



## **2025 ANNUAL SHAREHOLDERS' MEETING SPEECHES**

### **CHAIR, DAVID KNOTT**

#### **OUR VISION**

ArborGen remains a global leader in advanced genetics seedlings. Every year, we proudly deliver millions of seedlings to more than 2,000 customers worldwide.

Today, our network spans 26 seedling nurseries and orchards, with a production capacity of around 500 million seedlings annually. This scale, combined with our expertise, positions us at the forefront of our industry.

Our goal remains clear and unwavering: to grow sales of our advanced genetics seedlings in our target markets—delivering greater value for forest owners, stronger returns for our business, and increased rewards for you, our shareholders.

#### **BOARD PRIORITIES FY25**

In FY25, despite the challenges we faced, we remained firmly focused on maximising opportunities for ArborGen.

We continued to advance MCP adoption in the US, secured new expansion opportunities in Brazil and continue to build our carbon offset business – areas that hold strong potential for the future and are our primary growth opportunities.

We strengthened our executive teams in both the US and Brazil, ensuring we have the skills, experience and bench strength to deliver on our strategy.

We have a disciplined approach to capital management - selling surplus assets and making responsible investments that fuel growth.

We've also focused on strengthening our business, building greater resilience and reducing risk.

Together, these priorities are positioning us to navigate the current environment and emerge stronger in the years ahead.

## **FY25 HIGHLIGHTS**

FY25 was a challenging year, with economic, market and weather challenges impacting results.

Continued growth in Brazil was offset by a soft result in the US as headwinds persisted. We were disappointed not to be able to maintain last year's record revenue result, with soft market conditions in both countries hampering our sales, however, it was pleasing to see the year ending on a stronger note.

The Board considered the carrying value of intangible assets as part of the year end process and elected to recognise an impairment of \$21.8m related to Intellectual Property. Including this, reported net loss after tax was \$(21.5)m.

US GAAP EBITDA increased 47%, benefiting from the gain on sale of the in vitro business during the year.

Excluding total one-off and unusual transactions, Adjusted US GAAP EBITDA was \$8.8m, in line with guidance. This was below the FY24 record result but similar to FY23 performance.

## **BALANCE SHEET SUMMARY**

Our balance sheet remains solid. We're reinvesting earnings into growth, managing working capital with discipline, and funding expansion in both the US and Brazil. Net debt reflects strategic investment and the share buyback programme.

We are currently working to sell the Ridgeville building. Once sold, the proceeds will be used to reduce debt and will make a meaningful difference to our balance sheet.

## **CAPITAL EXPENDITURE**

We continued to invest into production expansion and resilience - expanding container capacity at two US nurseries, adding hardwood cooler space and a deep well, completing our new, smaller US headquarters, and automating inventory counts.

In Brazil, we grew our footprint with the acquisition of an additional eucalyptus nursery, while continuing R&D and product development across both regions.

Planned initiatives for this year include upgraded irrigation systems, putting in place backup power and continued orchard expansion. In Brazil, we're investing in drought mitigation measures and building a new R&D lab to support future innovation.

At this stage, the Board believes reinvesting cash into growth initiatives, paying down debt and repurchasing the company's shares at attractive prices will create greater long-term value than paying a dividend.

## **SHARE PRICE DISCONNECTED FROM FUNDAMENTAL VALUE**

As I said last year, your Board believes that ArborGen's share price is disconnected from our fundamental value. At 31 March this year, our net assets were \$140m, while our market cap was only \$41m.

There are several reasons we can see for this:

Our total market cap remains relatively modest, which unfortunately places us below the threshold for most institutional investors. While we 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. This lack of institutional presence further limits visibility and demand in the market.

We also have a large number of small investors – more than 80% of our shareholders have holdings of less than 5,000 shares which can be too small to trade efficiently. This limits daily trading volumes and makes it difficult for buyers and sellers to engage effectively in the market. The share buyback last year provided an opportunity for some investors to sell down or exit.

We are actively working to address these challenges. We continue to engage with the investment community and seek interest from potential new investors who understand our long-term strategy and see the value in our business. We remain committed to growing shareholder value and will continue to pursue initiatives that enhance our profile and support a more active and dynamic market for our shares.

As we said last year, similar businesses to ours in the US have sold in the last few years for multiples of up to 10x EBITDA; ArborGen's current share price values our company at just 6.3x EBITDA – a significant value gap. As ArborGen's earnings increase, this gap will become even more pronounced and our company will be increasingly positioned as a value opportunity.

## **LONG-TERM MACRO DRIVERS**

Looking ahead, several macro trends will drive growth. In the US, a recovery in the housing market will lift demand for high-grade timber. In Brazil, fast-growing eucalyptus is the optimal choice for sustainable pulp. Our superior genetic seedlings offer higher yield, increased resilience and more value for growers in both markets. Reforestation and the emerging carbon market also offer further long-term opportunities.

The Board has full confidence in our strategy to capture these opportunities and deliver sustainable growth in the years to come.

## **STRONGLY POSITIONED FOR THE FUTURE**

ArborGen is strongly positioned for the future. We have a clear strategy and a robust balance sheet.

As a market leader in the US South and Brazil, we offer unmatched product portfolios and bring decades of research and intellectual property investment that are now delivering real results.

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.

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

## **CEO, JUSTIN BIRCH**

### **DUAL-PATHWAY STRATEGY**

Our dual-pathway strategy - focusing on go-to-market excellence and operating strength - provides the framework for everything we do.

### **FY25 SNAPSHOT**

Over the past year, we have taken decisive steps to reduce costs and enhance operational efficiency. As part of this, we sold the in vitro business and moved our head office into smaller premises.

We also recalibrated our operations in Brazil, as our local business scales up and matures - resulting in a stronger team, improved financial processes and systems, and a strong platform for future growth.

We continued to expand our businesses, with Brazil production capacity up 22m year on year, and increasing investments in added value container seedlings in the US, in response to customer demand.

Over the last three years, our Brazil sales have grown by an average of 18.3% per annum. While macro-conditions in the US remain challenging, we continue to hold our position as the leading provider of advanced genetic seedlings.

We have a clear pathway to growth and are focused on driving significant progress and financial improvement in FY26.

### **US SOUTH FY25**

Looking at the performance of each of our markets in FY25:

The US South continues to face challenging market conditions, remaining at the lower end of the cycle. Revenue was down 9% year on year due to subdued housing construction and reduced mill production and harvesting.

We were fortunate to only suffer minimal orchard damage from Hurricane Helene in September 2024, though many client forests were devastated, with reforestation expected between 2026 and 2028—an opportunity for ArborGen.

After the damage caused by Hurricane Michael some years ago, we have been building up our seed inventories. While this has some cost, it provides added resilience to our business.

We continued to expand our production and sales of containerised seedlings in response to customer demand. These provide more flexibility in planting programmes and are more resilient to weather conditions and on challenging sites.

Good momentum is also being seen from a strengthened sales team, which has been in place since 2H25.

## **FY25 BRAZIL**

Our Brazil business has been growing rapidly, and over the past year we recalibrated our operations to ensure a strong platform for continued growth.

While volumes were flat, revenue grew 11% in local currency. Demand in eucalyptus remains solid, though an oversupply of market clones put some pressure on pricing. We are strategically shifting toward protected clones, which deliver higher value and long-term revenue stability, even if there's short-term margin impact as production hedges are established.

Last year's drought constrained production, limiting our ability to sell during the dry period and to fully meet strong post-drought demand, and resulting in higher costs. We are now investing in overflow growth areas to overcome these production bottlenecks and better serve our customers moving forward.

We reinvest earnings into our local business and therefore foreign exchange rates only impact when reporting our consolidated results, when we need to convert from local currency to USD.

## **OPERATIONAL STRENGTH**

We are focused on optimising total productivity across the business. At the same time, we are strengthening the organisation and building a high-performance culture. Our efforts this year have improved efficiencies, reduced costs and increased our resilience.

We've added management capability and are focused on culture, communication and creating a rewarding workplace.

Combined with a clear growth strategy, these actions create a strong foundation for sustainable future success.

## **MARKET OPPORTUNITY**

As you can see from this graph, our market opportunity is significant – upwards of 1.2 billion seedlings, compared to our current sales of around 300m.

While the overall market is competitive, ArborGen is a leader in advanced genetic seedlings. We have a significant opportunity to build scale and win market share as the value and durability of high-performance genetics is accepted and realised.

## **US SOUTH**

The US South is a more mature market and our focus is 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.

## **US SOUTH MARKET**

Around 70% of timber use is residential housing and home improvements. High interest rates and turmoil in economic and political realms have led to the current subdued housing market, however, there is significant pent-up demand and a shortfall of 4 - 5m homes<sup>1</sup> across the US.

As demand for pulp continues to fall, after significant declines seen already, more value will be on sawtimber coming from higher quality trees. ArborGen's MCP® seedlings are ideally suited to higher grade sawtimber, providing greater yield, faster growth and straighter logs.

## **GROWTH IN SAWTIMBER MILLS**

This slide shows more clearly the changes in mix across the mill production sector – pulp mill closures have reduced capacity by around 16% in the last three years, although several firms are investing with some capacity recovery expected as these come online in the next few years.

The exciting opportunity for ArborGen is the growth in sawtimber. A reminder that we operate in a market with very long lead times – the trees planted now will be harvested in around 25 to 30 years, so our customers are looking forward two to three decades to see where the demand will be. We are seeing more customers starting to plant higher quality trees as the market for low quality pulp wood starts to reduce. However, sometimes this also means planting less densely so individual trees can grow bigger.

There's also increasing demand for OSB – engineered wood panels. This is well suited to plantation forestry as the trees can be smaller and lower quality, and can be harvested earlier. Again, this is a good opportunity for us as our MCP trees grow faster.

## **LEADER IN ADVANCED GENETIC SEEDLINGS**

Not all control pollinated loblolly pine tree seedlings are created equal. By choosing ArborGen MCP seedlings, customers benefit from our decades of forest science, field trials and genetic gains.

The longest, straightest, and strongest Southern loblolly pine are optimal for telephone/utility poles and demand the highest prices. Next in value is sawtimber.

Depending on seedling genetics and location, a final harvest can yield 70 to 140 tons per acre of sawtimber, which is considerably more valuable than pulp timber.

Our team provides forestry expertise and customer service to ensure landowners get the most out of every tree they grow.

## **CARBON MARKET**

The carbon market remains in its infancy, yet it presents a tremendous opportunity for forest owners to participate in long-term conservation while generating income.

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<sup>1</sup> Forest Economic Advisers 1st Quarter 2025 Timber Quarterly Forecast, P21

As a key supplier to Chestnut Carbon, we have provided the seedlings for over 17 million trees planted across 30,000 acres in the US South. Chestnut Carbon has signed carbon offtake agreements with buyers including Microsoft, and is now planting hundreds of thousands of acres to support these projects. The Microsoft agreement alone aims to restore 60,000 acres of forest over the next 25 years, marking the largest carbon removal agreement Microsoft has signed in the US.

By 2030, the global carbon credit market is projected to reach from US \$7–35 billion, with some estimates that it could grow to as much as \$250 billion by 2050<sup>2</sup>. Landowners can earn income from Climate Smart Forestry projects such as afforestation and reforestation. The US South is an attractive area due to its large forest base, commercial forestry activity and extensive pine research from companies such as ArborGen.

ArborGen is well positioned as the seedling supplier of choice for carbon offset projects. Our MCP trees sequester almost 40% more carbon than standard trees because they grow faster; we have better genetics and better gains in this market than our competitors; we have proven our ability to deliver; and we are poised to do more as the market grows.

## **BRAZIL**

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 hardwood pulp producer with eucalyptus demand projected at 1.2 billion seedlings per year. Pine demand also remains strong.

Recently, we have seen a rapid escalation in production capacity across the sector in eucalyptus, particularly for market clones. This has created increasing price volatility and higher customer quality demands.

There is a growing market for new, higher quality clones with higher yields that are also more resilient and biodiverse, and this presents an opportune landscape for ArborGen. We are the only company in Brazil focused solely on supplying seedlings with superior genetics. Our US and Brazil teams are working closely together to share knowledge, enhance our technology and develop new and better seedlings.

## **STRONG VALUE POSITION WITH PROTECTED GENETIC SEEDLINGS**

Our protected clone seedlings 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 demand, with investment into nurseries and the development of production hedges to transform more product from market (unprotected clones) to protected clones.

In the early years as production is transitioned to protected clones, yields are lower, resulting in a higher cost of sales, however, long-term, the commercial fundamentals are strong.

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<sup>2</sup> MSCI carbon markets report January 2025, P21

## **FY26 TRADING TO DATE**

In the US, the housing market remains subdued and some landowners are postponing harvesting. However, we are seeing strong demand for container seedlings and are continuing to invest in MCP production as the demand for high grade sawtimber becomes a longer-term priority. Severe hail and rains in Texas have caused significant damage to production and we are managing our inventory carefully to meet demand, however, this will have some impact on our sales and costs this year.

In Brazil, the eucalyptus market remains hot while there has also been high demand for pine - ArborGen broke its pine sales record in May, and then again in June. The domino effect of the drought last year has caused a eucalyptus seedling shortage across the entire market - we are focused on managing supply and allocation to meet demand.

## **OUTLOOK AND GUIDANCE**

For FY26, we are anticipating improvements in revenue and gross margin, despite ongoing headwinds, particularly in the US South. We are expecting adjusted US GAAP EBITDA to be between US \$11m and \$12m, an increase of at least 25% on FY25. We are carefully managing production, supply and competitor activity to achieve our goals.

In the US South, market conditions are expected to remain weak until at least 2026. Nonetheless, sales activity will support some revenue and volume growth, with a focus on higher-value products such as MCP and containerised seedlings. We are also well positioned as the seedling supplier of choice for the emerging carbon market. Given the slower return to normal market conditions in the US, plus production losses from the Texas rains, we anticipate limited growth in the US South this year.

In Brazil, volume growth is anticipated, with some short-term margin impact from the current excess market capacity. The full-year benefit of our new nursery and the continued shift into protected genetics, combined with a focus on improved product mix and pricing, position us well for sustainable growth.

As Dave has highlighted, there's a clear disconnect between our current share price and the underlying value of our company. To underscore my own confidence in the business and its future, I have recently increased my investment by purchasing an additional 750,000 shares on-market. I am fully committed, both personally and professionally, to the success of this company.

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