2019 Interim Review, we stated that we continue to believe that we are on track to meet our guidance that ArborGen’s US-GAAP underlying earnings^{1,2} will be circa 20% higher than the prior year’s US\$6.1 million. While we are still finalising our year end results, we believe our US-GAAP underlying earnings^{1,2} for FY2020 will be at least 40% higher than the prior year’s (FY2019) US\$6.1 million comparative.”

Commenting on fiscal year ending March 2021, Mr Knott said, “Setting aside COVID-19, we expect fiscal 2021 US-GAAP underlying earnings to be higher again than prior year (*subject to uncontrollable factors*). While we have had no indications of significant changes from our customers regarding their 2020-2021 planting programs, we are however cognisant of the macro economic conditions due to COVID-19 and the potential risks to our business. We continue to closely monitor all markets that we operate, and will keep the market apprised of any material events.”

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, and excludes abnormal items.

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.