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NEW ZEALAND EQUITY RESEARCH | INDUSTRIAL | FORESTRY SEEDLING SALES AND GENETICS

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ArborGen Holdings
Growing Tall with Advanced Genetics

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ArborGen Holdings (ARB) is a specialist forestry genetics company with leading positions in the US South and Brazil. ARB supplies advanced genetics tree seedlings that lift yields, improve wood quality, and optimise outcomes for growers. Its strategy is deliberately focused: two large end markets, a push for migration from commodity to higher-value genetics, and more disciplined utilisation and growth of its substantial footprint. In the US, the shift toward increased saw timber potential genetics and structurally lower planting densities should support a second wave of advanced genetics seedling adoption as realised performance data becomes clearer. In parallel, Brazil continues to scale as a global pulp hub, with accelerating clone conversion and capacity expansion underpinned by structurally higher demand. ARB's expanding containerised offering closes historic competitive gaps and supports pricing and market share uplifts, underpinned by a 10–15-year genetic lead in the US that we consider difficult to replicate. At just 4.6x 12-month forward EV/EBITDA, below our assessments of value, we see significant upside in ARB and initiate coverage with a spot valuation of NZ$0.20.

NZX code	ARB
Share price	NZ$0.12
Spot Valuation	NZ$0.20
Risk rating	High
Issued shares	525.0m
Market cap	NZ$62.5m
Avg daily turnover	51.0k (NZ$6k)

Financials: Mar/	25A	26E	27E	28E
Rev (US$m)	63.2	68.4	74.4	78.6
NPAT* (US$m)	-2.2	0.2	2.6	4.4
EPS* (USc)	-0.4	0.0	0.5	0.8
DPS (USc)	0.0	0.0	0.0	0.0
Imputation (%)	0	0	0	0

*Based on normalised profits

Valuation (x)	25A	26E	27E	28E
PE	n/a	n/a	13.8	8.4
EV/EBIT	n/a	26.5	12.8	9.8
EV/EBITDA	6.8	5.6	4.4	3.3
Price / NTA	0.6	0.5	0.5	0.4
Cash div yld (%)	0.0	0.0	0.0	0.0
Gross div yld (%)	0.0	0.0	0.0	0.0

Advanced genetics mix to drive further gains

Improving the penetration of higher-value advanced genetics seedlings (~47% of FY25 volumes) represents the key opportunity for ARB. We view current US market dynamics as supportive of a second wave of advanced genetics seedling adoption. With a 10–15-year lead over competitors in genetic capability, supported by a multi-decade R&D cycle and a growing containerised offering, we expect ARB's group advanced genetics sales mix to reach ~60% over time. This should drive robust operating leverage—we forecast a +20% 5-year operating EBITDA CAGR (equivalent to ARB's reported adjusted US GAAP EBITDA) on a +6% revenue CAGR.

Brazil expansion accelerates as US cycle trough persists

ARB's revenue mix continues to shift towards the Brazilian market, where the rising global competitiveness of pulp exports is driving strong industry production growth. In FY25, Brazil delivered 41% of group revenue, with sales up +11% in BRL (but down -3% in USD) as the advanced genetics share rose +10pp to 60%. ARB's Brazilian capacity is now 150m seedlings, following a US$2.5m acquisition, and we see a pathway for it to scale organically to a capacity of ~200m+ seedlings in the medium term. While US revenue has been impacted by subdued housing activity and mill curtailments, ARB is well-positioned for any potential market recovery in coming years.

ArborGen Holdings Ltd (ARB)

Market Data (NZ$)	
Priced as at 02 Feb 2026	**0.12**
52 week high / low	0.15 / 0.11
Market capitalisation (NZ$m)	62.5

Spot valuation (NZ$)	**0.20**
Spot DCF	0.20

Key WACC assumptions	
Risk free rate	5.00%
Equity beta	0.96
WACC	10.8%
Terminal growth	1.5%

DCF valuation summary	
Total firm value	112.2
(Net debt)/cash	-20.9
Less: Capitalised operating leases	-25.3
Value of equity	66.0

Profit and Loss Account (US$m)	2024A	2025A	2026E	2027E	2028E
Revenue	67.7	63.2	68.4	74.4	78.6
Normalised EBITDA	**12.8**	**8.8**	**11.4**	**14.2**	**19.5**
Depreciation and amortisation	(11.6)	(10.3)	(9.9)	(10.3)	(14.0)
Normalised EBIT	**1.2**	**(1.5)**	**1.5**	**3.9**	**5.5**
Net interest	(1.4)	(1.7)	(1.3)	(1.3)	(1.1)
Associate income	-	-	-	-	-
Tax	1.4	1.0	-	-	-
Minority interests	-	-	-	-	-
Normalised NPAT	**1.2**	**(2.2)**	**0.2**	**2.6**	**4.4**
Abnormals/other	3.3	0.3	-	-	-
Reported NPAT	**(0.2)**	**(21.5)**	**0.2**	**2.6**	**4.4**
Normalised EPS (cps)	0.2	(0.4)	0.0	0.5	0.8
DPS (cps)	-	-	-	-	-

Valuation Ratios	2024A	2025A	2026E	2027E	2028E
EV/Sales (x)	0.8	1.0	0.9	0.8	0.8
EV/EBITDA (x)	4.4	6.8	5.6	4.4	3.3
EV/EBIT (x)	n/a	n/a	26.5	12.8	9.8
PE (x)	31.8	n/a	>100x	13.8	8.4
Price/NTA (x)	0.6	0.6	0.5	0.5	0.4
Free cash flow yield (%)	2.2	-10.4	7.8	4.0	12.5
Adj. free cash flow yield (%)	12.8	2.1	12.3	13.4	21.9
Gross dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Growth Rates	2024A	2025A	2026E	2027E	2028E
Revenue (%)	n/a	n/a	n/a	n/a	n/a
EBITDA (%)	50.0	7.7	5.2	8.6	76.5
EBIT (%)	0.0	n/a	n/a	n/a	n/a
Normalised NPAT (%)	n/a	n/a	n/a	>100	65.9
Normalised EPS (%)	n/a	n/a	n/a	n/a	n/a
Ordinary DPS (%)	n/a	n/a	n/a	n/a	n/a

Capital Structure	2024A	2025A	2026E	2027E	2028E
Interest cover EBIT (x)	n/a	n/a	1.1	3.1	5.0
Interest cover EBITDA (x)	9.1	5.2	8.7	11.2	17.6
Net debt/ND+E (%)	8.8	14.4	12.2	11.5	7.2
Net debt/EBITDA (x)	1.1	2.4	1.5	1.1	0.5

Cash Flow (US$m)	2024A	2025A	2026E	2027E	2028E
EBITDA	**12.8**	**8.8**	**11.4**	**14.2**	**19.5**
Working capital change	1.5	(5.1)	(0.5)	(2.6)	(2.6)
Interest & tax paid	(2.8)	(2.7)	(1.3)	(1.3)	(1.1)
Other	0.2	2.2	-	-	-
Operating cash flow	**11.7**	**3.2**	**9.7**	**10.4**	**15.7**
Capital expenditure	(6.6)	(7.8)	(2.8)	(5.9)	(5.9)
(Acquisitions)/divestments	-	4.1	-	-	-
Other	(3.3)	(1.6)	(2.0)	(2.0)	(2.0)
Funding available/(required)	**1.8**	**(2.1)**	**4.9**	**2.5**	**7.8**
Dividends paid	-	-	-	-	-
Equity raised/(returned)	-	-	-	-	-
(Increase)/decrease in net debt	**1.8**	**(2.1)**	**4.9**	**2.5**	**7.8**

Key Ratios	2024A	2025A	2026E	2027E	2028E
Return on assets (%)	-1.8	-12.0	0.9	2.2	3.1
Return on equity (%)	0.8	-1.8	0.1	2.1	3.4
Return on funds employed (%)	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	18.9	13.9	16.7	19.1	24.8
EBIT margin (%)	-5.2	-33.4	2.2	5.3	7.0
Capex to sales (%)	9.7	12.3	4.1	7.9	7.5
Capex to depreciation (%)	169	186	64	122	70
Imputation (%)	0	0	0	0	0
Pay-out ratio (%)	0	0	0	0	0

Balance Sheet (US$m)	2024A	2025A	2026E	2027E	2028E
Working capital	33.4	38.3	38.8	41.3	44.0
Fixed assets	36.6	27.6	28.2	31.7	31.7
Intangibles	88.9	60.2	54.7	49.1	43.6
Right of use asset	7.1	8.7	9.4	10.0	10.5
Other assets	11.4	24.3	24.3	24.3	24.3
Total funds employed	**177.4**	**159.1**	**155.4**	**156.5**	**154.1**
Net debt/(cash)	14.4	20.9	17.2	16.2	9.9
Lease liability	5.2	6.5	9.4	10.0	10.5
Other liabilities	9.1	7.1	5.4	5.4	5.4
Shareholder's funds	148.7	124.6	123.3	124.9	128.2
Minority interests	-	-	-	-	-
Total funding sources	**177.4**	**159.1**	**155.4**	**156.5**	**154.1**

Operating Performance	2024A	2025A	2026E	2027E	2028E
North America					
NA total revenue (US$m)	41.2	37.5	38.4	41.0	43.8
NA assets (US$m)	136.2	97.8	97.8	97.8	97.8
NA seedling capacity (m)	350	350	350	350	350
NA production (m)	253	214	212	223	234
NA capacity utilisation (%)	72%	61%	61%	64%	67%
NA average price (cents/seedling)	14.1	15.1	15.6	15.9	16.3
NA advanced (% sales)	42%	40%	41%	42%	43%
South America					
SA total revenue (US$m)	26.5	25.7	30.0	33.4	34.8
SA assets (US$m)	7.8	9.4	9.4	9.4	9.4
SA seedling capacity (m)	138	150	150	160	170
SA production (m)	110	112	130	146	153
SA capacity utilisation (%)	80%	75%	87%	91%	90%
SA average price (cents/seedling)	24.1	22.9	23.1	22.9	22.8
SA advanced (% sales)	50%	60%	65%	70%	75%
Group					
Group gross margin (%)	35%	29%	31%	33%	34%
Group gross profit (US$m)	24.0	18.2	21.2	24.2	26.3

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend** Information on Forsyth Barr's Carbon and ESG (CESG) ratings can be found at www.forsythbarr.co.nz/corporate-news-events/cesg-report

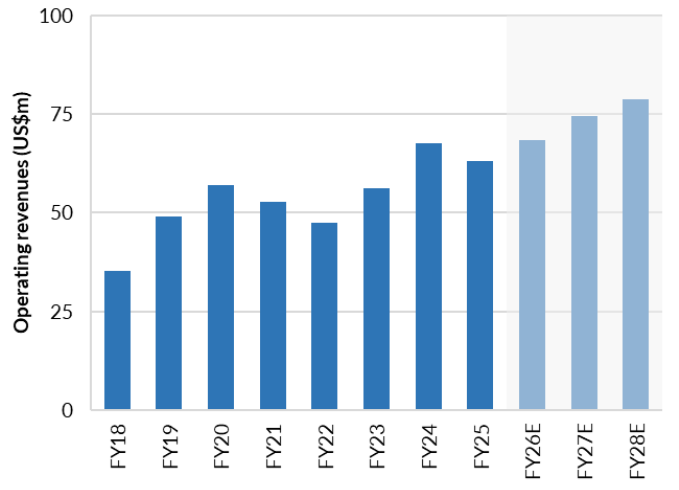
Executive summary

ArborGen Holdings (ARB) is a US dollar-reporting specialist forestry genetics company with leading market positions in the US South and Brazil. It supplies genetically improved pine and eucalyptus seedlings that lift yield, improve wood quality, and optimise rotation outcomes for its customers. ARB's product portfolio ranges from non-advanced seedlings (limited genetic improvement focused on disease resistance) to advanced seedlings (genetically optimised), with the latter typically priced >2x higher than the former. The process of developing genetically improved seedlings is complex and time-intensive, taking 25–27 years for pine and 10–12 years for eucalyptus. ARB's strong competitive position (market share of *c.*33% in the US South and *c.*15% in Brazil) is underpinned by multiple decades of continuous improvement in genetics, particularly in the US, where it has a 10–15-year lead over key competitors in optimising the genetic composition of pine seedlings. The company has net debt of US$20.9m as at FY25 (~2.4x net debt/EBITDA), with an opportunity for material deleveraging upon the sale of a US site currently on the market.

After five years of stagnant earnings, we believe ARB is well-positioned for robust growth. Our view is predicated on:

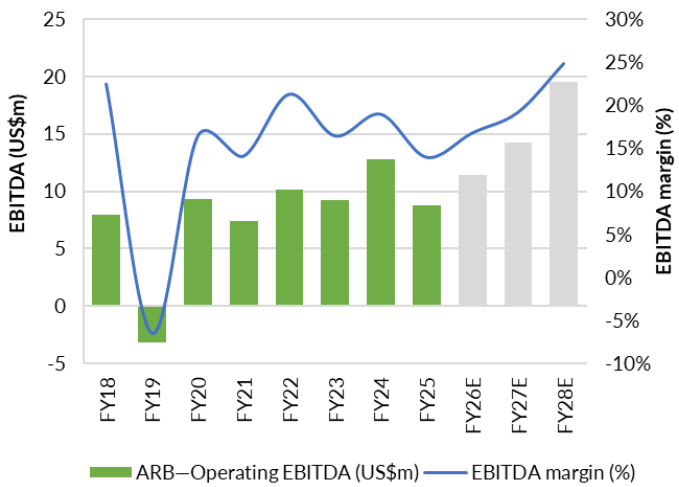
1. **A durable genetic moat:** ARB has a 10–15-year lead over key competitors in US pine genetics, underpinned by access to proprietary data, field trial expertise, and long development cycles. With the US pine industry shifting toward lower-density planting and a structural decline in pulp demand driving heightened focus on maximising productivity, ARB's genetic differentiation should support share gains.
2. **Second adoption wave for advanced genetics in the US:** Empirical evidence continues to build for ARB's advanced genetics seedlings (~+60% revenue per acre uplift in the US versus non-advanced seedlings). Taken together with these US market dynamics, we expect strong demand for advanced genetics, driving a material uplift in revenue per seedling.
3. **US containerisation catch-up closing competitive gaps:** ARB has ceded market share in the US in recent years to competitors providing 'containerised' seedlings—seedlings stored within a protective case. The expansion of ARB's containerised offering (currently ~13% of its 350m seedling capacity in the US) has stemmed market share losses.
4. **Potential US housing and saw timber recovery:** US seedling demand is closely linked to housing activity, which remains cyclically depressed. A recovery in the US housing market would lift ARB's US nursery utilisation and aid scale economies.
5. **Brazil structural growth:** In contrast to the US, Brazil's pulp industry continues to experience strong growth. ARB is poised for continued revenue growth in this region as seedling demand rises alongside industry expansion.

Figure 1. ARB—Operating revenues (US$m)



Source: Company data, Forsyth Barr analysis

Figure 2. ARB—Operating EBITDA* (US$m)

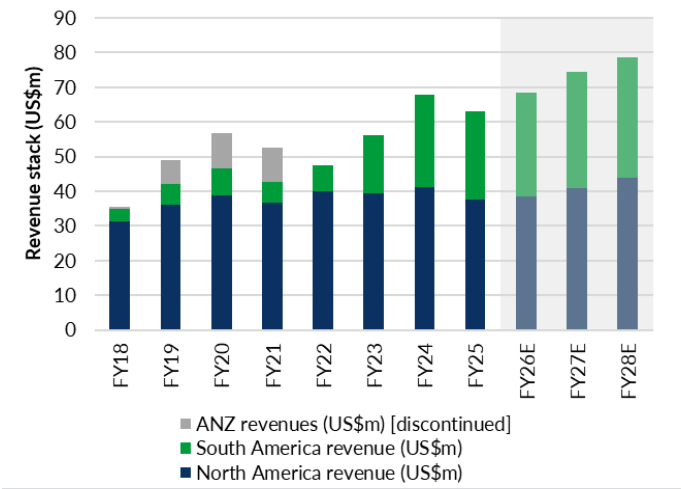


Source: Company data, Forsyth Barr analysis, *Adjusted US GAAP EBITDA

Valuation supportive—initiate with a spot valuation of NZ$0.20

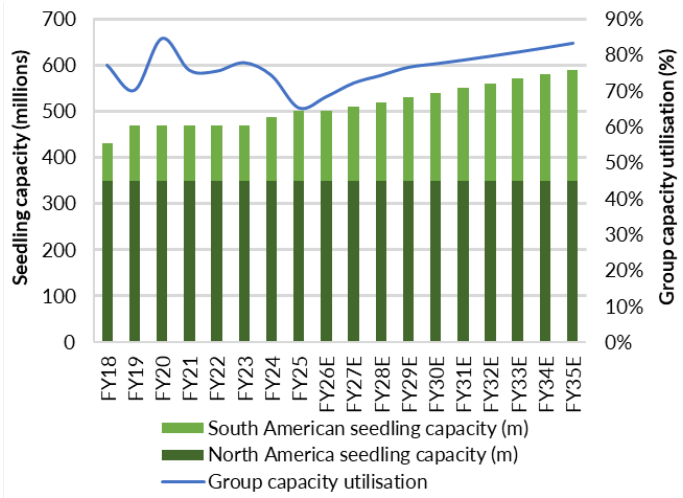
At 4.6x 12-month forward EV/EBITDA, we see ARB trading well below our assessment of value and initiate coverage with a spot valuation of NZ$0.20. Notably, this spot valuation implies only ~6.5x 12-month forward EV/EBITDA, leaving further upside if the market re-rates the stock towards agrigenetics peer levels or if strategic interest were to emerge. We view Corteva (CTVA) as the closest listed peer by business model, albeit significantly larger (~NZ$80bn market cap). Operating primarily under the Pioneer® brand, CTVA trades at ~11.8x 12-month forward EV/EBITDA, implying ~NZ$0.37 for ARB on our estimates. We see CTVA's seeds division as a potential acquirer of ARB, and any M&A could occur at a material premium to our blended spot valuation.

Figure 3. ARB—Revenue stack (US$m)



Source: Company data, Forsyth Barr analysis

Figure 4. ARB—Seedling capacity and utilisation



Source: Company data, Forsyth Barr analysis

Report structure

Our initiation report for ARB is structured into four sections:

- **Section #1: Investment thesis and valuation:** Our spot valuation for ARB is NZ$0.20, derived solely from a DCF using a WACC of 10.79% and a terminal growth rate of 1.5%. While comparables analysis is constrained by a limited peer set, similar agritech businesses trade on 7x–11x 12-month forward EV/EBITDA, versus ARB at ~4.6x.
- **Section #2: What is ArborGen?:** ARB develops, produces, and sells advanced-genetics pine, hardwood, and eucalyptus seedlings and clones designed to lift forest productivity. It operates across two complementary markets: a cyclically depressed US South, where structural shifts favour advanced genetics adoption as conditions normalise over time, and a structurally expanding Brazilian pulp market with shorter rotations and accelerating genetics penetration. Across both markets, ARB's scale, genetics leadership, and improved containerisation volumes support mix-led growth.
- **Section #3: What is the global addressable market?:** Using our three-stage TAM, SAM, and SOM framework, we estimate ARB's serviceable obtainable market (SOM) at ~US$114m, compared with FY25 revenue of US$63.2m. Our SOM assumes ARB could realistically capture ~43% market share in the US South and ~30% in Brazil, versus estimated market share of ~33% and ~15%, respectively at FY25.
- **Section #4: Appendices:** Supporting disclosures covering financials, analysis, peer information, and industry data.

Key risks

Whilst we remain constructive on the opportunity, we highlight several key risks to ARB, including:

- **Hardwood-pulp cycle risk**, as Brazil's seedling demand is closely linked to global pulp investment; slower pulp growth or deferred mill projects could reduce planting intensity and incremental demand.
- **US end-market cyclicality**, with subdued housing activity and mill rationalisation suppressing harvesting and replanting, creating order reductions and pricing pressure, particularly if integrated landowners prioritise captive nursery supply during downturns.
- **Weather and climate variability** across nurseries, including freezes during pollination, hurricanes, drought, and heavy rainfall, disrupting seed production and operations despite buffer inventory, nursery irrigation, and geographic diversification.
- **Brazil price and mix pressure**, as new hardwood-pulp capacity accelerates demand, incentivising vertically integrated producers to lift captive supply, potentially reducing third-party purchasing and intensifying price competition from lower-priced clones.
- **Operational seasonality and inventory planning risk** in the US, given a single annual lifting cycle requiring production decisions ahead of demand; forecasting errors can result in unsold seedlings, partially mitigated by multi-year take-or-pay agreements.
- **Foreign-exchange exposure**, notably unhedged Brazilian real (BRL) translation into USD and USD conversion into NZD.
- **Tax risk.** Brazil's complex regime could widen the gap between reported tax and repatriable cash, with withholding and settlement timing potentially affecting cross-border flows. ARB's US tax losses and IP amortisation value depend on local rules.
- **Competitive pressure.** ARB has ceded market share in the US South in recent years, reflecting competitors' focus on containerised seedlings. We view ARB as well-positioned to regain share given: (1) accelerated investment in containerised production to address this historic weakness; (2) US market dynamics now primed to support increased adoption of advanced genetics; and (3) the 10–15-year lead of ARB's US pine genetics programme over competitors.

Section #1: Valuation and investment thesis

We see a favourable risk/reward backdrop for ARB, reflected in our blended spot valuation of NZ$0.20, which is +68% above the current share price. Our blended spot valuation is based entirely on a DCF model, given ARB's relatively niche business model and limited directly comparable listed peers. Key risks to our investment thesis include: (1) more challenging cyclical conditions; (2) weather and climate variability; and (3) unfavourable foreign exchange movements.

1.1 DCF valuation (NZ$0.20 at 100% weight)

Our DCF valuation for ARB of NZ$0.20 uses a weighted average cost of capital (WACC) of 10.79% and a terminal growth rate of +1.5%. A summary of the key WACC inputs can be found in Figure 5. Key forecast assumptions include: (1) production growth for the US South and Brazil; (2) penetration and pricing for advanced genetics seedlings; and (3) the margin and reinvestment profile. We cover these key assumptions below:

Figure 5. WACC inputs

Risk free rate (Rf)	5.0%
Asset beta	0.80
Equity beta	0.96
Cost of equity (Ke)	12.0%
Debt premium	1.8%
Cost of debt (Kd)	6.8%
Weighted average cost of capital	**10.8%**
Terminal growth rate	1.5%

Source: Company, Forsyth Barr analysis

Figure 6. DCF valuation summary

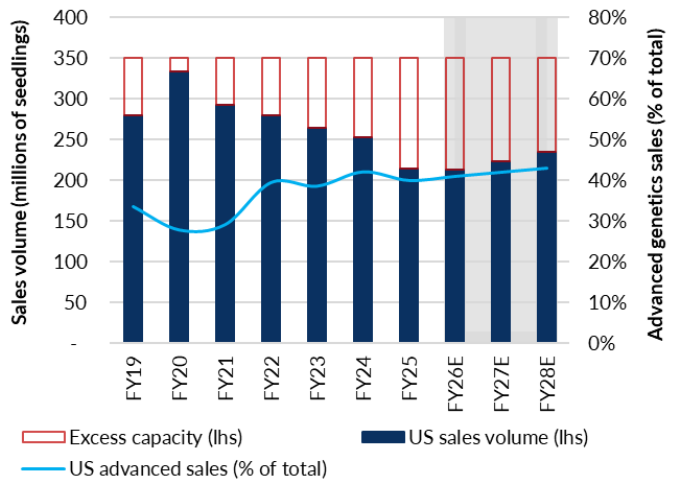
PV of discrete cash flows	70.8
PV of terminal cash flows	41.3
Enterprise value (US$m)	112.1
Less net debt	-20.9
Less capitalised leases	-25.3
Equity value (US$m)	65.8
Shares (m)	542.1
Equity value per share (USD)	0.12
Equity value per share (NZD)	**0.20**

Source: Company, Forsyth Barr analysis

Key forecast assumption #1: 10-year production growth CAGR of +3% for the US, +7% for South America

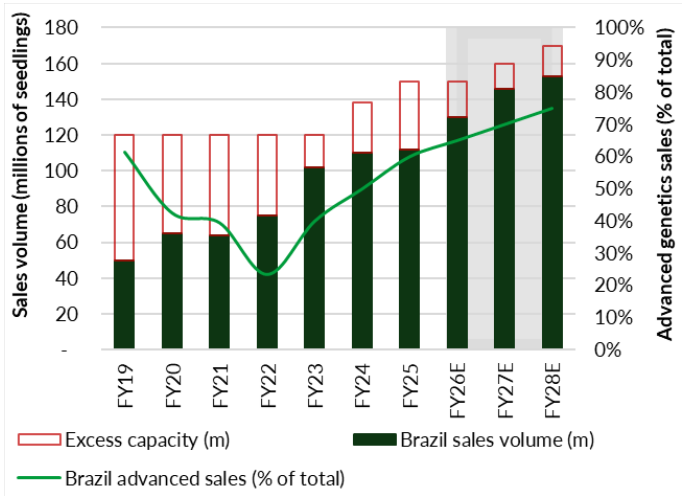
The number of seedlings ARB produces is a key input to our revenue forecasts, alongside seedling pricing. We model a +4% compound annual growth rate (CAGR) in ARB's aggregate seedling production over the next decade, with growth in South America (+6.7% per year) outstripping growth in North America (+2.6%). We expect growth in South America to be underpinned by the ongoing growth of the Brazilian pulp export industry, with growing acceptance of advanced genetics providing an additional market share boost for ARB. In the US, we expect a modest recovery in seedling volumes over the next three years as housing activity rebounds, before a return to GDP-style growth (~+2% per year) in the long run.

Figure 7. We expect seedling production in the US to recover over the next three years before returning to modest growth



Source: Company reports, Forsyth Barr analysis

Figure 8. We model robust growth in Brazilian seedling production, supported by industry growth

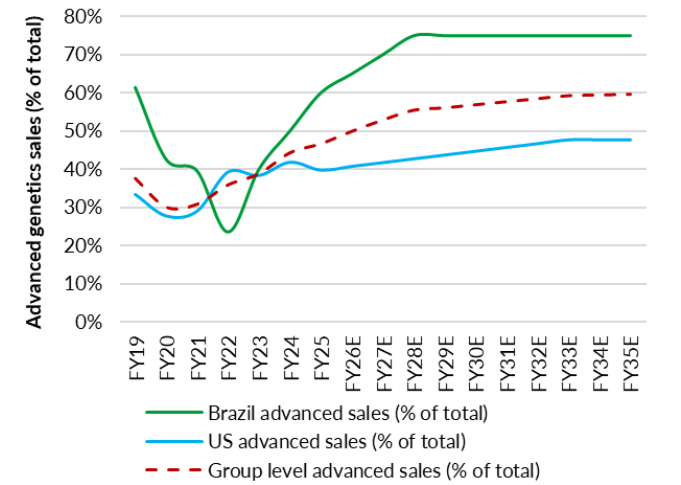


Source: Company reports, Forsyth Barr analysis

Key forecast assumption #2: Penetration of advanced seedlings to grow in both markets, while pricing growth plateaus

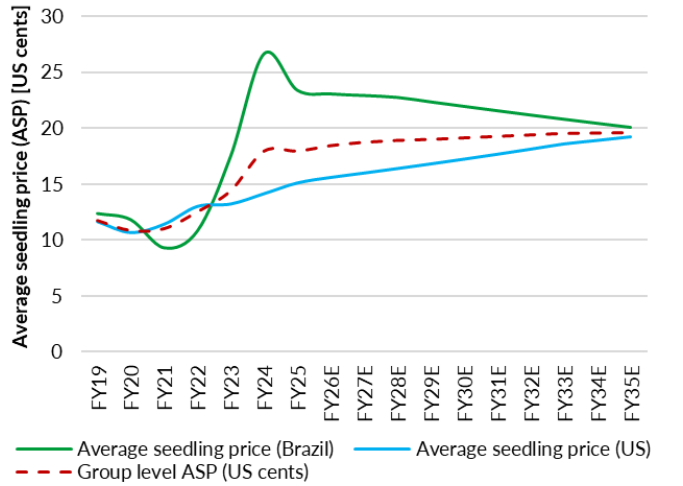
Growing the penetration of advanced seedling sales (seedlings with superior genetics that can be sold at higher price points) is a key pillar of ARB's strategy. Our modelling assumes positive trends in advanced penetration for both the US and Brazil continue in the medium term before capping out, with penetration limited by market structure. However, given the ongoing Brazilian Real depreciation (ten-year average -6% annual depreciation), we expect the pricing achieved in Brazil to soften in USD terms after recent strength, see Figures 10 and 11. We expect advanced penetration to be higher in Brazil than in the US, reflecting a shorter development cycle for eucalyptus trees, which facilitates genetic experimentation. While seedling pricing has risen considerably in recent years, we expect growth to moderate to broadly inflationary levels, with some mix benefit from increased advanced sales.

Figure 9. We expect ARB's advanced seedling penetration of sales to continue improving ...



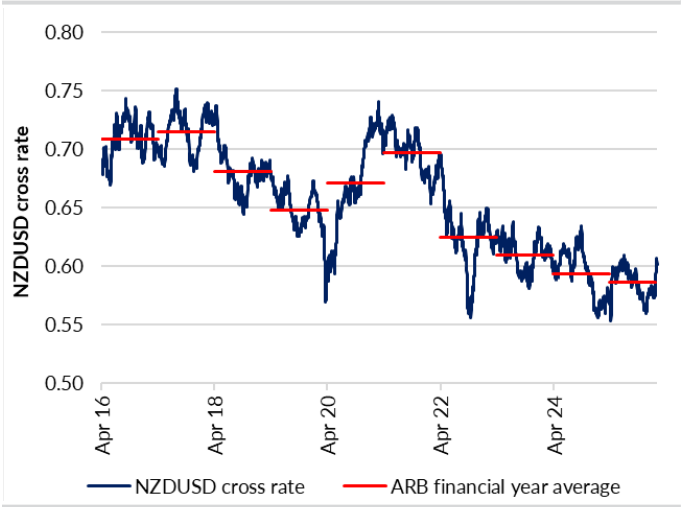
Source: Company data, Forsyth Barr analysis

Figure 10. ... while average seedling prices grow at broadly inflationary levels with some mix benefit



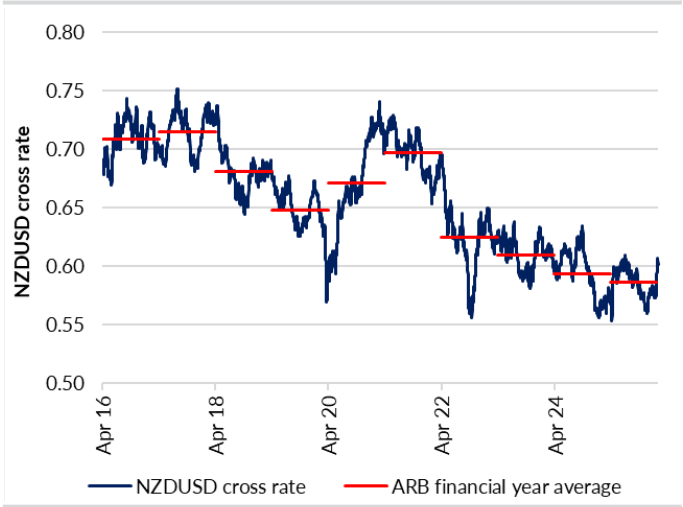
Source: Company data, Forsyth Barr analysis

Figure 11. BRLUSD cross rate performance



Source: Refinitiv, Forsyth Barr analysis

Figure 12. NZDUSD cross rate performance

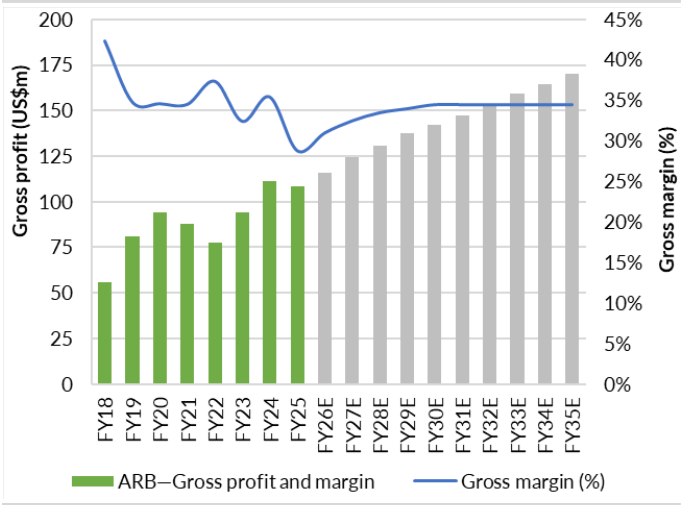


Source: Refinitiv, Forsyth Barr analysis

Key forecast assumption #3: Revenue growth to drive margin expansion and operating leverage

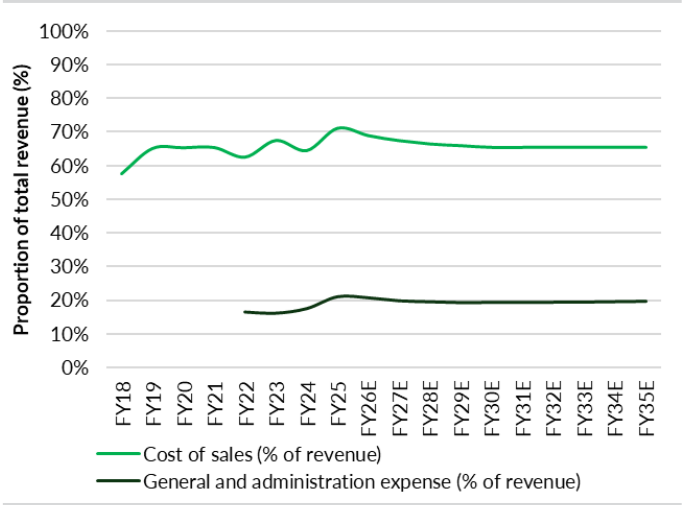
ARB's gross profit margin has contracted by c.-600bp over the past five years to 28.8%. We expect gross margins to recover into the mid-30% range over the medium term, driven by higher capacity utilisation and an improved mix of advanced genetic seedlings. While ARB has not historically disclosed segment-level gross margins, management spoke to ~29% and ~35% in Brazil and the US South, respectively, at FY25. We understand lower Brazil margins in FY25 reflected: (1) operational reset costs; (2) the transition toward 'protected' eucalyptus clones; (3) higher outsourced capacity (~30% of capacity vs. ~7% in the US); and (4) pricing pressure. Below the gross profit line, we expect incremental revenue to drive operating leverage as the product mix shifts increasingly toward advanced genetics. While operating leverage has historically been mixed, the last five years have represented a period of meaningful operational change. We expect to see operating expenses stabilise going forward, which, combined with a higher-value product mix, should improve operating leverage. We forecast EBITDA margins expanding from ~14% in FY25 to ~24% by FY35 on robust revenue growth.

Figure 13. We expect ARB to improve its gross profit margin ...



Source: Company data, Forsyth Barr analysis

Figure 14. ... and operating leverage going forward



Source: Company data, Forsyth Barr analysis, *reflects historic reclassification of expense items

1.2 Comparables analysis made challenging by limited subset of relevant peers

There are effectively no listed pure-play comparables for ARB, given its relatively niche business model. We have chosen to exclude a comparables-based valuation from our methodology for this reason. That said, there are several listed companies which provide relevant valuation markers for ARB. These can broadly be segmented into three distinct groups, which we outline in Figure 15:

- **Pulp, timber and materials producers:** Operating companies with direct exposure to pulp and timber end markets. These companies are downstream of ARB in the supply chain and are directly exposed to end-market volatility.
- **Timberland owners:** Timberland owners that manage forests and supply forest products.
- **Agri-chemicals producers:** Companies focused on improving agricultural yields through genetic and biological innovation.

Figure 15. Direct comps are difficult to find for ARB, but there are several relevant listed peers

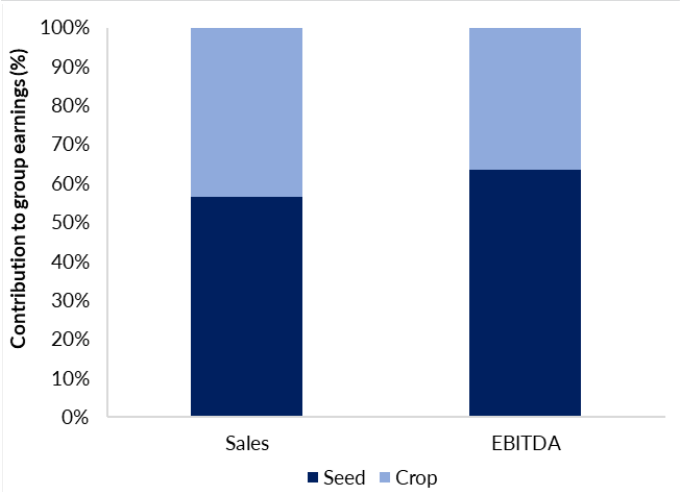
Ticker	Company name	Balance date	Share price	Market cap (NZ$m)	EV/Sales (x)	EV/EBITDA (x)	P/E (x)	NTM Yield
Pulp and timber								
SUZB3.SA	Suzano SA	31/12/2025	49.30	$19,716	2.5	5.7	8.8	2%
KLBN11.SA	Klabin SA	31/12/2025	19.16	$7,414	2.6	6.6	13.7	9%
UPM.HE	UPM-Kymmene Oyj	31/12/2025	23.37	$25,209	1.6	9.3	13.8	6%
SCAb.ST	Svenska Cellulosa Aktiebolaget SCA	31/12/2025	111.55	$15,728	4.4	13.1	21.7	2%
Timberland owners								
WY.N	Weyerhaeuser Co	31/12/2025	25.78	$29,045	3.3	20.9	77.3	4%
RYN.N	Rayonier Inc	31/12/2025	22.74	$5,793	8.4	16.2	43.1	5%
PCH.N	Potlatchdeltic Corp	31/12/2025	41.80	$5,363	3.8	15.7	44.7	
Agri-chemicals								
CTVA.K	Corteva Inc	31/12/2025	72.80	$78,363	2.8	12.4	19.5	1%
BAYGn.DE	Bayer AG	31/12/2025	44.56	$70,676	1.7	7.9	9.3	0%
BASFn.DE	BASF SE	31/12/2025	45.96	$79,246	1.0	8.6	16.9	5%
ARB.NZ	**Arborgen Holdings Ltd**	**31/03/2025**	**0.12**	**$62**	**0.9**	**4.6**	**16.6**	**0%**

Source: Workspace, Forsyth Barr analysis *Multiples are 12-months forward

Corteva (CTVA), potentially the closest listed comp, trades on 11.8x 12-months forward EV/EBITDA

ARB's most comparable peer, CTVA operates out of two business divisions: (1) Seed (proprietary seeds embedded with genetic traits); and (2) Crop (herbicides and other chemical solutions designed to protect crops from weeds and disease). CTVA trades under its flagship Pioneer® brand, among others. While CTVA's seed division primarily sells to the corn and soybean industries, as opposed to forestry for ARB, there is clear alignment between business models. CTVA trades at ~11.8x 12-month forward EV/EBITDA, which equates to a share price of ~NZ$0.37 for ARB applying the same multiple on our estimates. CTVA plans (link) to split itself into two listed businesses—one focused on 'Crop protection' and biologicals, and another focused on 'Seed genetics'—with completion targeted for 2H26. We see the US$9.9bn FY25 revenue Seed genetics unit as a potential acquirer of ARB.

Figure 16. Corteva's seed segment generates the majority of its earnings



Source: Company reports, Forsyth Barr analysis

Figure 17. Corteva currently trades at a 12-month forward EV/EBITDA multiple of 11.8x, above its 10.6x average

Source: Workspace, Forsyth Barr analysis

1.3 Investment thesis key pillars

We identify five key thesis pillars underpinning our constructive view on ARB, outlined below:

1. **Sustainable genetic moat**: ARB's 10–15 year lead in US pine advanced genetics, underpinned by proprietary data, long-cycle breeding programmes, and decades of accumulated field trials, constitutes a durable competitive moat that is difficult to replicate. This anchors pricing power and long-term share gains as customers increasingly prioritise productivity, wood quality, and risk-adjusted returns over upfront seedling cost.
2. **Advanced genetics second wave**: ARB's advanced genetics penetration (~47% of group sales in FY25) remains materially below the technical and economic optimum. Management evidence points to a second adoption wave as US landowners respond to clearer realised performance data, weaker pulp markets, and structurally lower planting densities, driving a sustained mix shift and margin uplift over the next decade. We expect the group's advanced genetics mix to rise toward ~60% over our forecast horizon.
3. **US saw timber and housing recovery**: The US seedling market remains cyclically depressed, but any normalisation in housing starts and saw timber demand from current trough levels should translate, with lagged leverage, into higher reforestation volumes and improved nursery utilisation. This provides meaningful operating leverage in ARB's largest market, where it has ~135m seedlings of annual spare capacity (~40%). The industry's structural shift away from pulp toward saw timber regimes directly favours ARB's advanced genetics portfolio.
4. **South American structural growth**: Brazil is consolidating its position as the world's leading hardwood pulp producer after years of solid growth, with new mill projects implying incremental demand of ~60m–70m seedlings per annum and a structurally expanding addressable market. Within this context, ARB could scale South American capacity toward ~200m+ seedlings from ~150m today over the medium term. The region already exhibits high advanced genetics penetration, supported by shorter planting-to-harvest cycles of six to seven years, accelerating proof points and adoption. ARB is expected to grow organically and via selective M&A.
5. **Containerisation closing competitive gaps**: ARB's investment in containerised production directly addresses a historic competitive weakness, improving seedling survivability, customer retention, and share recovery versus peers. This also supports higher average pricing and reduces reliance on lower-margin bare-root volumes.

1.4 A sale of ARB's US head office property could reset leverage

ARB is pursuing a sale-and-leaseback of its US office space in Ridgeville, South Carolina, with the aim of de-gearing its balance sheet. The 5,500m2 property (0.55ha, or 1.37 acres, or 59,600 square feet) is listed online with an asking price of US$12.5m. We take a conservative view in our modelling, opting to await confirmation of completion before incorporating the sale. Completion would materially de-gear the balance sheet, given net debt of US$20.9m at FY25, and support both organic investment and bolt-on M&A. We note that the asset has been marketed for some time, with a recent asking price reduction, and timing remains uncertain.

Figure 18. ARB's South Carolina office space is currently...

Source: Crexi, Forsyth Barr analysis

Figure 19. ... listed online for US$12.5m

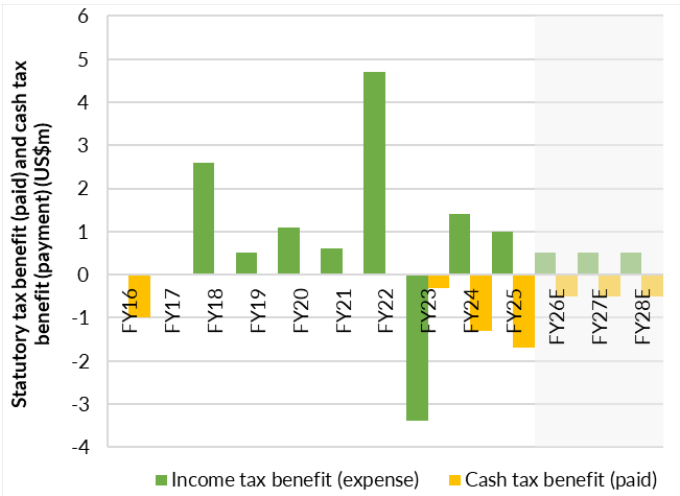
Source: Crexi, Forsyth Barr analysis

1.5. Tax losses and amortisation tax shield

ARB's statutory reported tax line has been a benefit in seven of the last ten years, with the FY25 income statement showing a tax benefit of +US$1.0m (FY24: +US$1.4m). However, cash taxes can diverge from accounting tax, with the FY25 cash flow statement showing cash tax paid of US$1.7m (FY24: US$1.3m), reflecting jurisdictional mix, timing, and the likelihood that Brazil is cash-tax paying while the US remains loss-making. Further, ARB carries meaningful future tax benefits via tax loss carryforwards and intellectual property (IP)-related tax shields.

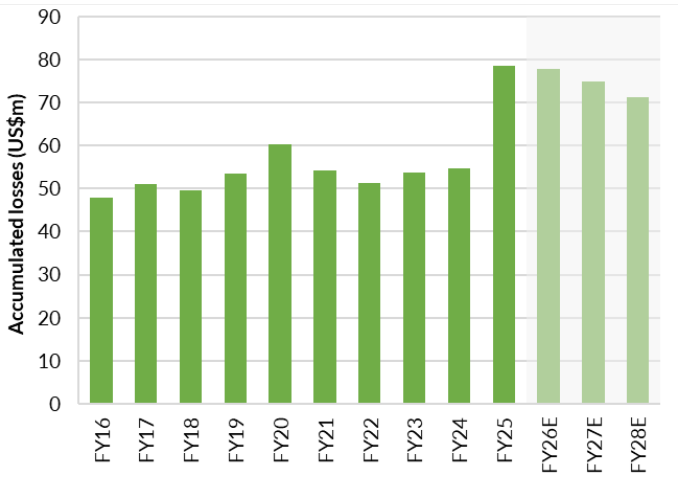
As of FY25, ARB recognised a deferred tax asset of US$10.4m for net operating losses, partially offset by a US$4.2m deferred tax liability relating to IP (net deferred tax asset ~+US$6.2m). It also discloses unrecognised tax losses of NZ$31.0m in NZ and US$20.2m in the US. These loss carryforwards and IP-related timing differences (IP amortisation expense of US$6.1m in FY25 on an IP carrying value of US$60.2m) should shelter taxable income as profitability normalises, subject to utilisation rules, the timing of taxable earnings by jurisdiction, and recognition constraints. As such, we view the group's tax profile as a two-layer tax shield—loss carryforwards and IP amortisation—where timing, jurisdiction, and profit mix matter. These shields do not imply zero future cash tax. We forecast a continued divergence between reported and cash tax in future years, with ARB becoming a full taxpayer by FY30.

Figure 20. ARB—Tax and cash-tax outlook



Source: Company reports, Forsyth Barr analysis

Figure 21. ARB—Accumulated tax losses



Source: Company reports, Forsyth Barr analysis

Section #2: What is ArborGen?

ArborGen
The Best Trees. The Best Results.

ArborGen Holdings (ARB) is a leading forestry genetics business operating in two key markets: the US South and Brazil. The company develops, produces, and sells advanced-genetics pine, hardwood, and eucalyptus seedlings and clones aimed at lifting forest productivity through higher volume growth, faster thinning cycles, improved stem form, enhanced wood quality, and greater disease resistance. Operations span more than 820 staff across ten seed orchards (all US) and 16 nurseries (seven in the US and nine in Brazil), supporting an annual production capacity of approximately 500m seedlings. ARB services roughly 2,000 customers each year, including forest landowners, forestry consultants, planting contractors, and carbon project developers. The company is among the world's largest advanced-genetics seedling producers, with an estimated market share of ~33% in the US South and ~15% in Brazil.

a) An unconventional path

ArborGen's history on the NZX began as a portfolio asset of NZX-listed Rubicon Limited (RBC). Over time, RBC acquired 100% of the ArborGen business, divested its other portfolio assets, and ultimately renamed itself ArborGen (ARB) in September 2019.

ArborGen was established in 2000 as a forestry research partnership between WestRock, International Paper, and Fletcher Challenge. The venture was formed to develop and commercialise improved-genetics tree seedlings and acquired a foundational genetics platform from NZ-based Genesis Research and Development. In March 2001, cornerstone shareholder Fletcher Challenge underwent a demerger, resulting in two NZX-listed entities: Fletcher Building (FBU) and Rubicon Limited (RBC). RBC inherited a portfolio of surplus assets, including a ~32% stake in ArborGen. We summarise key events in ArborGen's history below:

- March 2001: RBC lists and immediately sells down non-core assets to shift focus toward forestry activities. Initial divestments include a stake in Capstone Turbine Corporation, its Challenge service station network, and Brisbane Bulk Fuel Terminal.
- April 2004: RBC announces a partial takeover of wood processor Tenon Limited, increasing its stake from ~20% to ~50%.
- October 2004: ArborGen establishes operations in Brazil with the opening of an office in São Paulo.
- February 2017: Tenon agrees to sell its sole remaining operating business, Clearwood, to Tenon Clearwood Limited Partnership (TCLP), a consortium in which RBC holds a ~50% interest. Later in 2017, RBC announced two transformational steps: (1) it will take full ownership of ArborGen via the buy-out of International Paper and WestRock for US$29m; and (2) it will sell its stake in TCLP to focus exclusively on ArborGen. RBC was subsequently renamed ArborGen (ARB) in September 2019.
- November 2021: ANZ operations are divested following a strategic review, shifting focus toward core markets (US and Brazil).

Our analysis predominantly focuses on FY18 onwards (excluding divested ANZ operations) to reflect the business's current form.

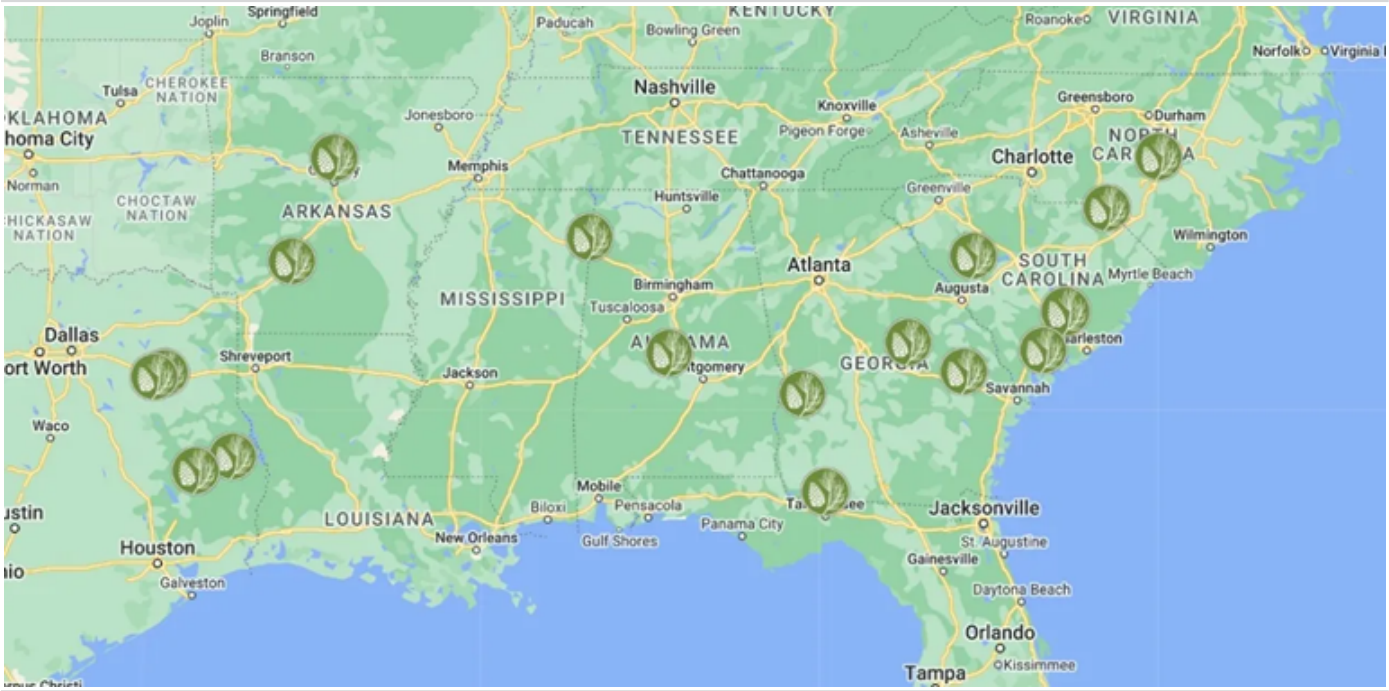
Figure 22. ARB long-run price performance and events

Source: Company, Forsyth Barr analysis

b) ARB North America

ARB's North American operations are concentrated in the US South, the dominant region in the US silviculture industry, accounting for ~80% of the more than 1.0bn seedlings produced nationally each year. The US business has over 350m units of annual capacity across seven nurseries and ten seed orchards, delivering broad regional coverage, species diversity, and channel reach. Nursery and distribution sites span Georgia, South Carolina, Alabama, Arkansas, Texas, Florida, Louisiana, Mississippi, North Carolina, Oklahoma, and Virginia. This footprint supports both bare-root and container production and reduces lead times to core planting regions.

Figure 23. ARB's US footprint



Source: Company, Forsyth Barr analysis

i) North America product set and species focus

ARB's US product catalogue is organised into five distinct categories (Figure 24), providing a ladder of genetic improvement that allows customers to select from a range of price–performance options. The company supplies both loblolly pine (*Pinus taeda*)—the dominant species in the US South, accounting for ~70% of the up to 1bn seedlings produced in the region in a typical year—and hardwood seedlings, which comprise approximately 3% of regional production.

ARB's product categories are underpinned by two key production technologies:

- **Open pollination (OP):** Selected 'mother' trees—established in seed orchards based on superior traits such as improved stem form, disease resistance, and higher volume growth—are pollinated naturally. As a result, pollen originates from an unknown 'father' tree, producing seeds that retain advanced maternal genetics but exhibit variability in paternal contribution.
- **Mass Control Pollination (MCP®):** Pollination bags are applied to selected 'mother' trees to isolate developing cones from external pollen. Pollen from 'father' trees chosen for superior genetics is then introduced, ensuring both parents are known and controlled.

Figure 24. ARB US product categories

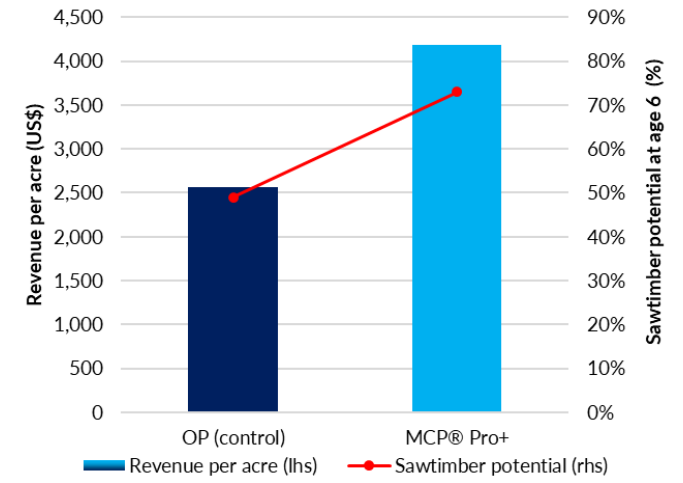
Category	Description
OP	Entry-level genetic focused on disease resistance and improved stem form, producing a mix of solid wood, and pulp and paper products at harvest
OP Pro	Open-pollinated seeds selected for the strongest trait combinations within OP families
MCP®	Seedlings produced from selected parent trees, offering a clear step-change in productivity and value relative to standard OP material
MCP® Pro	Derived from parent trees with superior trait combinations, delivering higher saw timber potential and greater uniformity across stands
MCP® Pro+	Crosses developed through ARB's testing and breeding programme, representing the highest level of genetic improvement currently available

Source: Company, Forsyth Barr analysis

ii) The MCP value proposition

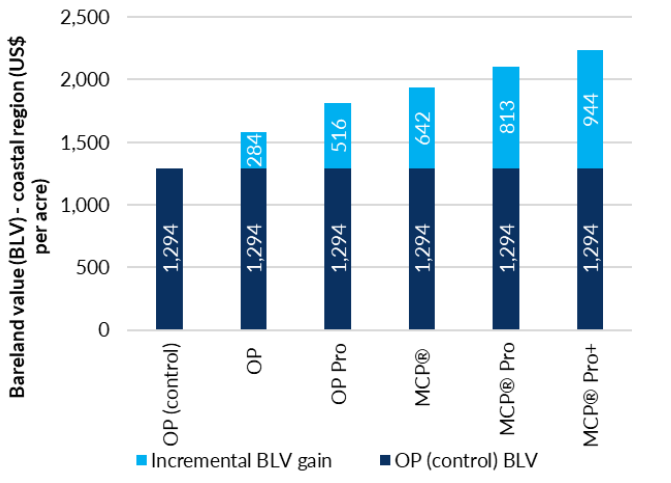
MCP seedlings (also known as advanced genetics seedlings) capture materially greater breeding gain than traditional OP seedlings, producing trees with faster growth, improved wood quality, and stronger disease resistance. This higher genetic performance shortens thinning cycles, increases volume per acre, and lifts the proportion of saw timber-grade wood at harvest. ARB estimates its highest-tier MCP® Pro+ seedlings can deliver up to a ~60% uplift in revenue per acre, equating to more than a ~70% increase in bare land value. ARB supplies both OP and MCP seedlings as bare-root or containerised stock. While genetic quality is identical on a like-for-like basis, containerised seedlings improve survival under adverse conditions and extend the planting window (mid-October to late April versus the typical December to March). Containerised seedlings therefore command a material price premium, with pricing between US$0.18–US$0.28 for bare-root MCP seedlings and US$0.29–US$0.39 for containerised MCP seedlings, versus OP at US$0.07–US$0.09 and US$0.14–US$0.17 respectively (see Figure 27).

Figure 25. MCP seedlings can deliver up to +60% revenue uplift ...



Source: Company, Forsyth Barr analysis

Figure 26. ... translating into meaningful gains in bare land value*



Source: Company, Forsyth Barr analysis, *Represents the NPV of forest operations into perpetuity

Figure 27. Open-pollinated bare-root seedlings versus ARB's proprietary MCP product

Factor	OP seedlings	ARB's proprietary MCP® seedlings
First thinning	About 13–15 years	About 11–13 years
First thinning yield	40–50 tons/acre	52–65 tons/acre with up to 30% solid wood potential
Final harvest saw timber	20%–50% of trees	60%–80% of trees
Revenue gain	n/a	Up to +70% per acre
Stock type	Bare-root & Container	Bare-root & Container
Pricing	OP Bare-root: US$0.07–US$0.09	MCP Bare-root: US$0.18–US$0.28
	OP containerised: US$0.14–US$0.17	MCP containerised: US$0.29–US$0.39

Source: Company, Forsyth Barr analysis

iii) ARB 2025 brand refresh

Adoption of advanced genetics seedlings in the broader US market remains relatively low, estimated at ~30% of annual US seedling volumes (versus ~50% in Brazil). We believe this partially reflects three characteristics of the US market: (1) the long-cycle nature of forestry operations (with final harvest typically occurring ~25 years after planting), meaning proof points for advanced genetics are only now beginning to emerge; (2) the generally more risk-averse temperament of the US agricultural workforce, reflecting the multi-generational and inherently high-risk nature of agricultural activities; and (3) a resulting focus on cost minimisation rather than return maximisation. While current market dynamics—a wide US pulp and saw timber stumpage price spread and declining stand density trends—are increasing interest in advanced genetics, ARB has focused on customer service and education as a means of increasing advanced genetics adoption and strengthening its competitive position. The company's recent US brand refresh (launched October 2025), centred on transparent and accessible seedling performance data, has helped provide clarity on the benefits of ARB's advanced seedlings. We see ARB's branding efforts and data-centric approach as a potential competitive advantage through: (1) a clear demonstration of the quality advantage of ARB seedlings, with genetics ~10–15 years ahead of competitors; and (2) improved clarity around advanced genetics performance more generally, which should support increased adoption over time.

iv) North America product development cycle

The development of genetically improved pine seedlings is a long-cycle, multi-stage process of continuous improvement. The full cycle typically spans 25–27 years and involves five key steps:

1. **Breeding, testing, and selection** (~12 years): ARB utilises prediction models and its proprietary database—containing millions of datapoints collected from field trials and university tree improvement co-operatives—to rank tree families on growth, disease resistance, stem straightness, and forking. Cuttings from selected trees are grafted into orchards and control-pollinated using pollen from chosen father trees. Resulting seedlings are planted across multiple test sites, with trait expression emerging at three to five years of age. The best performing families are then selected for planting in seed orchards.
2. **Seed orchard establishment** (~2 years): Identified high-performing families are planted in seed orchards with the goal of producing improved seeds at commercial scale.
3. **Seed orchard development** (~8–10 years): Either open pollination (OP) or mass control pollination (MCP®) is used, with resulting pinecones harvested for seed extraction. Commercial seed volumes typically take 8–10 years to achieve.
4. **Seed development** (~2 years): Harvested cones are dried, cracked, and cleaned to produce viable seeds for nurseries.
5. **Nursery planting** (<1 year): Seeds are sown in April and grow through to December; they are then lifted and taken to market as either containerised or bare-root seedlings.

With seedlings lifted once annually, annual production volumes are exposed to two key variables: (1) adverse weather-related losses, primarily from excessive rainfall, freeze events, droughts, and/or hurricanes; and (2) production volume decisions made well ahead of realised demand. We understand ARB aims to produce a surplus of ~5%–8% in the typical year, which, alongside its secure seed inventory strategy (targeting ~2 years of seed inventory), provides some level of flexibility to help manage production variability. Operational risks arising from demand forecasting are partially mitigated by multi-year take-or-pay agreements with key customers; however, these agreements cover only a portion of customers and generally allow for some annual volume turnback.

Figure 28. ARB pine development cycle

Source: Company

v) ARB North America competitive positioning

ARB faces two structurally different competitors in the US South:

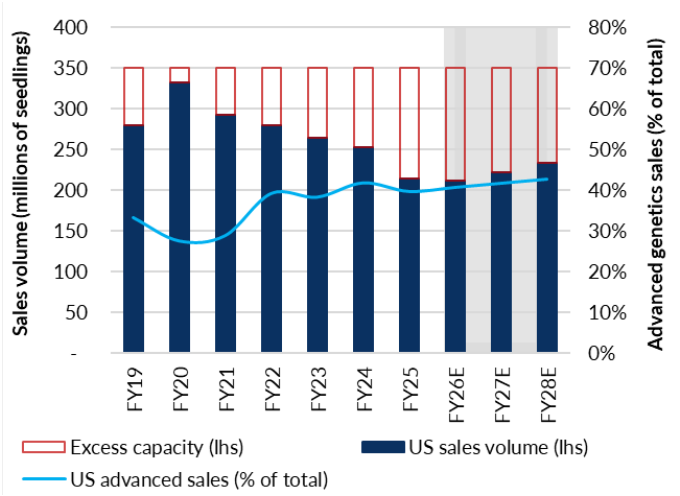
- Weyerhaeuser is a US timber, land, and forest product company with vertically integrated operations spanning timber ownership, forest products, and building materials distribution. Seedling production is largely internal and primarily supports its own timberlands, with only limited participation in the external market.
- PRT Growing Services is the key like-for-like competitor of scale focused exclusively on the external seedling market, operating a multi-state nursery network alongside an advanced genetics programme.

PRT introduced its advanced genetics programme around 2010. Given the long, iterative nature of forestry genetics development, time is a critical competitive advantage. ARB believes its genetics programme is ~10–15 years ahead of peers for US pine genetics. Despite this genetic gap, PRT has gained market share in recent years through a strong focus on containerised seedlings, scaling total production to approximately ~630m seedlings annually across 27 nurseries in Canada (15) and the US (12). ARB has responded with targeted investment in containerised seedling capacity, with containerised output currently at ~46m seedlings.

vi) ARB North America historical performance

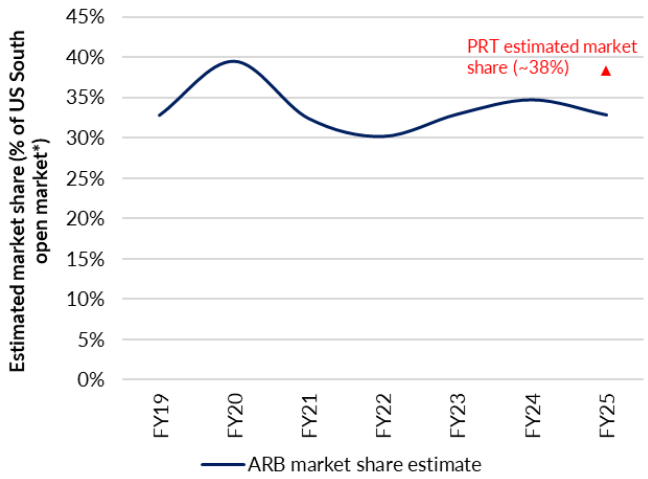
ARB's US business has delivered muted growth in recent years, with revenue increasing at a CAGR of ~+1% between FY19 and FY25, following a -9% decline in FY25. This constrained growth primarily reflects four interrelated factors: (1) a cyclical slowdown in the US residential construction market over the past three planting seasons, dampening industry-wide seedling demand; (2) elevated competitive pressure, particularly from container-focused suppliers (primarily PRT Growing Services, ARB's key US competitor), resulting in ARB ceding market share (estimated market share of ~33% at FY25); (3) industry-wide trends toward reduced stem counts per acre; and (4) moderating growth in advanced genetics sales, with penetration settling around ~40% over the past four years, reflecting slower industry adoption and constraining mix-led price growth. While the company has not historically disclosed segment-level gross margins, management reported a group gross margin of ~35% for FY25.

Figure 29. ARB's US sales volumes have declined over recent years, while advanced genetics sales have moderated ...



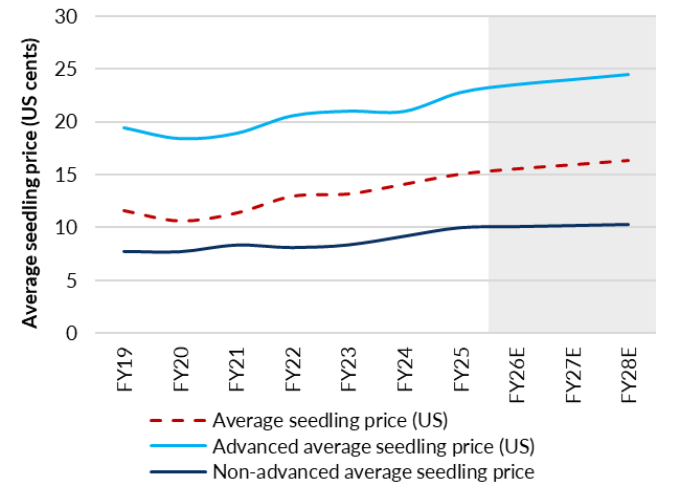
Source: Company, Forsyth Barr analysis

Figure 30. ... sales volumes reflect both elevated competitive pressure and cyclical lows in the seedling market



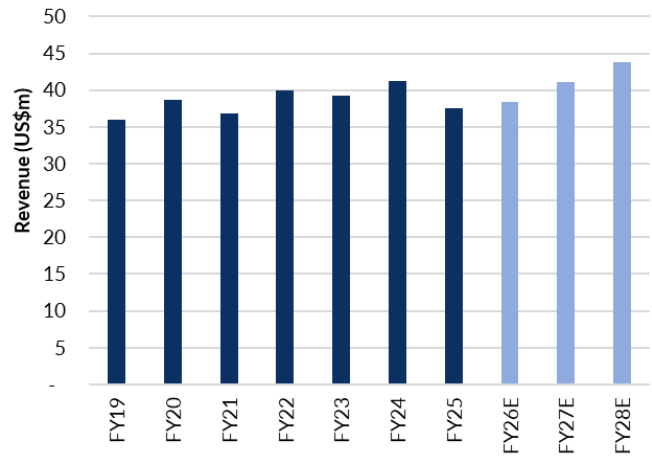
Source: Company, Forsyth Barr analysis

Figure 31. The company's average price has trended broadly in line with non-advanced seedling prices ...



Source: Company, Forsyth Barr analysis

Figure 32. ... which in combination with volumes has constrained through-the-cycle revenue growth

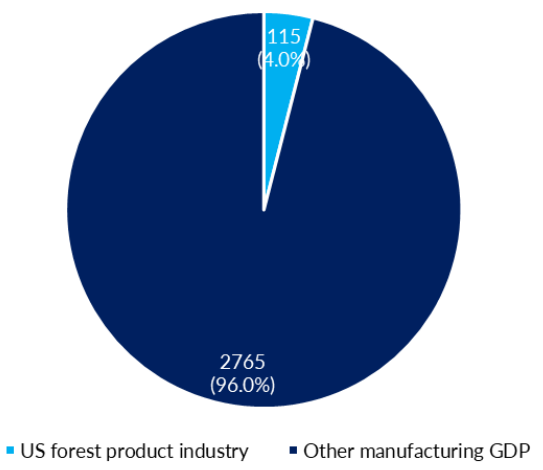


Source: Company, Forsyth Barr analysis

vii) Overview of the US seedling market

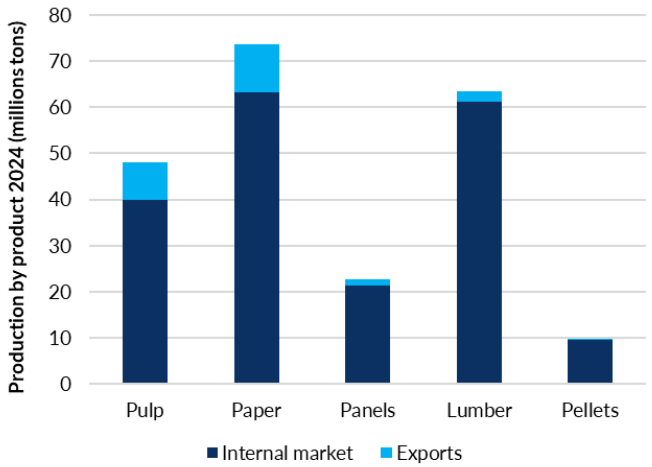
The US represents one of the largest silviculture markets in the world, supporting a forest product industry that accounts for roughly 4% of the country's ~US$2.9trn manufacturing GDP. US nurseries produce more than 1.0bn seedlings per annum, enabling planting on *c.*1.0m hectares (*c.*2.4m acres) each year, with the resulting fibre largely consumed domestically across construction, manufacturing, and logistics end markets. Harvested timber is sold across a range of product grades differentiated by wood age and quality, each commanding materially different stumpage (the price received by the landowner for standing timber). The four primary products include: (1) pulpwood, harvested during first and second thinnings (typically at 12–18 and 17–22 years of age) and sold into pulp and paper markets for US$2–US$12 per ton; (2) chip-n-saw, produced during later thinnings and at final harvest and used in lumber and woodchip production, typically selling for US$15–US$25 per ton; (3) saw timber, produced at final harvest at ~25 years of age and sold for lumber production for US$25–US$35 per ton; and (4) poles, produced from older stands (typically ~40 years of age), which represent the highest-value product, albeit with lumpy pricing and episodic demand. The economic spread between pulpwood and saw timber grades is material, reinforcing why improved genetics and silviculture choices that bias volume toward higher-value assortments are central to long-term landowner returns.

Figure 33. US forestry supports a large end-market, with the forest product industry adding ~US$115bn in GDP annually ...



Source: Food and Agriculture Organization US, Forsyth Barr analysis

Figure 34. ... with output primarily serving domestic demand, as little is exported



Source: iba annual report 2025, Forsyth Barr analysis

Figure 35. Low value pulpwood forest product

Source: Company, Forsyth Barr analysis

Figure 36. High value saw timber forest product

Source: Company, Forsyth Barr analysis

Figure 37. Forest products vary meaningfully in stumpage price

Product	Harvest stage—OP seedlings	Share of harvest*	Harvest stage MCP seedlings	Share of harvest*	Typical stumpage price range (US$ per ton)
Pulpwood	First and second thinning	50%	First thinning	23%	US$2–US$12
Chip-n-saw	First and second thinning	30%	First thinning	73%	US$15–US$25
Saw timber	Clearcut harvest		Clearcut harvest		US$25–US$35

Source: Company, Forsyth Barr analysis *Estimates based on potential at 6 years of age

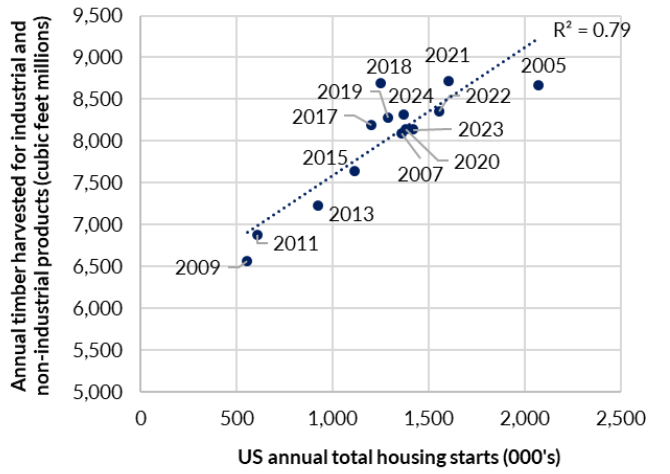
viii) Current US market dynamics and key drivers

The US residential construction sector is the primary end market for solid wood forest products, accounting for an estimated 70% of domestic consumption. Our analysis of annual timber harvest volumes in the US South suggests that annual national US housing starts could explain up to ~79% of the variation observed in timber harvest volumes.

With forest regeneration being a primary use of seedlings, weak end markets (and therefore depressed harvest volumes) can put meaningful downward pressure on national seedling demand. US residential construction activity has softened materially over recent years, with 12-month rolling housing starts contracting or flat year-on-year for 36 consecutive months to October 2025. This contraction broadly reflects affordability constraints, elevated build costs, and tight credit conditions. US seedling production data suggests demand has materially deteriorated over the same period. US South seedling production fell an estimated -30% to ~824m seedlings in the 2024/25 planting season versus 2022 planting season peaks. This has weighed on ARB's US volumes across the past few planting seasons and is expected to constrain FY26 volumes, which we forecast as broadly flat year-on-year.

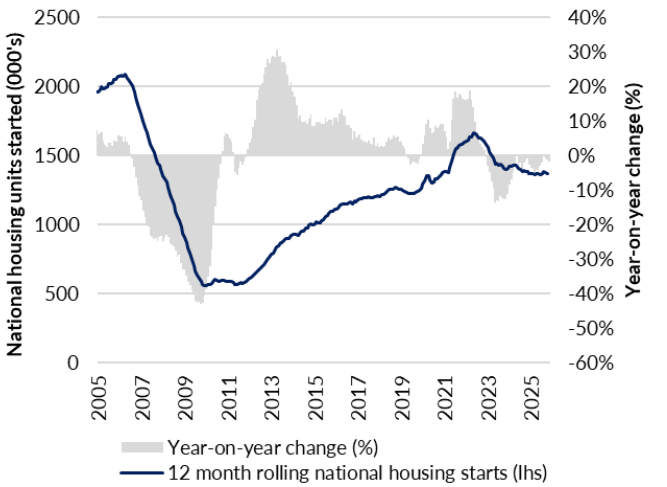
We see two potential catalysts for increased seedling demand in the US over the medium term: (1) a cyclical recovery in US residential construction activity, which we believe would likely disproportionately support demand for high-value advanced genetics, given structurally weak pulp economics and lower planting density trends increasingly biasing saw timber outcomes; and (2) increased regenerative planting on timberland stands given large cohort bulges in the US currently at harvest age (~25 years and 60+ years, consistent with historical planting booms—particularly post WWII), which could elevate forest regeneration activity.

Figure 38. Annual US South timber harvest volumes are tied to national housing starts ...



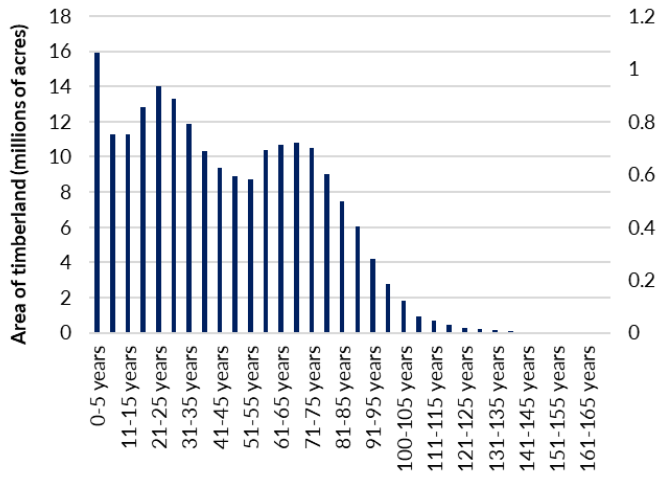
Source: US Census Bureau, USDA, Forsyth Barr analysis

Figure 39. ... which have been weak over the past few years, but are showing signs of recovery off recent lows ...



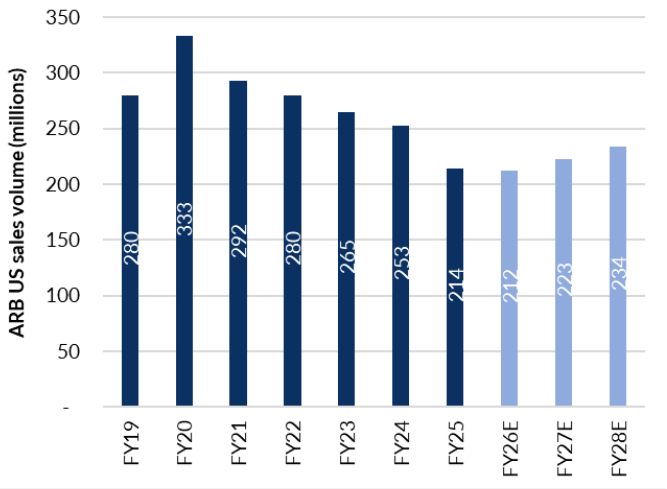
Source: US Census Bureau, Forsyth Barr analysis

Figure 40. ... additionally, large cohorts of timberland are near harvest age, a potential tailwind for regenerative planting ...



Source: USDA, Forsyth Barr analysis

Figure 41. ... on balance, we expect these factors to support a steady recovery in seedling demand over the coming years



Source: Company, Forsyth Barr analysis

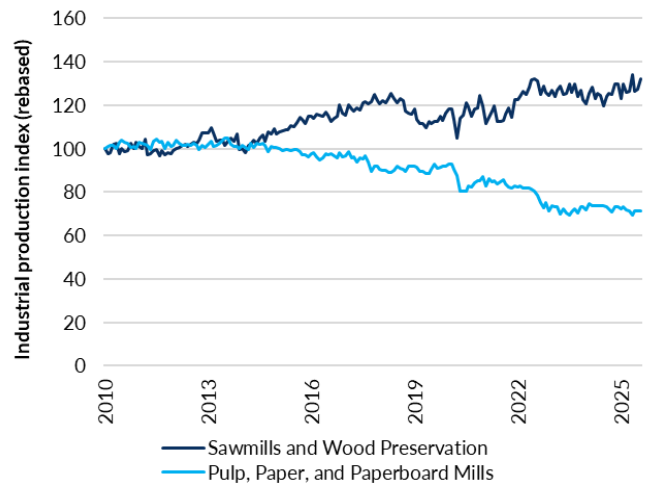
ix) US timber market tailwinds to drive MCP adoption

Despite the clear economic advantages, control-pollinated seedlings remain under-adopted in the US, accounting for an estimated ~30% of annual seedling production (compared to ~50% in Brazil). Adoption has historically been slow, reflecting long forestry investment cycles, with typical harvest rotations of 25–27 years limiting the speed at which realised performance benefits become visible. However, several near- to medium-term market dynamics are increasing the relative attractiveness of advanced genetics.

Stumpage prices for lower-value forest products—most notably pulpwood—have weakened materially over the past decade. This reflects two structural forces: (1) declining paper demand driven by digitisation; and (2) the increasing availability and competitiveness of imported Brazilian hardwood pulp. While the former has driven a long-run contraction in domestic pulp demand, the latter has accelerated recent capacity rationalisation, with US South pulp production capacity down approximately -16% since 2022. These pressures are compounded by a wide and persistent spread between softwood and hardwood pulp prices, reinforcing substitution toward lower-cost Brazilian supply.

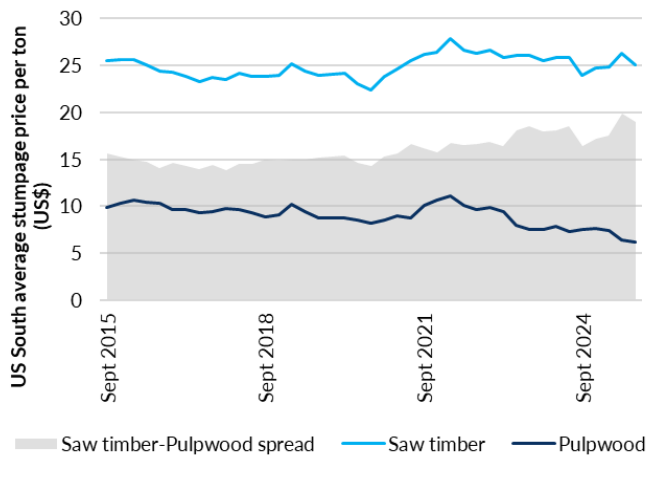
As pulpwood economics deteriorate, US foresters are increasingly incentivised to shift from volume maximisation toward quality optimisation. Climbing the forest-product value curve—biasing growth toward higher-value chip-n-saw and saw timber assortments —has become central to maintaining returns on managed forests. In this context, control-pollinated seedlings offer a structural advantage through higher saw timber yield, improved form, and greater end-market optionality. While these conditions may not persist indefinitely, they are catalysing a reassessment of planting decisions and supporting what we see as the early stages of a second adoption wave for MCP genetics.

Figure 42. US pulp and paper production remains in structural decline, having accelerated over recent years ...



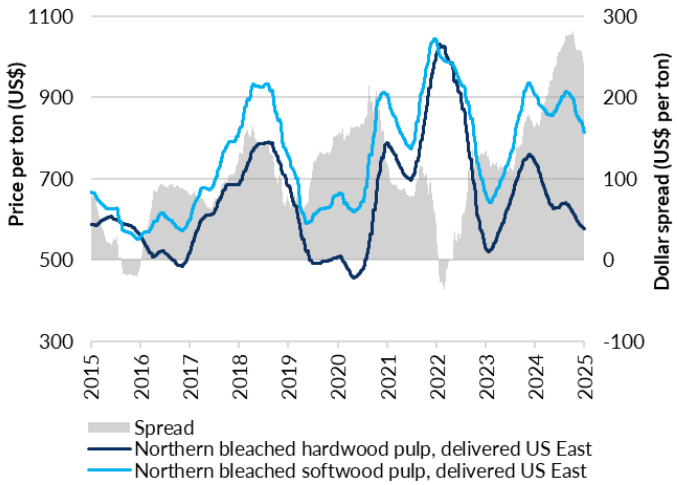
Source: St. Louis Fed, Forsyth Barr analysis

Figure 43. ... softening pine pulpwood stumpage prices, while prices for higher value forest products have remained stable



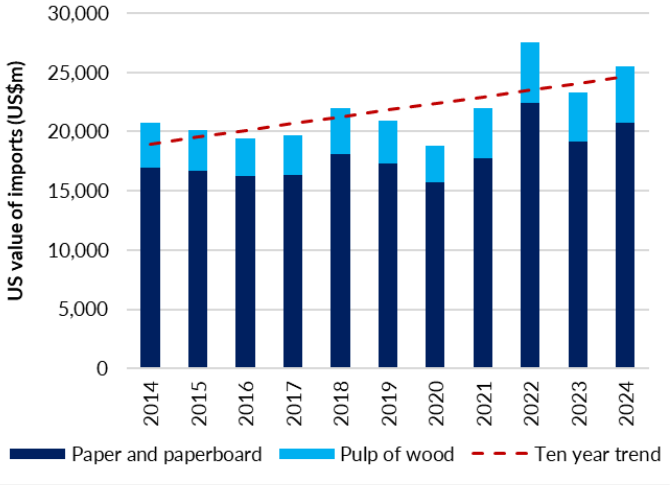
Source: TimberMart-South, Forsyth Barr analysis

Figure 44. Relatively low Brazilian hardwood pulp prices are a near-term headwind for US domestic pulp markets ...



Source: RaboResearch, Forsyth Barr analysis

Figure 45. ... lifting US imports of internationally produced hardwood pulp and pulp products



Source: UN Comtrade, Forsyth Barr analysis

c) ARB South America

ARB's South American operations are located in Brazil, the world's largest exporter of wood pulp and the second-largest pulp producer globally, behind the United States. Brazil produces approximately 1.4bn seedlings annually to support ~10.5m hectares of planted forest, of which ~78% is eucalyptus, ~18% pine, and ~5% other species. For eucalyptus, ARB uses cuttings (not seed) for growing seedlings and does not have any operational orchards in Brazil. ARB's Brazilian business has more than 150m units of annual production capacity, supported by a network of nine company-owned nurseries across seven states, complemented by selected third-party partner nurseries. The company produces both advanced and non-advanced eucalyptus clones, as well as genetically improved pine seedlings, underpinned by a local workforce of more than 900 employees. ARB's operations are concentrated in south-eastern Brazil, the country's dominant silviculture region. Roughly 43% of Brazil's eucalyptus plantations and ~89% of its pine forests are located in this region, reflecting superior planting conditions driven by warmer temperatures, extensive areas of well-drained productive soils, and abundant available land. These factors collectively support some of the highest plantation productivity levels globally.

Figure 46. ARB's Brazilian sites

Source: Company, Forsyth Barr analysis

i) South America product set and species focus

ARB's Brazilian product portfolio spans pine seedlings (OP and MCP) and eucalyptus clones, incorporating a mix of public, licensed, and proprietary genetics across multiple price and performance tiers.

Pine production is currently supported by seed imports from Argentina and ARB's US operations. To improve long-term supply diversification and resilience, ARB is implementing a Brazil-based pine genetics programme modelled on the US South, with orchard establishment underway and first commercial seed collections expected in approximately two years.

In eucalyptus, ARB's offering includes both market clones produced using publicly available genetics and IP-protected clones utilising licensed genetics. Licensed genetics represent the majority of production (estimated at up to ~75%), with public clones accounting for roughly ~25%. We understand ARB is in the process of launching its own proprietary ARB genetics clones, expected within the next ~12 months. Advanced genetics eucalyptus clones deliver materially higher productivity per hectare, improved adaptation to specific climatic and soil conditions, greater resistance to pests and disease, and superior wood quality. Collectively, these attributes can generate volume gains of up to ~20%–30% and reduce tree cover loss during periods of climatic stress or disease incidence.

Licensed genetic material is sourced from third-party developers—principally Sylvamo, Gerdau, and Vallourec—under exclusive rights agreements that typically run for ten years and permit the propagation and commercialisation of defined improved eucalyptus families. Proprietary ARB genetic material currently represents a smaller share of production but is expected to increase over time as internal breeding programmes mature, alongside the continued production of market clones based on publicly available genetics.

Figure 47. ARB Brazil eucalyptus clones

Source: ARB, Forsyth Barr analysis

Figure 48. ARB Brazil MCP pine

Source: ARB, Forsyth Barr analysis

ii) South America product development

The development cycle for eucalyptus clones is materially shorter than that for loblolly pine, typically taking 10–12 years (versus 25–27 years for loblolly pine). The process can be characterised by five key stages:

1. **Cross identification:** where existing genetic material is assessed to identify potential parent crosses, with selection focused on disease tolerance, drought resistance, and growth characteristics (height and diameter).
2. **Hybrid seed development:** where selected parents are crossed via controlled pollination. Mother tree flowers are emasculated to prevent self-pollination, isolated using pollination bags, and pollinated with pollen from selected father trees, with seed collected approximately one year later.
3. **Testing:** in which hybrid seedlings are planted at multiple trial sites. Key performance traits typically express after three to four years, allowing identification of top-performing families and individual trees.
4. **Sprout production:** where selected trees are cut to stimulate stump sprouting, with sprouts harvested for propagation, each typically yielding ~10 cuttings.
5. **Rooting and screening:** where clone cuttings are rooted, planted, and subjected to clonal screening and environmental trials, after which selected clones progress to commercial deployment. All eucalyptus clones (and Brazilian pine seedlings) are containerised, reflecting Brazil's hotter climate and survivability requirements.

iii) ARB South America competitive positioning

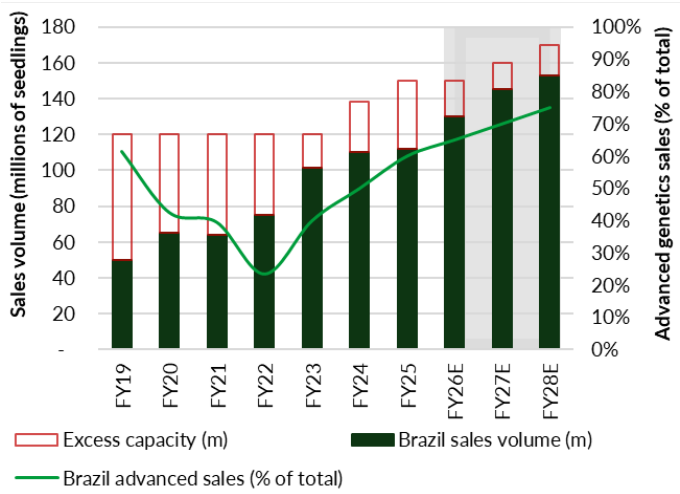
Limited market data makes the competitive landscape of the Brazilian market relatively opaque. Despite this, we understand that the materially shorter development cycle for eucalyptus clones limits the competitive advantage associated with development programme timing relative to loblolly pine. ARB's exclusive access to licensed genetics does, however, provide a meaningful advantage in clone development, particularly compared to independently operated nurseries (which we understand represent a meaningful proportion of the 'open' market). ARB's maturing proprietary genetics development programme in South America should further defend and enhance the company's competitive positioning.

iv) ARB South America historical performance

ARB's Brazilian operations have delivered strong revenue growth over recent years, increasing from US$6.1m in FY19 to US$25.7m in FY25. This expansion has been underpinned by three key drivers. First, sales volumes more than doubled over the period, rising from ~50m seedlings to ~112m in FY25, reflecting: (1) broader end-market growth driven by sustained investment in eucalyptus pulp capacity; and (2) growing recognition of the productivity benefits delivered by ARB's licensed and proprietary genetics, as earlier plantings mature across demonstration and commercial plantations—ARB's Brazilian market share has grown from just ~7% at FY19 to ~15% at FY25. Second, advanced genetics seedling sales recovered meaningfully between FY22 and FY25 as customer adoption resumed following earlier market dislocation. Third, average realised seedling pricing increased over the period, reflecting: (1) mix improvement toward higher-value protected clones; and (2) broader upward price pressure driven by strong demand growth outstripping supply, particularly between FY23 and FY24.

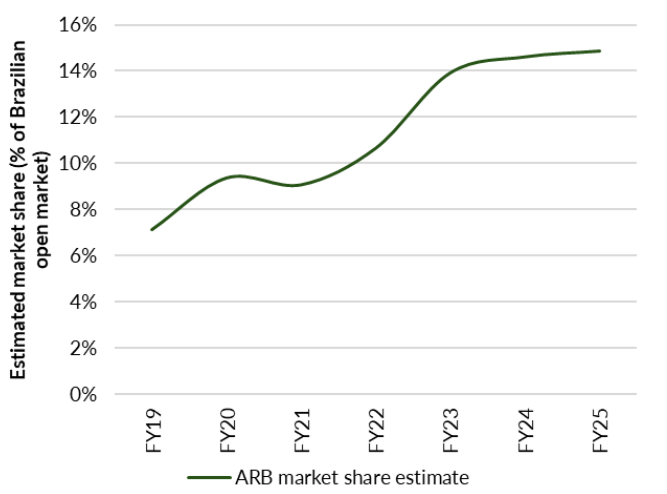
While ARB does not historically disclose segment-level gross margins, management reported a Brazilian gross margin of ~29% in FY25 (versus ~35% in the US South). Management cited this as weak, driven by: (1) an operational reset undertaken to 'strengthen the team and improve financial processes and systems', resulting in one-off adjustments impacting cost of sales; (2) recent efforts to transition Brazilian capacity toward higher-value 'protected' eucalyptus clones, resulting in lower yields in early years of production post-transition; (3) structural differences versus its US operations, with Brazilian operations outsourcing a meaningfully higher proportion of capacity (~30% of its ~150m Brazil capacity versus just ~7% in the US) to third-party partner nurseries; and (4) price compression in the Brazilian pine market driven by excess inventory.

Figure 49. ARB's Brazilian segment has seen strong volume growth over recent years ...



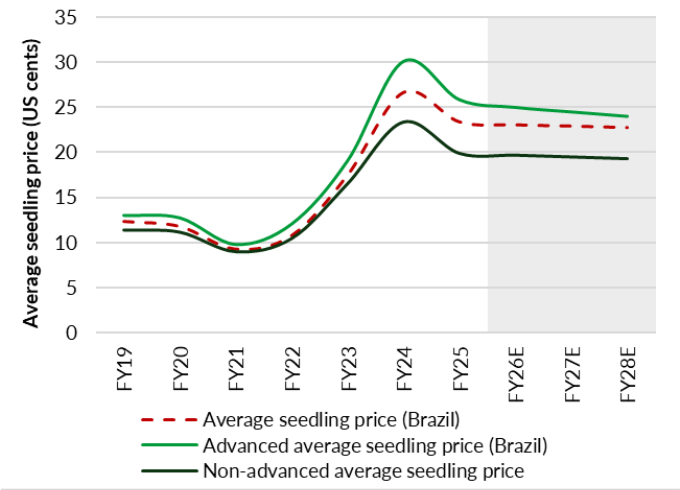
Source: Company, Forsyth Barr analysis

Figure 50. ... a product of both strong end market growth and market share gains



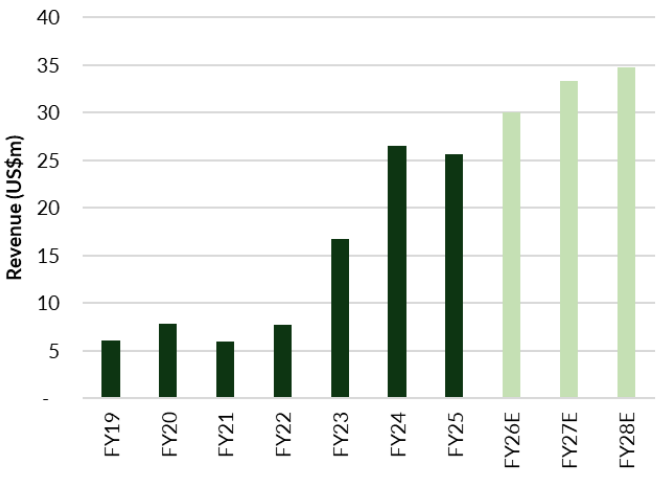
Source: Company, Forsyth Barr analysis

Figure 51. While constrained industry demand has historically lifted prices, this moderated in FY25 ...



Source: Company, Forsyth Barr analysis

Figure 52. ... in combination, ARB has seen meaningful revenue growth in its Brazilian operations



Source: Company, Forsyth Barr analysis

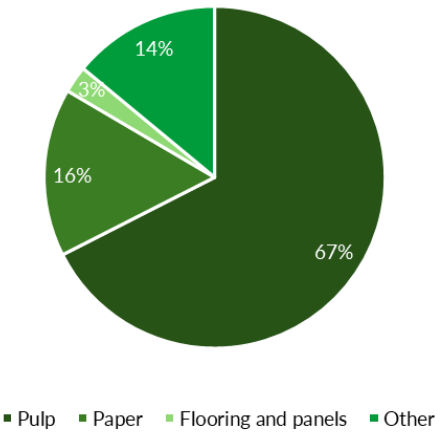
v) Overview of the Brazilian seedling market

Brazil has emerged as the dominant silviculture market in South America, accounting for approximately 43% of the continent's production forest area, up from around 27% in 1990. The sector is heavily skewed toward eucalyptus, which represents roughly 78% of Brazil's planted forest area, supported by annual production of an estimated 1.4bn seedlings. These plantations underpin a diversified set of end markets, including pulp and paper, wood panels, laminate flooring, lumber, charcoal, and biomass pellets.

Pulp is the primary end use, representing approximately 78% of total output across major forest product categories (pulp, paper, panels, lumber, and pellets). The industry is structurally export-oriented, with pulp accounting for around two-thirds of total forestry exports. Export demand is diversified across key regions, led by China (31%), Europe (23%), and North America (19%), providing resilience against single-market shocks.

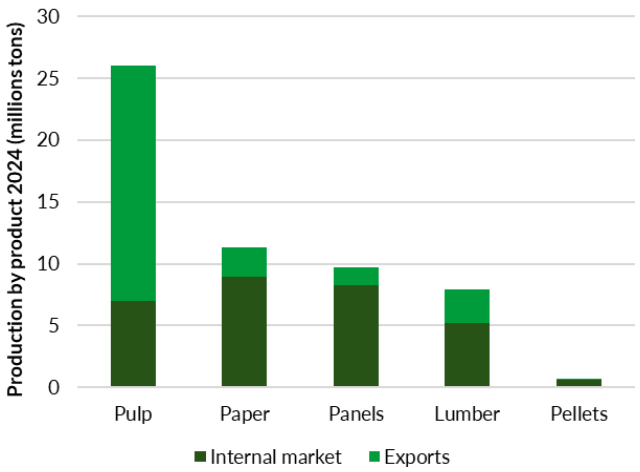
Brazil's silviculture industry has expanded materially over the past decade, with total forestry exports increasing by approximately 85% to US$15.7bn in the ten years to 2024. Growth has been driven primarily by eucalyptus pulp, with production rising to nearly 19m tonnes in 2024 from 11.5m tonnes in 2015. This expansion reflects Brazil's growing global competitiveness in pulp production, underpinned by exceptionally high plantation productivity, short planting-to-harvest cycles that accelerate genetics adoption, favourable climatic conditions, relatively low production costs, and a mature industry supported by a skilled labour force and advanced silvicultural practices.

Figure 53. Exports (US$bn) from the Brazilian planted tree sector are dominated by pulp ...



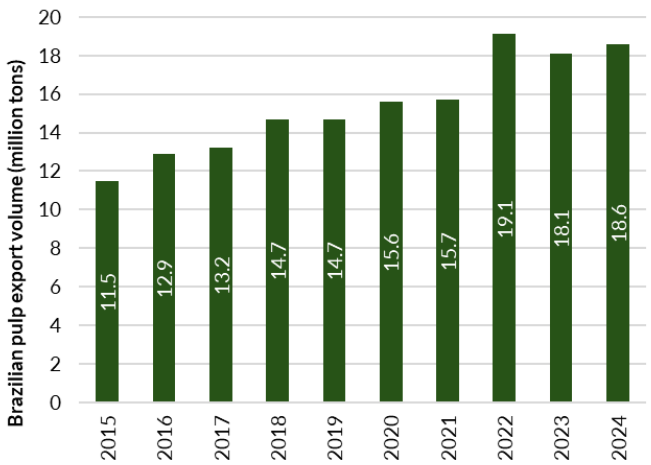
Source: iba, Forsyth Barr analysis

Figure 54. ... with the majority of the country's pulp production exported to international markets



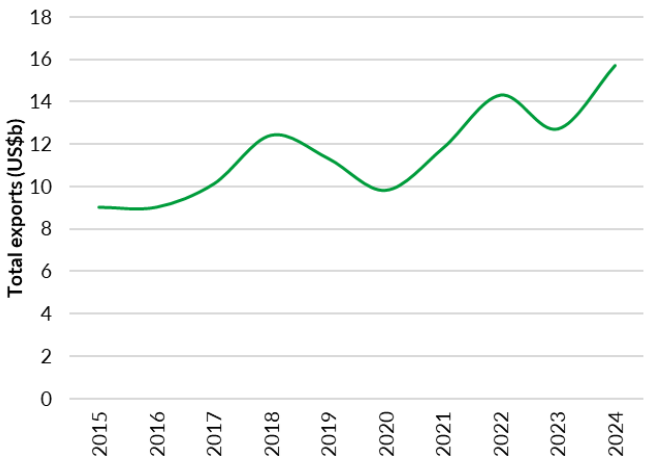
Source: iba, Forsyth Barr analysis

Figure 55. Pulp export volumes have grown strongly over recent years reflecting increased competitiveness ...



Source: iba, Forsyth Barr analysis

Figure 56. ... driving strong growth in the Brazilian planted tree sector as a whole

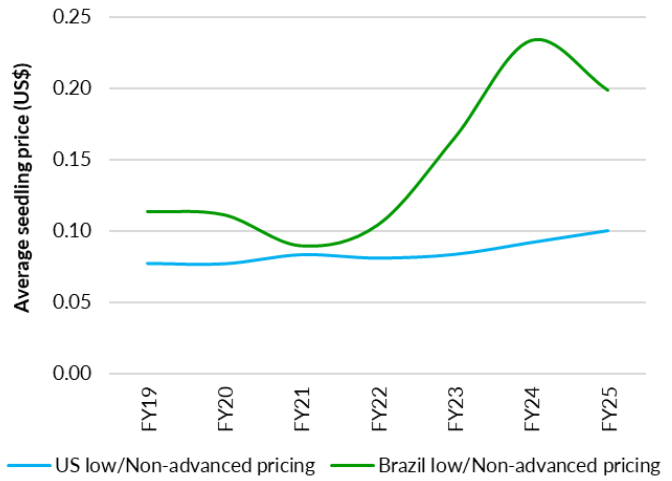


Source: iba, Forsyth Barr analysis

vi) Current Brazilian market dynamics and key drivers

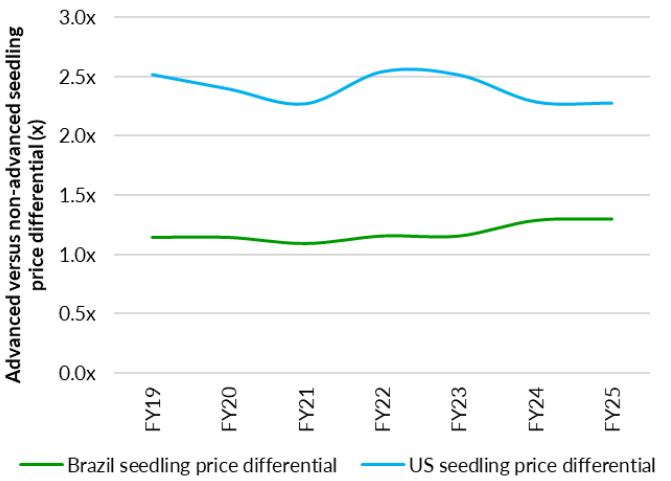
The Brazilian seedling market is highly vertically integrated, with pulp and paper, steel, and timber producers supplying a significant share of their planting requirements via captive nursery operations. Vertically integrated mills consume approximately 70% of the ~1.4bn seedlings produced annually in Brazil, while producing around 50% of national output, leaving an independent market of ~700m seedlings per year. Roughly 20% of this ~700m is supplied back to vertically integrated mills, with these mills benefiting from improved operational flexibility and lower biological and climatic risk. Seedling production in Brazil is predominantly containerised by necessity due to the country's warmer climate, resulting in a structurally higher pricing floor but a smaller price differential between advanced and non-advanced genetics. These dynamics, alongside short eucalyptus rotation cycles (six to seven years versus 25–27 for pine) and the rapid visibility of genetic performance, have driven high advanced genetics adoption (~50%–60%).

Figure 57. ARB's Brazil business features a higher price floor than the US, largely reflecting structural market differences ...



Source: Company, Forsyth Barr analysis

Figure 58. ... contributing to a lower price differential between advanced and non-advanced seedlings

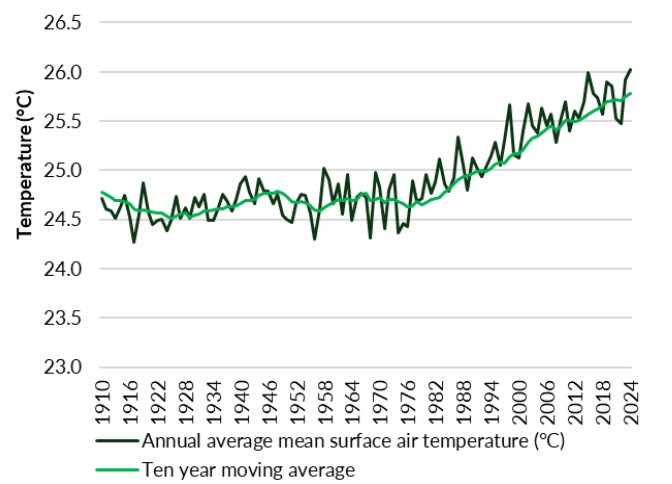


Source: Forsyth Barr analysis

vii) Climate change as a key catalyst

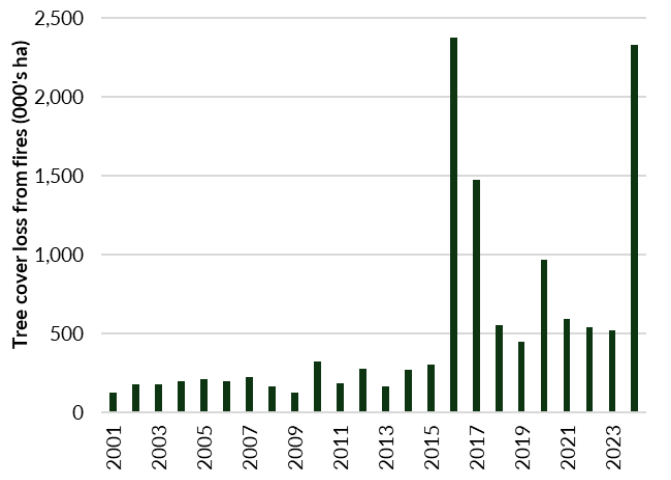
Climate change has become an increasingly important consideration for Brazil's eucalyptus sector. Rising temperatures and more volatile weather patterns are expected to increase the prevalence of pests, wildfires, and disease, presenting material productivity risks for growers. In response, forest resilience strategies have become more prevalent across the industry. Advanced clones are central to these efforts, offering improved productivity, greater tolerance to environmental variability, and enhanced genetic diversification, thus reducing the risk of loss. A potential shift in the industry's geographic footprint adds an additional layer of complexity. In the event that production migrates toward Brazil's cooler southern regions, many existing clone families may become obsolete, reflecting the varying suitability of clone families to differing climatic conditions.

Figure 59. Temperatures have been rising in Brazil...



Source: World Bank, Forsyth Barr analysis

Figure 60. ... seeing a lift in droughts and fire damage loss



Source: Global Forest Watch, Forsyth Barr analysis

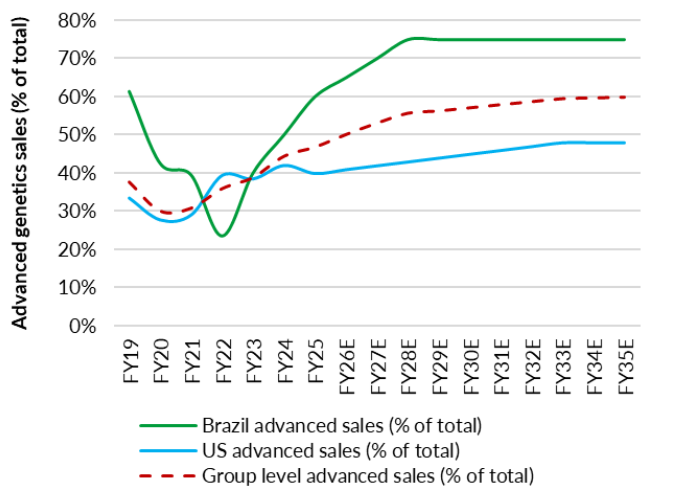
d) Market dynamics a tailwind for ARB

ARB's long-term strategy is underpinned by two core growth levers: (1) a mix shift from lower-value open-pollinated and bare-root seedlings toward higher-value MCP and containerised products; and (2) ongoing improvements in operational efficiency through productivity and scale. While execution is required to realise the latter, the former is supported by structural market tailwinds driving increased adoption of advanced genetics across both the US South and Brazil.

MCP seedlings command a significant price premium, typically priced more than 2x open-pollinated seedlings, while nursery and distribution costs are largely fixed. This creates meaningful operating leverage as customers transition toward advanced genetics, supporting margin expansion. ARB's strategy of maintaining a two-year seed buffer, expanding container capacity, increasing MCP penetration, and improving orchard productivity should mitigate biological risk while enabling sustained growth.

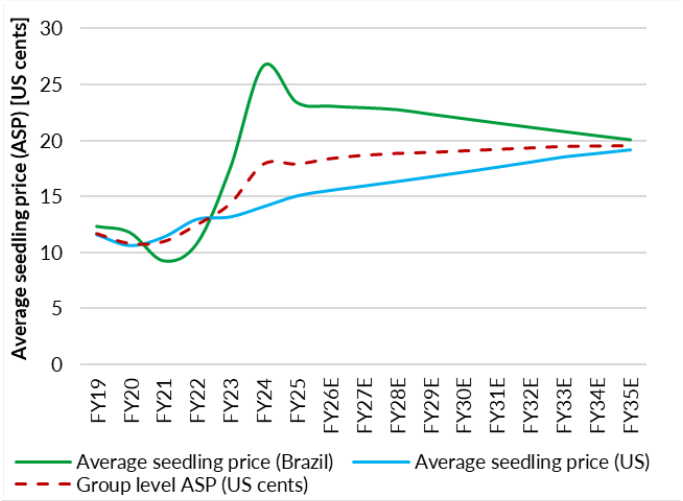
We view ARB's recent US brand refresh and AG Score rollout positively, as transparency and customer education are critical to accelerating advanced genetics adoption in the US South amid changing market conditions. In Brazil, short eucalyptus rotations (six to seven years) allow rapid demonstration of performance, reinforcing adoption following years of test plantings and customer engagement. We forecast advanced genetics penetration in Brazil to rise from ~60% in FY25 to ~75% by FY28, with US adoption expected to increase from ~40% in FY25 to ~48% by FY33, driving revenue growth through both pricing and volume, with group gross margins expanding from ~29% in FY25 to ~35% by FY35.

Figure 61. We forecast advanced genetics adoption over the near term in Brazil, and a medium-term step change in the US ...



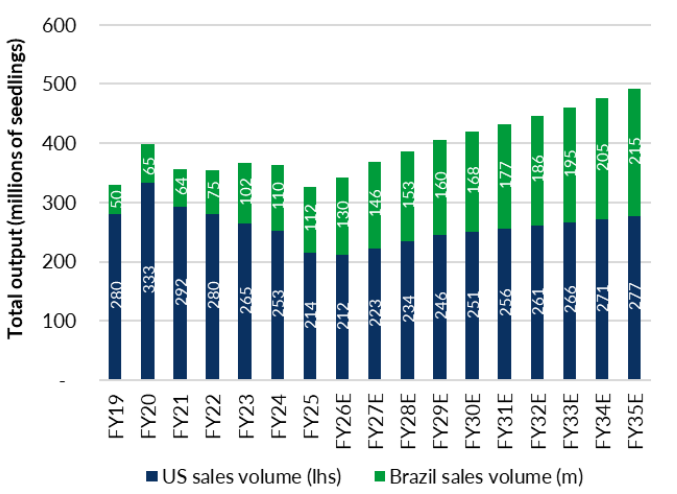
Source: Company, Forsyth Barr analysis

Figure 62. ... underpinning US average seedling price growth, but failing to offset persistent Brazilian Real depreciation



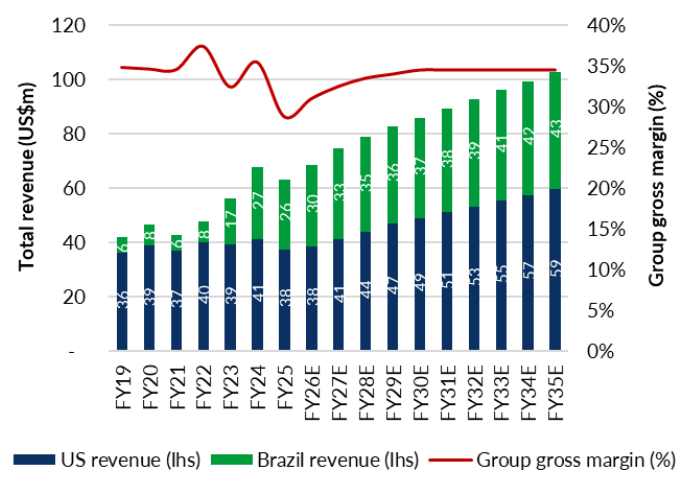
Source: Company, Forsyth Barr analysis

Figure 63. We see a majority of volume growth coming from Brazil given structural market dynamics ...



Source: Company, Forsyth Barr analysis

Figure 64. ... with the combination of these factors resulting in a meaningful revenue growth path and gross margin expansion



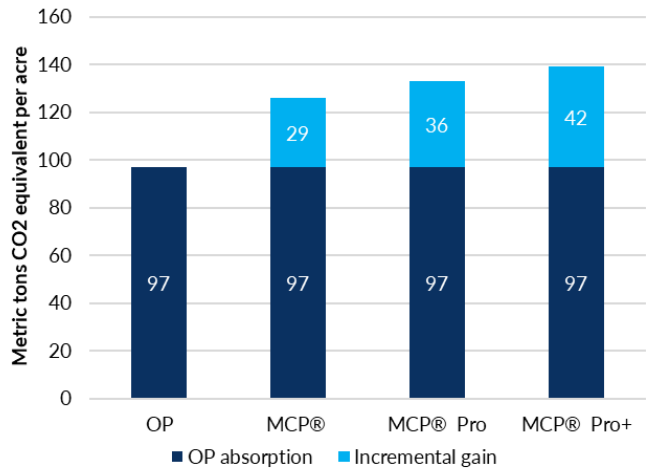
Source: Company, Forsyth Barr analysis

e) Emerging opportunities

Carbon is an emerging second demand vector in the US. ARB is a key supplier to Chestnut Carbon's afforestation programme, which has planted 17m ARB-supplied trees and signed a 25-year offtake with Microsoft for more than 7m tonnes of nature-based carbon removal credits across Arkansas, Louisiana, and Texas. This agreement signals improving multi-year demand visibility that is largely independent of the housing cycle and supports ARB's strategy to hold seed buffers and container capacity to service large blocks. Carbon projects are typically planned on a portfolio basis, require consistent species supply, and place a premium on survival, documentation, and chain of custody.

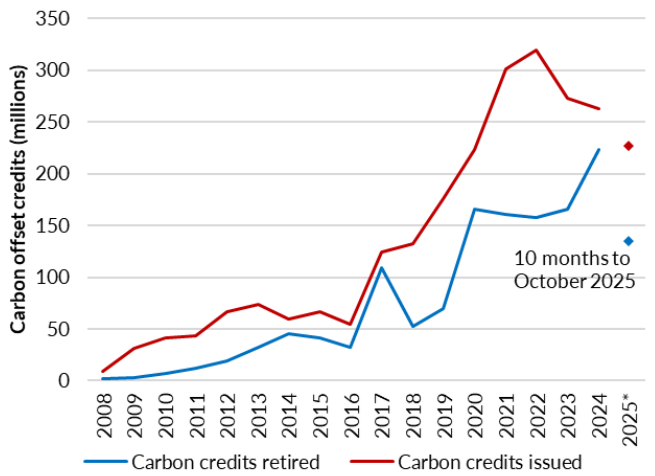
ARB is well positioned to benefit from carbon market demand, with its advanced-genetics seedlings sequestering up to ~+40% more carbon than traditional OP seedlings, primarily reflecting faster growth rates. While participation in global carbon markets has expanded materially over the past decade, both credit issuance and retirements have softened in recent years, largely reflecting growing concerns around project credibility. These issues have driven a structural 'flight to quality', with demand and pricing increasingly favouring high-integrity credits. The growing emphasis on quality and traceability places ARB in a strong position, with its advanced seedlings offering a meaningful advantage for nature-based carbon offset programmes.

Figure 65. ARB advanced genetics seedlings absorb more emissions than traditional seedlings



Source: ARB, Forsyth Barr analysis

Figure 66. Interest in carbon markets has reached new levels over the past decade, albeit tempering over recent years



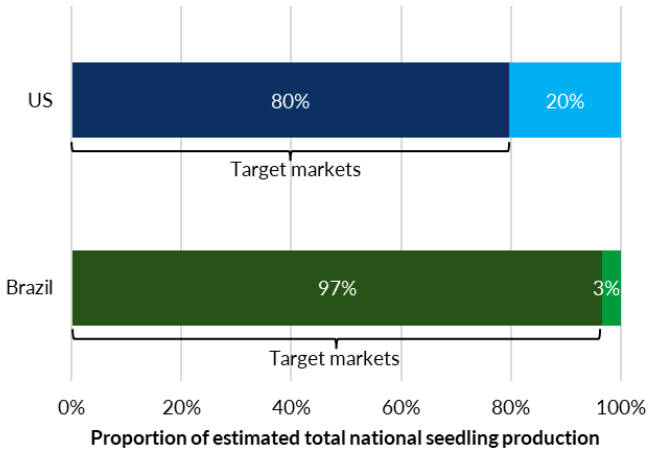
Source: UC Berkeley voluntary registry offsets database, Forsyth Barr analysis

Section #3: What is the global addressable market?

ARB's addressable focus spans two of the world's largest managed forest markets: Brazil and the Southern United States. Together, these regions produce over 2.3bn seedlings annually. While structurally different—the US market being cyclical, relatively self-contained, and closely linked to housing activity, and the Brazilian market driven primarily by export-oriented pulp demand—both are characterised by large, recurring replanting cycles.

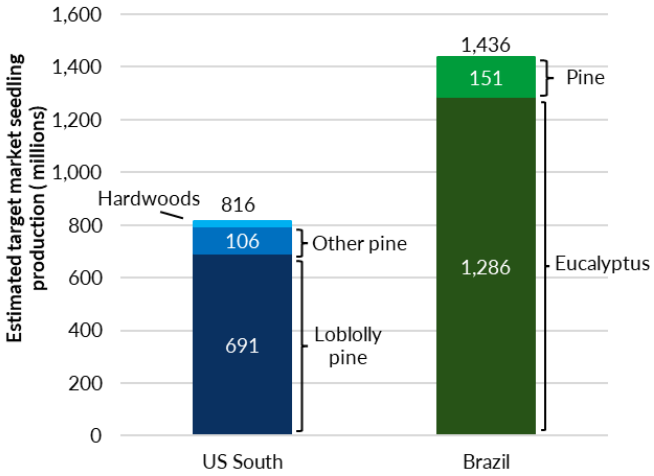
ARB's product suite is closely aligned with the dominant species mix in each market, resulting in a substantial addressable opportunity. In the US South, the company's focus on conifers, particularly loblolly pine, and hardwoods addresses a segment representing ~80% of the more than one billion seedlings produced annually. In Brazil, ARB's core species—eucalyptus and pine—together account for over 95% of the country's ~10.5m hectares of planted forest, equating to an estimated annual demand of roughly ~1.4bn seedlings.

Figure 67. ARB's target species and geographies dominate each respective market ...



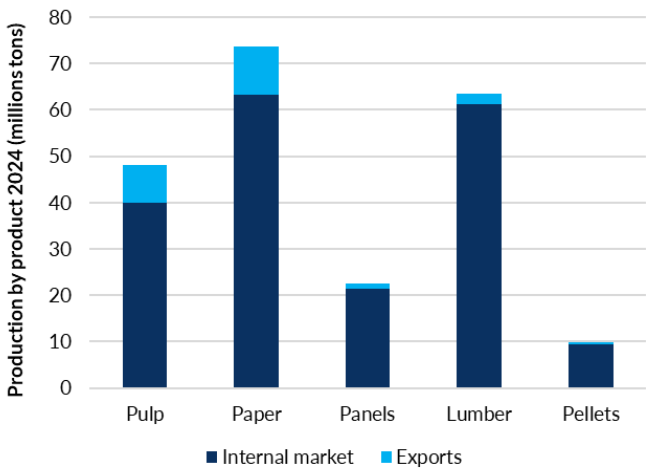
Source: Auburn University, iba annual report 2025, Forsyth Barr analysis

Figure 68. ... representing ~2.3bn seedlings annually (on the latest available counts)



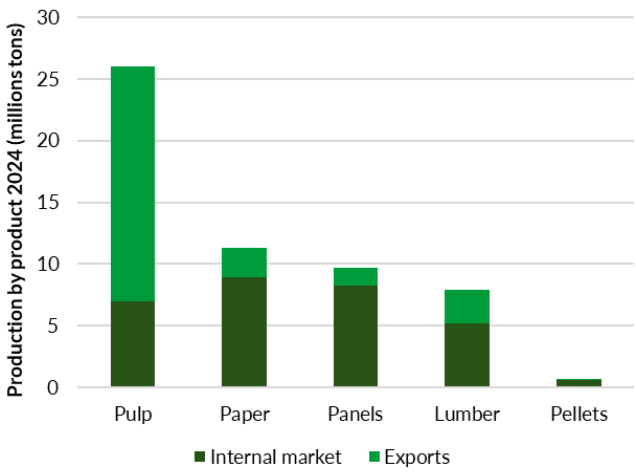
Source: Auburn University, iba annual report 2025, Forsyth Barr analysis

Figure 69. The two markets are structurally different, with the US largely serving local demand ...



Source: iba annual report 2025, Forsyth Barr analysis

Figure 70. ... while the Brazilian market is dominated by pulp, which is primarily exported to international markets

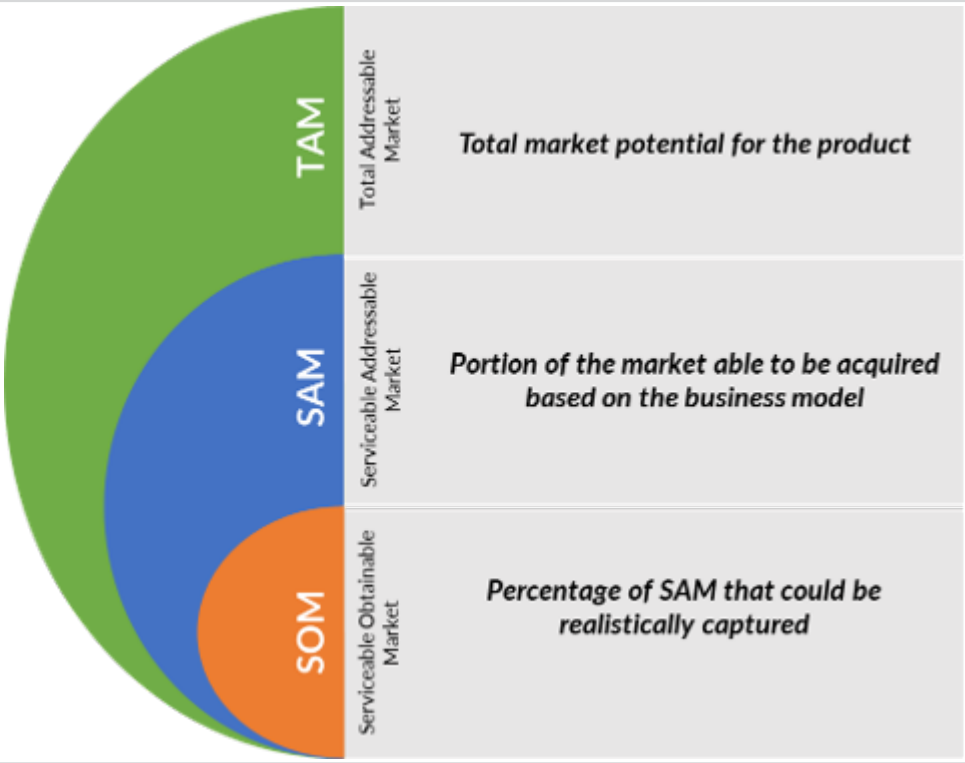


Source: iba annual report 2025, Forsyth Barr analysis

Total addressable market (TAM), serviceable addressable market (SAM), and serviceable obtainable market (SOM)

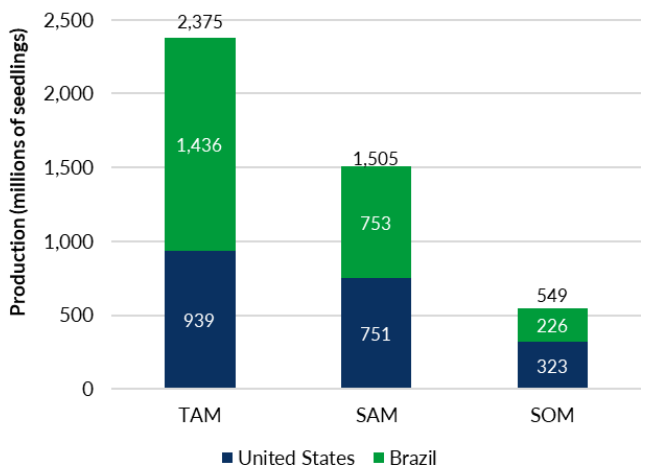
We apply our three-stage TAM–SAM–SOM framework to assess the size of the markets in which ArborGen (ARB) operates. Under this approach, we estimate: (1) the total addressable market (TAM), representing total industry demand for seedlings; (2) the serviceable addressable market (SAM), representing the portion of that demand accessible to ARB given its business model and market structure; and (3) the serviceable obtainable market (SOM), representing the share of the SAM we believe ARB can realistically capture. Within this framework, TAM reflects total industry seedling demand, SAM adjusts for structural constraints such as vertical integration and species mix, and SOM further constrains SAM based on ARB's current production capacity, product mix, and competitive dynamics.

Figure 71. Our TAM/SAM and SOM Framework for assessing market potential



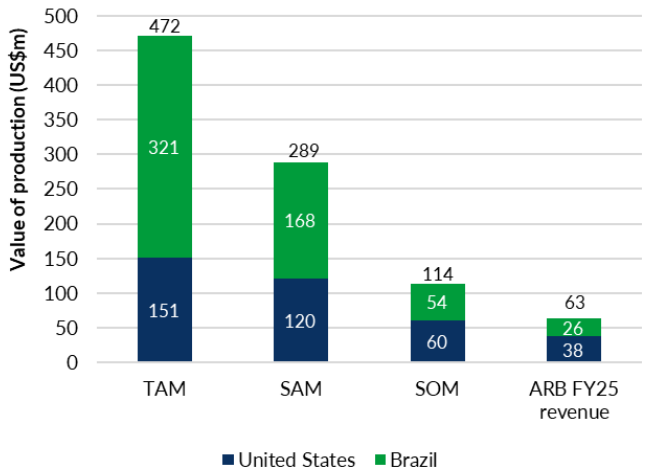
Source: Forsyth Barr analysis

Figure 72. We estimate ARB's TAM captures combined annual seedling demand of 2.4bn (mid-cycle) ...



Source: Various sources, Forsyth Barr analysis

Figure 73. ... narrowing to a SOM revenue of ~US$114m, versus ARB's FY25 total revenue of US$63m

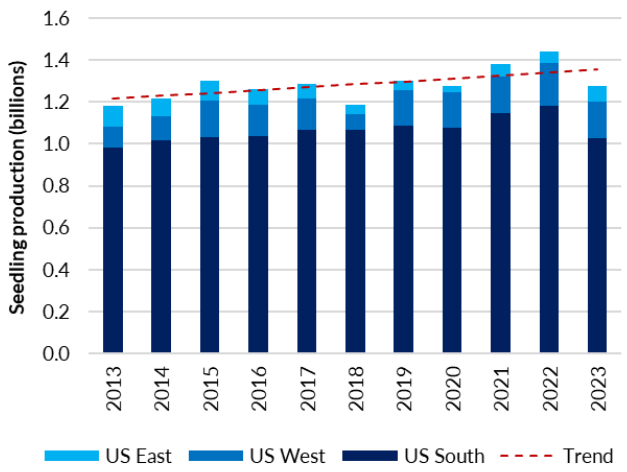


Source: Various sources, Forsyth Barr analysis

a) Southern United States TAM, SAM and SOM

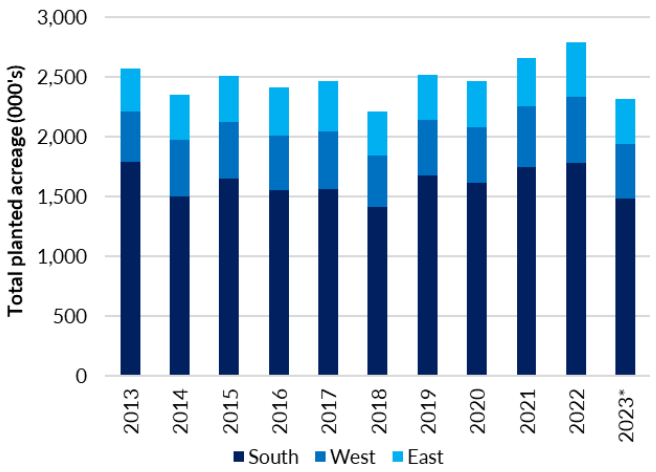
The US nursery system produces more than 1bn seedlings annually, according to the US Department of Agriculture (USDA). The US South has historically accounted for ~80% of this output, consistent with its large share of national planting area (often cited around ~1.7m acres planted per year). Production is heavily weighted toward conifers, representing over 95% of seedlings planted, with loblolly pine (*Pinus taeda*) the dominant species. Although highly cyclical, annual US seedling production has trended modestly higher over the past decade, expanding at ~+1% per annum between the 2013 and 2023 seasons. In our assessment of TAM, we use 2025 seedling production implied by long-run trends as a proxy for mid-cycle demand, given current cyclical lows.

Figure 74. The US South is ~80% of the total annual US mkt ...



Source: USDA, Forsyth Barr analysis

Figure 75. ... and accounts for ~70% of total planted acreage

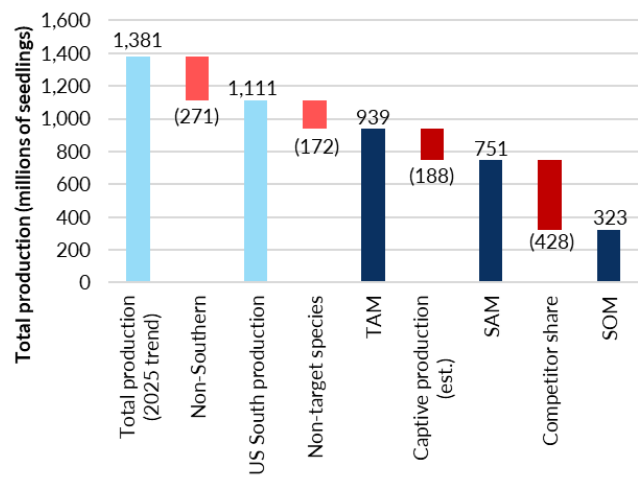


Source: USDA, Forsyth Barr analysis, *Estimated using 550 stems per acre

To estimate ARB's US TAM, we exclude ~20% of total annual production attributable to non-Southern states. We then narrow the remaining production to include only hardwoods and target pine species (loblolly, slash, and longleaf), reflecting ARB's key markets. On this basis, we estimate a US South TAM of ~939m seedlings annually, noting that realised sales volumes can sit below reported market production in weaker seasons. We estimate State government nurseries and vertically integrated mill operations account for ~20% of this total, representing captive production and reducing the SAM to ~751m seedlings. Based on industry data, we estimate ARB's share of target market volumes to be ~33%. Our SOM assumes ARB can expand this +10pp, implying a ~323m seedling SOM.

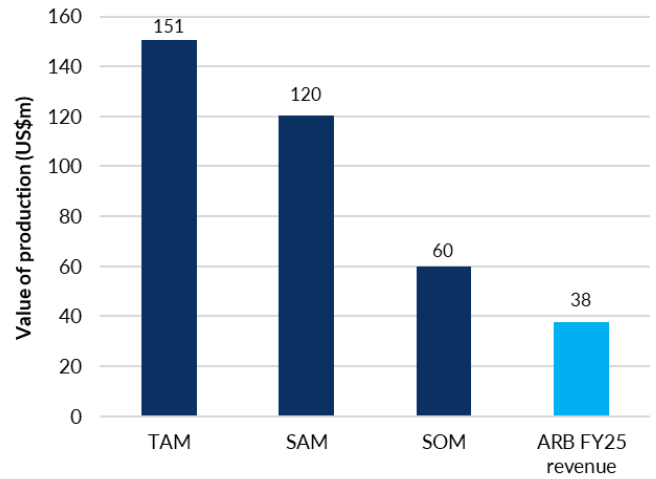
The US seedling market comprises a heterogeneous product mix—varying by species, genetic improvement level, and root type—resulting in opaque pricing. For valuation, we classify pricing into two categories most relevant to ARB: (1) traditional OP seedlings at ~US$0.07–US$0.17; and (2) MCP or advanced seedlings at ~US$0.18–US$0.39. Applying our estimate of advanced seedling adoption across the broader market (~70% traditional, ~30% advanced), this equates to TAM and SAM revenue pools of US$151m and US$120m respectively. We assume ARB's terminal advanced genetics penetration to be ~48% of total sales (versus the ~40% reported at FY25), resulting in a SOM revenue pool of US$60m at an assumed ~43% terminal market share (versus the current ~33%).

Figure 76. ARB's TAM is meaningful relative to total demand ...



Source: Various sources, Forsyth Barr analysis

Figure 77. ... providing meaningful scope for growth



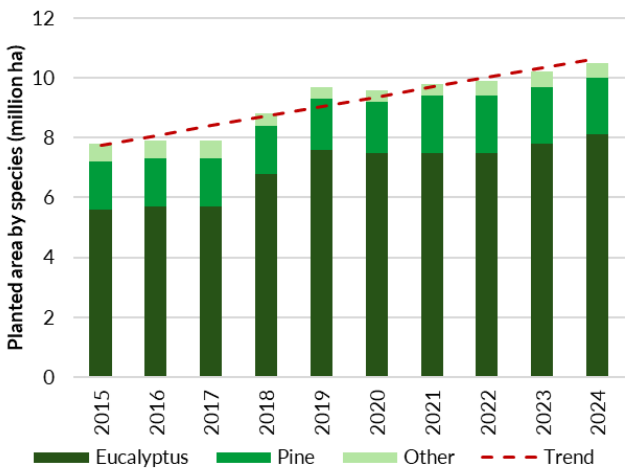
Source: Various sources, Forsyth Barr analysis

b) Brazil TAM, SAM and SOM

The Brazilian market represents the world's largest planted eucalyptus estate. Eucalyptus plantations account for ~8.1m of the ~10.5m hectares under silviculture in Brazil, with pine forests representing a further ~1.9m hectares. Eucalyptus typically reaches cutting age on average 6.8 years after establishment, with Brazilian industry bodies recommending planting densities of ~1,100 to ~1,700 stems per hectare. In estimating TAM, we conservatively assume a seven-year rotation and planting density of ~1,100 stems per hectare. For pine, Embrapa (Brazilian Agricultural Research Corporation) identifies a typical planting density of ~1,700 trees per hectare under the predominant pine production system, with final harvest occurring at on average ~16.2 years. Based on these parameters, we estimate annual TAM of ~1.3bn eucalyptus seedlings and ~151m pine seedlings. We estimate that ~50% of total Brazilian eucalyptus seedling demand and ~27% of total pine seedling demand is supplied internally by vertically integrated producers across pulp and paper, steel, and solid wood products, reducing the SAM to ~753m seedlings annually. ARB's FY25 total production of 112m seedlings puts the company's share of the combined pine and eucalyptus open market at ~15%. Our SOM assumes ARB could realistically expand this +15pp to ~30%, equating to a SOM volume of 226m seedlings.

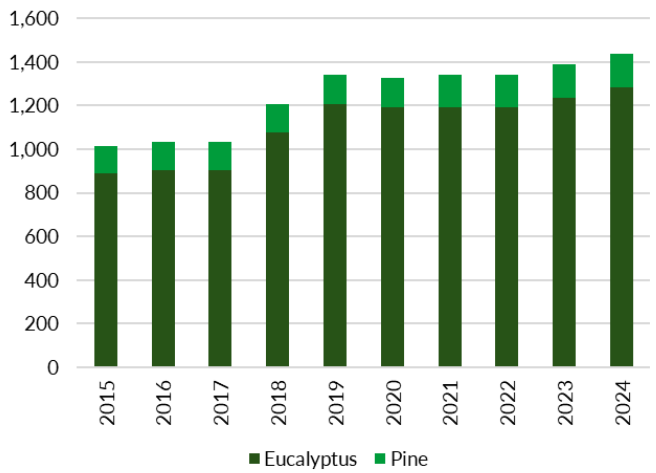
As in the US, Brazilian seedling pricing is opaque due to heterogeneity across species, clone type, and genetic protection. We estimate market prices typically range between ~US$0.15 and ~US$0.35 per seedling. Given this variability, we use ARB's FY25 Brazil average seedling prices as proxies for market pricing, applying an estimated advanced genetics penetration of ~50% across the broader market. Under these assumptions, we estimate TAM and SAM revenue pools of ~US$321m and ~US$168m respectively. Our SOM assumes ARB can grow its product mix to a terminal ~75% advanced genetics (from ~60% reported at FY25), providing an above-market ASP and a SOM revenue pool of US$54m assuming ~30% market share.

Figure 78. Eucalyptus accounts for ~77% Brazil's planted area ...



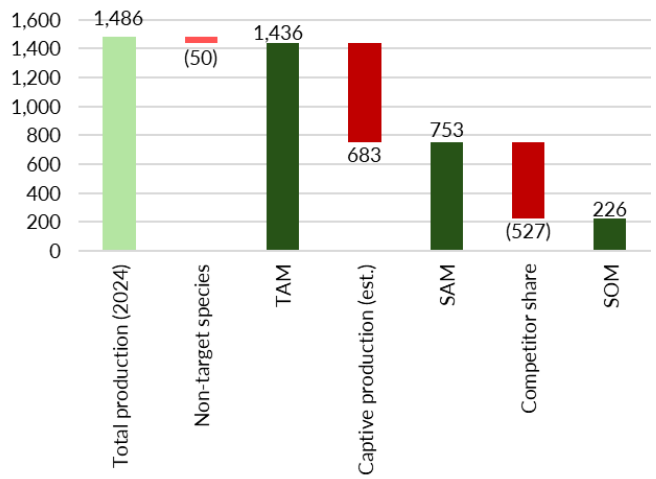
Source: iba annual report, Forsyth Barr analysis

Figure 79. ... equating to seedling demand >1.2bn annually



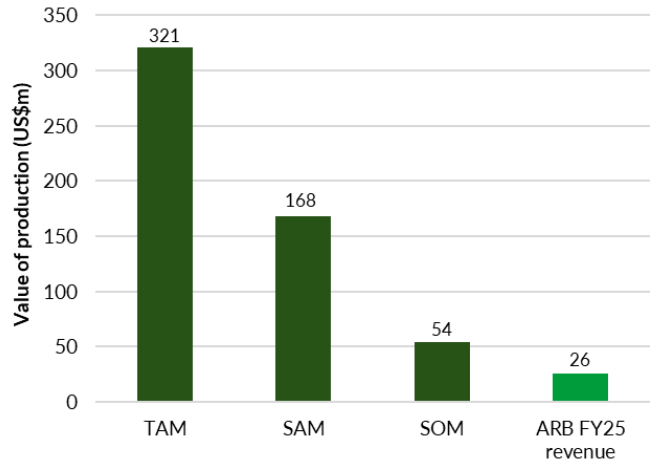
Source: iba annual report, Forsyth Barr analysis

Figure 80. ARB's TAM captures a meaningful portion of total demand ...



Source: Various, Forsyth Barr analysis

Figure 81. ... representing a TAM of ~US$321m and SOM of ~US$54m



Source: Various, Forsyth Barr analysis

Figure 82. Our TAM/SAM and SOM Framework in action

Source: Forsyth Barr analysis

Long-term TAM growth assumptions

Our TAM, SAM, SOM analysis is a static assessment of market size. To provide further context around the range of possible outcomes, we sensitise our analysis across both the US South and Brazil to changes in two key assumptions, ARB's market share and advanced genetics product mix. We note that our sensitivity analysis assumes that both the underlying advanced and non-advanced price dynamics and the total seedling demand remain constant. Our sensitivity analysis considers the following:

- **US South**—Our SOM estimate assumes ARB can attain ~43% market share (FY25: ~33%) and ~48% advanced genetics penetration (FY25: ~40%). The upper-bound of our sensitivity analysis considers a scenario where ARB achieves ~53% market share and ~56% advanced genetics penetration, ceteris paribus, resulting in a SOM of US$79m (+32% ahead of our base SOM).
- **Brazil**—Our SOM estimate assumes ARB can attain ~30% market share (FY25: ~15%) and ~75% advanced genetics penetration (FY25: ~60%). The upper bound of our sensitivity analysis considers a scenario where ARB achieves ~45% market share and ~88% advanced genetics penetration, ceteris paribus, resulting in a SOM of US$83m (+55% ahead of our base SOM).

Figure 83. US South SOM revenue sensitivity (relative to FY25 market share, advanced genetics penetration, and revenue of ~33%, ~40%, and US$37.5m respectively)

ARB advanced genetics sales (% of total sales)	ARB market share (% of open market, assuming 10-year trend implied 2025 volume)				
	33%	38%	43%	48%	53%
40%	43	50	56	63	70
44%	45	52	58	65	72
48%	46	53	60	67	74
52%	48	55	62	69	77
56%	49	57	64	72	79

Source: Forsyth Barr analysis

Figure 84. Brazil SOM revenue sensitivity analysis (relative to FY25 market share, advanced genetics penetration, and revenue of ~15%, ~60%, and US$25.7m respectively)

ARB advanced genetics sales (% of total sales)	ARB market share (% of open market)				
	15%	22%	30%	38%	45%
60%	26	39	52	65	78
68%	26	40	53	66	80
75%	27	40	54	67	81
83%	27	41	55	69	82
88%	27	41	55	69	83

Source: Forsyth Barr analysis

Section #4: Appendices

Appendix 1: 1H26 result review

ARB's 1H26 result, announced on 26 November 2025, delivered record first-half revenue and volumes, underscoring the strength of the Brazilian platform while US South conditions remain at or near the bottom of the cycle. Group revenue rose +11% year-on-year to US$14.2m, driven by a +16% increase in Brazil as higher pine and eucalyptus volumes combined with improved pricing. In contrast, US revenue was negligible, as is seasonally normal, ahead of the second-half selling season. Seedling volumes increased +12% to 58.2m (1H25: 52.0m), while gross profit edged modestly higher to US$3.2m (1H25: US$3.1m) despite mix effects and a higher proportion of seedlings sourced from partners. Adjusted US GAAP EBITDA loss improved to -US$2.1m (1H25: -US$2.7m), supported by stronger Brazil contributions and ongoing cost discipline. NPAT loss narrowed to -US$0.6m from -US$2.1m in the prior period. Seasonality again played a role, with 1H typically loss-making and 2H driving the majority of earnings given the US annual lifting cycle versus year-round operations in Brazil. A +US$5.8m fair-value uplift on biological assets, reflecting the US crop to be sold in 2H, was partially offset by continued intellectual-property amortisation charges of US$3.1m. Net debt increased to US$30.4m (from US$20.9m at the FY25 balance date) as ARB funded containerised capacity expansion, inventory build ahead of the US lifting season, and network and systems upgrades.

Divisionally:

- In the **US South**, 1H26 revenues were again negligible due to seasonality, while macro headwinds from housing softness, pulp-mill closures, and weak pulp demand kept the market near the cycle low. Management continues to implement cost and efficiency initiatives while sharpening commercial focus on higher-value MCP and containerised seedlings, rather than pursuing low-margin open-pollinated volume into 2H26. A key theme was reinforcing the advanced-genetics value proposition. ARB hosted an industry opinion-leader conference where its largest customer, RMS, highlighted the long-term uplift from MCP adoption since 2007. The company launched a refreshed product architecture and 'AG Score' framework to simplify customer comparisons and emphasise volume gain, stem straightness, and disease resistance. Early data from a new thinning study by ARB's largest customer, comparing MCP and OP seedlings under commercial conditions, has been described as highly encouraging and supportive of a potential second wave of MCP adoption over time.
- **Brazil** progressed well, supported by strong demand for both pine and eucalyptus seedlings and minimal weather disruption. Revenue increased +16% year-on-year, reflecting higher pine volumes following the conversion of most of the Erval Grande nursery to pine and ongoing growth in eucalyptus, where last year's drought has created a market-wide seedling shortage. ARB continued to pivot the portfolio toward higher-value protected clones, accepting near-term margin pressure in exchange for greater pricing resilience, genetic quality, and longer-term revenue stability. Operational initiatives across overflow growing areas, planning processes, and cost control improved yields and strengthened resilience to drought and seasonal variability. Brazil also remains an export supplier of pine seedlings into the US, with management monitoring potential impacts from new US tariffs on processed wood.

Outlook guidance was unchanged. In Brazil, management expects volume growth to continue, with some near-term pressure from excess industry capacity offset by benefits from the Eco Empreendimentos acquisition in Teresina, product-mix upgrades, and pricing discipline. In the US South, conditions are expected to remain challenging until at least mid-calendar 2026, with Texas weather-related production losses and slower-than-expected demand normalisation limiting near-term growth. However, management continues to point to structural upside from saw timber demand, OSB growth, and emerging carbon-market opportunities as economic conditions improve.

Customer concentration appears well balanced, see Figure 89, with exposure spread across multiple customers in the US and South America rather than reliant on any single account, complemented by a long tail of approximately 2,000 customers captured in the Other category, underscoring a broadly diversified revenue base.

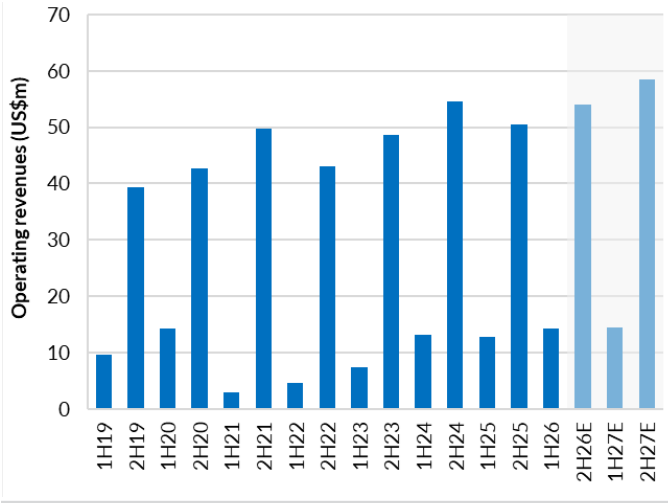
The company reaffirmed FY26 guidance for year-on-year growth in revenue and gross margin and adjusted US GAAP EBITDA of US$11m–US$12m, representing at least +25% growth versus FY25.

Figure 85. ARB—Earnings comparison (US$m)

	1H25 Actual	1H26 Actual	Change
Operating revenue	**12.8**	**14.2**	**+11%**
Cost of sales	(9.7)	(11.0)	+13%
Gross profit	**3.1**	**3.2**	**+3%**
Gross margin (%)	24.2%	22.5%	
Intellectual property amortisation	(3.9)	(3.1)	-21%
Other income	0.0	0.0	n/a
General & admin expenses	(6.3)	(7.0)	+11%
Operating earnings	**(7.1)**	**(6.9)**	**-3%**
Government grants, Inventory adjustment and other	0.3	0.2	-33%
Movement of fair value assets and liabilities	4.3	5.8	+35%
Operating earnings before financing expenses (EBIT)	**(2.5)**	**(0.9)**	**-64%**
Net finance (expense)/income	(0.7)	(1.1)	+57%
Net profit (loss) before income tax	**(3.2)**	**(2.0)**	**-38%**
Income tax (expense)/credit	1.1	1.4	+27%
NPAT	**(2.1)**	**(0.6)**	**-71%**
Operating EBITDA*	**(2.7)**	**(2.1)**	**-22%**

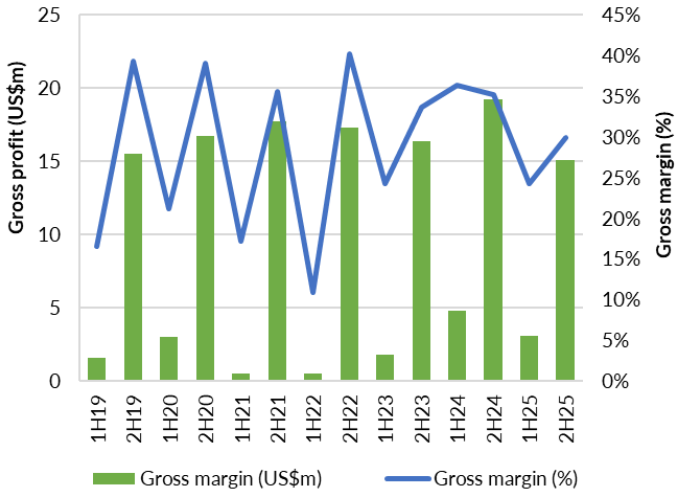
Source: Company, Forsyth Barr analysis, *Adjusted US GAAP EBITDA

Figure 86. ARB—Operating revenues by half (US$m)



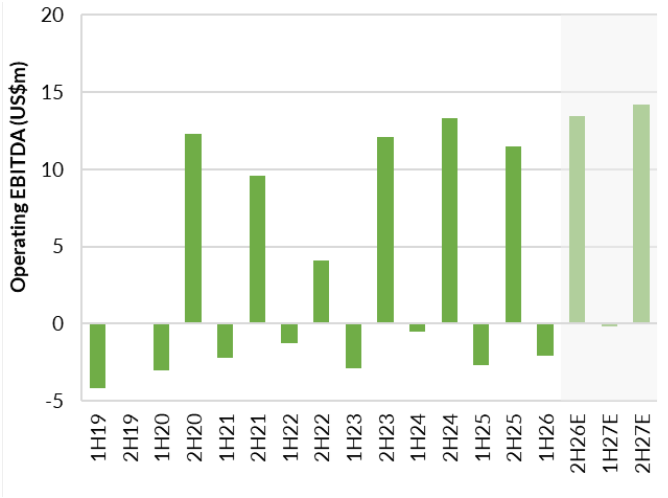
Source: Company, Forsyth Barr Analysis

Figure 87. ARB—Gross profit by half (US$m)



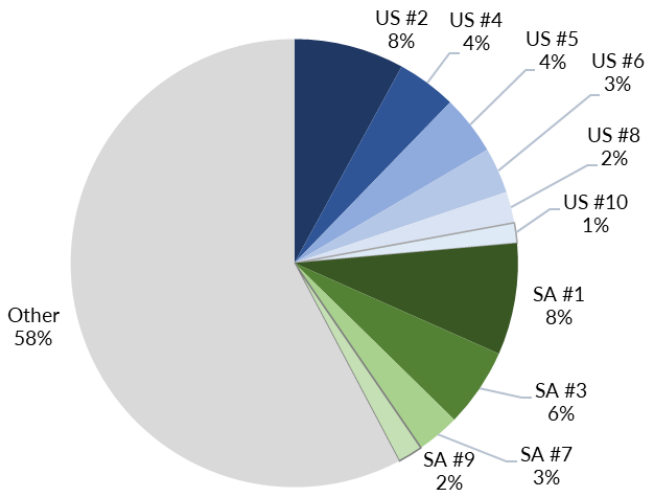
Source: Company, Forsyth Barr Analysis

Figure 88. ARB—Operating EBITDA* by half (US$m)



Source: Company, Forsyth Barr Analysis. * Adjusted US GAAP EBITDA

Figure 89. ARB—Concentration top-10 customers (Nov. 25 est.)



Source: Company, Forsyth Barr analysis

Appendix 2: Competitor overview

We provide a brief overview of the competitive landscape faced by ARB across its two operating regions: the US South and Brazil.

US South competitors:

The US South remains the core of the global pine seedling industry, accounting for roughly 80% of US forest seedling production across the thirteen southern states and total national output of approximately 1.3bn–1.4bn seedlings per annum. Within this market, reforestation demand for loblolly and other southern pines is structurally concentrated but operationally fragmented. ARB and IFCO (PRT's southern business) are the only scaled, fully commercial operators with multi-state nursery networks and established advanced-genetics programmes. Weyerhaeuser operates nursery capacity primarily to service its own timber estate and sells surplus seedlings into the market on a cost-recovery basis, effectively acting as a price-taking supplier of excess stock rather than a fully commercial competitor. Outside these three groups, the market consists of single-site private nurseries and a small number of state-run nurseries, each relevant within local catchments but lacking the genetic breadth, product range, and geographic reach of the larger players. As a result, most large industrial landowners and Timber Investment Management Organisations (TIMOs) operate hybrid supply models, maintaining some internal nursery capacity while sourcing meaningful volumes of improved seedlings from third-party suppliers such as ARB and IFCO, particularly where proprietary genetics, containerised formats, or security of supply are required.

Figure 90. US South key competitors

Company	Description & scale	Estimated annual seedling volumes
PRT Growing Services (incl. IFCO)	North America's largest forest seedling producer; acquired IFCO in 2023, expanding US South footprint with bareroot and containerised pine nurseries in states like Georgia and Alabama. Directly competes with ArborGen in advanced genetics and third-party sales.	630 million (total across North America; significant majority in US South via IFCO's prior 290 million capacity in southeastern nurseries).
Weyerhaeuser Company	Vertically integrated timber REIT with nurseries in the South (e.g. Mississippi, North Carolina); sells Patented Premium loblolly seedlings to external clients while supplying internal plantations. Competes on premium genetics.	100–150 million (company-wide planting; substantial portion in US South supporting 7 million acres of southern timberlands, with sales in tens of millions).

Source: Forsyth Barr analysis

South America (Brazil) competitors

Brazil is one of the most attractive fibre basins globally, with approximately 5.3m hectares of commercial eucalyptus plantations and among the highest plantation productivity rates worldwide. The industrial structure is heavily skewed toward vertically integrated pulp, paper, and steel groups that grow trees primarily for internal consumption. Companies such as Suzano, Klabin, and Aperam BioEnergia operate extensive plantation estates alongside in-house clonal nurseries optimised to supply their own mills and charcoal operations; in practice, however, many of these groups remain net buyers of improved seedlings in years when internal capacity is constrained or when access to external genetics platforms is strategically desirable.

ARB's competitive set in Brazil is therefore less defined by the major pulp producers and more by a fragmented group of independent nurseries, typically single-region operators, alongside a small number of larger nursery platforms supplying third-party volumes. Among these, Aperam is likely the largest independent supplier of clonal eucalyptus seedlings to the open market. ARB itself also utilises partner nurseries to supplement its owned footprint. The resulting ecosystem is hybrid: while many large plantation owners are structurally self-supplied, they continue to source a meaningful proportion of annual planting requirements from external suppliers such as ARB to secure genetic diversification, incremental capacity, and geographic flexibility.

Figure 91. South America key competitor

Company	Description	Estimated annual seedling volumes
Aperam BioEnergia (Aperam)	Forestry and bioenergy arm of stainless and speciality steel producer Aperam, operating c.80,000ha of FSC-certified eucalyptus plantations in Minas Gerais to supply charcoal for its blast furnaces; runs modern clonal nurseries and has been expanding capacity to meet rising demand from third-party forestry companies.	*c.*30m–50m eucalyptus cuttings/seedlings per year, primarily high-productivity clonal material.

Source: Forsyth Barr analysis

Appendix 3: Company history

Figure 92. ARB—Company history

Year	Month	Event
2016	August	Dave Knott filed a substantial product holder notice for ~28% of the company's shares.
2017	June	ARB Inc became a consolidated subsidiary of the Company, creating a deferred tax liability on intellectual property.
2017	July	Libra Fund LP/Ranjan Tandon lodged a substantial product holder notice (17.648%).
2018	September	Shares were issued under the 2018 Non-Executive Directors' Share Plan.
2018	November	Entered a management agreement (converting to a lease from 1 April 2019) over the Texas nursery and seed-orchard site with an option to purchase for US$2.5m at lease expiry.
2019	April	The TTT agreement converted into a lease of the Texas nursery and seed orchard facility.
2019	August	Executed an interest-rate swap on the Ridgeville head office mortgage (fixed 3.52% vs 30-day LIBOR) running to August 2026.
2020	May	Received US SBA Paycheck Protection Program (PPP) loan of US$2.3m under the CARES Act.
2019	August	ARB purchased its previously leased US headquarters property for US$14.4m funded 80:20 by an existing primary lender and subordinated related party debt.
2021	March	Received a second US SBA PPP loan of US$2.0m.
2021	July	First PPP loan (US$2.3m) was formally forgiven.
2021	November	ARB completed the sale of its Australian and New Zealand operations to ARB ANZ Limited Partnership.
2021	December	Purchased a 10 million-seedling-capacity pine nursery in Canoinhas, Santa Catarina (Brazil) for BRL 4 million.
2022	March	A severe cold front damaged MCP flowers, reducing the expected November 2023 MCP seed harvest by ~35%.
2022		A deferred tax asset of US$3.8m was recognised as probable for future utilisation.
2023	May	Repurchased all outstanding ArborGen, Inc. warrants (5% fully-diluted) for US$1.35m.
2023	June	Justin Birch was appointed Group CEO.
2023	August	ARB acquired an additional nursery in Brazil to expand capacity.
2023	October	Libra Fund LP/Ranjan Tandon notified a 14.64% substantial holding.
2024	March	Christina Green became Chief Financial Officer.
2024	March	Converted the Texas Jasper site from leasehold to a wholly owned asset.
2024	July	ARB sold its in-vitro business for US$4m, with a cash gain of about US$2.2m recognised.
2024	August	Board approved an on-market share buy-back programme of up to US$0.5m, commencing in September 2024.
2024	September	Hurricane Helene caused only minor orchard damage; nursery harvests were unaffected.
2024	October	ARB acquired the Eco Empreendimentos (Teresina) nursery in Brazil for US$2.5m
2024	November	Completed the acquisition of the Eco Empreendimentos nursery in Brazil (~US$2.5m) to expand production capacity.
2024		Exited the Taylor nursery in the US South (4Q24).
2024		Relocated US head office into more cost-efficient premises and listed the prior Ridgeville building for sale (classified as 'held for sale' on the balance sheet).
2025	January	An on-market share buyback of 5,908,529 shares was completed at an average price of NZ$0.1447.
2025	January	Completed the on-market share buy-back (5,908,529 shares acquired and cancelled).
2025	May	Recognised a non-cash US$21.8m impairment of intangible assets.
2025	September	ARB reaffirms FY26 guidance for year-on-year growth in revenue and gross margin and adjusted US GAAP EBITDA of US$11m–US$12m.

Source: Company, Forsyth Barr analysis

Appendix 4: Historical information

Figure 93. ARB—Ten-year historical information

US$m	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
North American total revenue (US$m)	67.0	81.0	31.3	36.0	38.7	36.8	39.9	39.3	41.2	37.5
South American total revenue (US$m)	2.1	5.1	3.6	6.1	7.9	6.0	7.7	16.8	26.5	25.7
Total revenues (US$m)	69.1	86.1	34.9	42.1	46.6	42.8	47.6	56.1	67.7	63.2
Gross profit (US$m)	19.000	25.000	15.000	17.100	19.700	18.200	17.800	18.200	24.000	18.200
Gross margin (%)	27.5%	29.0%	43.0%	40.6%	42.3%	42.5%	37.4%	32.4%	35.5%	28.8%
North American seedling sales (m)	272.8	273.5	272.0	280.0	333.0	292.3	279.9	264.5	252.7	214.4
South American seedling sales (m)	29.0	62.0	60.0	50.0	65.0	64.0	75.2	101.6	110.1	112.0
Group seedling sales (m)	301.8	335.5	332.0	330.0	398.0	356.3	355.1	366.1	362.8	326.4
North American average price (US cents/seedling)	24.6	29.6	11.5	12.9	11.6	12.6	14.3	14.9	16.3	17.5
South American average price (US cents/seedling)	7.1	8.3	6.0	12.2	12.2	9.4	10.2	16.5	24.1	22.9
North American advanced (% sales)	21.7%	22.4%	27.9%	33.4%	27.7%	29.0%	39.3%	38.4%	41.9%	39.8%
South American advanced (% sales)	45.8%	53.3%	79.8%	61.4%	42.5%	39.5%	23.5%	40.0%	50.0%	60.0%
North American assets (US$m)	136.0	141.0	145.9	142.2	145.8	140.1	138.0	140.2	136.2	97.8
South American assets (US$m)	0.0	0.0	0.4	0.4	0.3	0.1	0.8	1.3	7.8	9.4
North American capacity utilisation (%)	78%	78%	78%	80%	95%	84%	80%	76%	72%	61%
South American seedling utilisation (%)	73%	78%	75%	42%	54%	53%	63%	85%	80%	75%
Group capacity utilisation (%)	77%	78%	77%	70%	85%	76%	76%	78%	74%	65%
Operating EBITDA*	7.831	0.867	7.935	(3.174)	9.300	7.400	2.800	9.200	12.800	8.800
EBITDA margin (%)	11.3%	1.0%	22.7%	-7.5%	20.0%	17.3%	5.9%	16.4%	18.9%	13.9%
NPAT	3.000	-	2.200	(4.200)	(2.700)	3.200	1.700	(2.500)	(0.200)	(21.500)
Total R&D expensed + R&D capitalised (US$m)	-	1.000	2.700	4.700	4.100	3.700	3.100	3.400	3.700	3.000
Total R&D expensed + R&D capitalised as % of Sales	0.0%	0.9%	7.6%	9.6%	7.2%	7.0%	6.5%	6.1%	5.5%	4.7%
Net Debt (cash) (US$m)	62.000	20.000	3.200	13.800	31.600	27.400	11.500	13.000	14.400	20.900
Net debt to EBITDA (x)	7.9	23.1	0.4	(4.3)	3.4	3.7	4.1	1.4	1.1	2.4

Source: Company, Forsyth Barr analysis, *Adjusted US GAAP EBITDA

Appendix 5: Strengths, weaknesses, opportunities and threats (SWOT) analysis

Figure 94. ARB—SWOT

Strengths	Weaknesses
• Leading positions in the US South and Brazil, supported by a large, geographically diversified nursery and orchard footprint with scale advantages. • Deep proprietary MCP® and protected-clone genetics portfolio, creating differentiation, pricing power, and barriers to entry. • Long-established breeding, data, and field-trial platform underpinning a 10–15 year genetic lead over competitors in US pine genetics. • Strong customer relationships with large landowners and TIMOs, supported by multi-year agreements and evidence of renewed advanced-genetics adoption. • Improving operational discipline, including cost control, footprint optimisation, inventory management, and container-capacity build-out.	•US South earnings remain constrained by low utilisation due to cyclical softness and a single annual lifting season, limiting near-term operating leverage. • Fixed-cost nursery and orchard footprint creates downside sensitivity when production is planned ahead of demand. • Transition toward protected clones and higher containerisation temporarily increases cost of sales and execution complexity before scale benefits are realised. • Material non-cash impacts from amortisation and biological-asset fair-value adjustments distort traditional earnings multiples. • Profitability increasingly weighted to Brazil, creating FX translation exposure and a mismatch between earnings generation and US-based tax shields.
Opportunities	**Threats**
• Structurally expanding Brazilian seedling demand, driven by continued hardwood-pulp investment, short rotation cycles, and high advanced-genetics adoption supporting capacity expansion and mix uplift. • Ongoing conversion toward protected clones and advanced genetics across both regions, supporting sustained price realisation and margin expansion as scale benefits accrue. • US containerisation catch-up enabling share recapture from competitors, improved pricing power, and a longer selling season through an expanded planting window. • Emerging carbon and afforestation markets in the US, providing incremental multi-year demand visibility independent of housing cycles. • Medium-term recovery in US saw timber and housing activity, lifting replanting intensity, nursery utilisation, and operating leverage as conditions normalise.	• Prolonged weakness or disruption in global hardwood-pulp markets, which could slow Brazilian planting activity and reduce seedling demand despite recent capacity expansion. • Adverse weather events—including droughts, freezes during pollination, hurricanes, and flooding—disrupting seed production, nursery operations, and biological yields. • Competitive responses from vertically integrated forestry groups expanding captive nursery supply, reducing third-party purchasing in downturns, and pressuring volumes or mix. • Extended delay in US housing and saw timber recovery, prolonging low replanting rates and deferring the next adoption wave of advanced genetics. • Foreign-exchange volatility, particularly sustained BRL depreciation and NZD/USD movements, impacting reported earnings, cash conversion, and valuation outcomes.

Source: Forsyth Barr analysis

Appendix 6: Board remuneration and profiles

Figure 95. ARB—Board remuneration

Director	Responsibility	Personal holding (shares)	Directors Fees (NZ$)	Committee fees (NZ$)	FY25 total (NZ$)
DM Knott	Board chair	137,359,722	$1		$1
TA Avery		555,350	$67,708		$67,708
OK Horton		555,350	$67,708		$67,708
PR Smart	Audit Committee Chair	555,350	$67,708	$7,500	$75,208
THG Adams	Remuneration Committee Chair	820,998	$67,708	$7,500	$75,208
	Totals	**139,846,770**			**$285,833**

Source: Company, Forsyth Barr analysis

Figure 96. ARB—Board profiles

Board Member	Position	Description
David Knott	Chairman	David Knott was appointed Chair in 2021. He is not considered independent, as he is a substantial shareholder in ArborGen. This is the only reason the Board considers David to be non-independent, having given consideration to a range of other factors including tenure and related party relationships. As such, his interests are directly aligned with all shareholder interests. The Board has approved David's appointment as Chair and has determined it appropriate given there is a majority of Independent Directors on the Board and the benefits of having his experience and direct institutional knowledge. He is not involved in the day-to-day running of the business and does not have significant influence over operational decisions.
George Adams	Independent Director (NZ)	George, who is based in New Zealand, brings broad industry knowledge to the Board. His previous management positions include Managing Director of Coca-Cola Amatil in New Zealand, Financial Controller of British Telecom Northern Ireland, and Group Finance Director of Molino Beverages, based in Dublin. He is currently Chairman of Netlogix, New Zealand Frost Fans, and Synlait Milk Co. In addition, Mr Adams is the Executive Chairman and co-founder of Apollo Foods and Insightful Mobility. George also chaired the Independent Forestry Safety Review in 2014 and, in April 2025, resigned as Chair of the Business Leaders' Health and Safety Forum.
Tom Avery	Independent Director (US)	Tom has nearly 40 years of investment banking and venture capital experience. He has served on numerous public and private company boards throughout his career, advising companies on the successful financing, planning, and execution of growth strategies. As an investment banker, Tom worked primarily with middle market growth companies in executing mergers and acquisitions, initial public offerings, and private placements of equity and debt. He served as a Managing Director at Raymond James & Associates from 2000–2014, which involved the management of the technology investment banking group and the financial sponsors' efforts. Prior to that, Tom's career saw him act as Head of the Investment Banking Group at Interstate/Johnson-Lane, be a general partner at Summit Partners and Noro-Moseley Partners, and work as a Senior Vice President at The Robinson-Humphrey Company. He currently has directorships at CRA International Inc, KIPP Metro Atlanta, and PowerUP Scholarship, a non-profit organisation that gives disadvantaged Atlanta youth new opportunities for personal development, and is on the advisory board for the Scheller Business School at the Georgia Institute of Technology.
Ozey Horton	Independent Director (US)	Ozey has extensive experience in global operations, strategic planning, merger and acquisition integration, and change management. He has been a Director Emeritus of McKinsey & Co., a business consulting organisation, since 2011, when he retired after nearly 30 years with the firm. At McKinsey, Ozey led various practice areas around the globe, including Pulp, Paper, and Packaging; Industrial; Change Management; Global Operations in Energy and Materials; and Basic Materials. His McKinsey client service and practice leadership provided considerable experience working in Europe, South America, India, and Asia. He is a faculty member for McKinsey's leadership development programme, a Senior Advisor at McKinsey, and also serves as an independent business advisor. He currently serves on the Boards of Worthington Industries and Louisiana–Pacific Corp, and the Advisory Board of Al Dabbagh Group. He also serves on the Advisory Board of the MUSC Hollings Cancer Center and is the Investment Committee Chairman of The Clergy Society in the State of South Carolina.
Paul Smart	Independent Director (NZ)	Paul brings more than 30 years' experience as a senior financial executive and professional director in local and international markets, including listings on the NZX, ASX, and NASDAQ. As an executive, Paul's key experiences were as CFO of NZ's largest energy company, Meridian Energy, and, prior to that, founding CFO of Sky Television, which during his tenure went on to become a top 10 listed company on the NZX. As a professional director, Paul has variously acted as a director, audit and finance chair, and board chair for a broad range of companies, including listed, venture capital, high-net-worth family, and large private companies. These roles have included businesses in the genetics, energy, manufacturing, venture capital, transport and tourism, and automation sectors in NZ and offshore. He is currently a non-executive director of Argus Fire Systems and Genus ABS (NZ).

Source: Company records, Forsyth Barr analysis

Appendix 7: Management remuneration and profiles

Figure 97. ARB—CEO remuneration

		Fixed remuneration		Short term incentive			Long term incentive			
Year	Name	Base salary	Other benefits	Number of Shares Vested	Market Value of Shares ($USD)	Cash	Number of Shares Vested	Market Value of Shares ($USD)	Cash	Total
FY24	J Birch	$359,600	$315,920	1,346,928	$115,068	$309,931	—	—	—	$1,100,520
FY25	J Birch	$438,180	$66,000	535,719	$45,259	$121,903	$1,827,696	$156,141	$132,208	$959,691

Source: Forsyth Barr analysis

Figure 98. ARB—Management profiles

Management	Position	Description
Justin Birch	President & CEO	Justin Birch joined ARB in June 2023 as President and Chief Executive Officer. Justin is an experienced executive with significant agricultural sector exposure and a strong operations, finance, and strategy background. Previously, he was the Chief Financial Officer of Prima® Wawona in California, an industry leader in the fresh fruit category. Before this role, he served in various operations, finance, sales, and strategy positions at Prima® Wawona and Materra Farming, an investor-owned farming company.
Christina Green	Chief Financial Officer	Christina joined ARB in 2024 as Chief Financial Officer. She is an experienced finance and business executive with significant exposure across a diverse range of global and US-based businesses. Prior to her position at ARB, she was CFO for a non-profit based in St Louis, MO, focused on investment in bioscience and agriculture start-ups. Christina holds an MBA from Washington University.
Patrick Cumbie	Vice President of Product Development	Patrick is the Vice President of Product Development at ARB Inc. He has been involved in forest research and development for 23 years and has largely focused on planning and implementing accelerated breeding programmes in loblolly pine. Before joining ARB in 2010, Patrick was a research forester for Weyerhaeuser Company and worked for the Cooperative Tree Improvement Program at NC State University. In his current role, Patrick manages product development activities in the US and Brazil, including breeding, seed production, and genomics. He received his PhD in Forestry from NC State University and is an Adjunct Assistant Professor in the Department of Forestry & Environmental Resources.
Amaral de Almeida	General Manager, Operations, Brazil	Amaral de Almeida came to ARB with more than 20 years' experience in tree improvement science and breeding. Previously, he was Head of Acacia and Eucalyptus tree improvement at APRIL Indonesia. He was responsible for the tree breeding programme there, including the biomolecular lab, genomic projects, wood properties lab, Acacia and Eucalyptus seed production, and research and development project management. Amaral de Almeida holds a bachelor's degree in forestry engineering from Viçosa Federal University, a master's degree in forest science from Viçosa Federal University, and a master's degree in innovation management from Campinas University.
Jason Watson	Director, US Sales	Jason brings more than 25 years of forestry and silviculture experience to ARB, with a career shaped by an early passion for the outdoors and a strong grounding in natural sciences. He has extensive expertise advising landowners and forestry consultants on reforestation planning, seedling selection, planting density and establishment practices, and is known for his long-standing relationships across the US South. A forester and forest landowner himself, Jason has worked closely with customers through multi-year cycles of stand establishment, often returning years later to review performance and growth outcomes—something he considers the most rewarding aspect of his role. He has seen first-hand the industry's transition from traditional seedling programmes to advanced genetics, and regularly supports customers in evaluating MCP and containerised options, optimising site preparation, and improving long-term stand value. Jason serves on the Board of the Forest Landowner Association and is a member of the Georgia Forestry Association Board of Directors.
Gene Bickerstaff	Director of Operations, US	Gene has nearly 30 years of experience in seedling production, beginning his career with International Paper in 1996 as Production Coordinator at the Bullard, Texas, nursery. He later managed the Bullard operation and went on to serve as nursery manager at both Bluff City, Arkansas, and Jasper, Texas. Gene is ARB's Western Nursery Lead and has extensive expertise in growing bare-root and containerised pine, as well as bare-root hardwoods. Before entering the forestry sector, Gene worked in the Agriculture Department at Stephen F. Austin State University, where he managed a regional soil, water, and forage testing laboratory. He holds B.S. and M.S. degrees in Agronomy from Stephen F. Austin State University.

Source: Company records, Forsyth Barr analysis

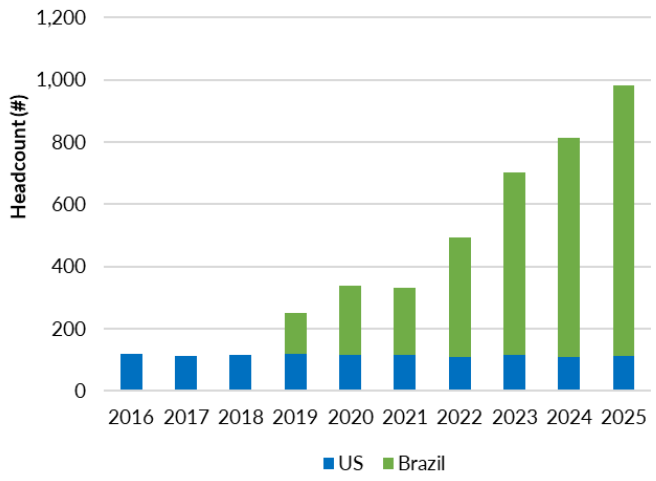
Appendix 8: Employee remuneration and count

Figure 99. ARB—Staff remuneration and other benefits, including commissions and incentive bonuses (NZ$)

Salary range (NZ$)			Number of employees
$100,000	to	$110,000	5
$110,000	to	$120,000	12
$120,000	to	$130,000	9
$130,000	to	$140,000	6
$140,000	to	$150,000	3
$150,000	to	$160,000	5
$160,000	to	$170,000	5
$190,000	to	$200,000	3
$200,000	to	$210,000	2
$220,000	to	$230,000	4
$230,000	to	$240,000	5
$240,000	to	$250,000	1
$260,000	to	$270,000	2
$280,000	to	$290,000	1
$290,000	to	$300,000	1
$310,000	to	$320,000	1
$320,000	to	$330,000	1
$340,000	to	$350,000	1
$350,000	to	$360,000	1
$400,000	to	$410,000	1
$420,000	to	$430,000	1
$490,000	to	$500,000	1
$2,100,000	to	$2,110,000	1
		Other employees earning <$100,000	909
		Total employees	**981**

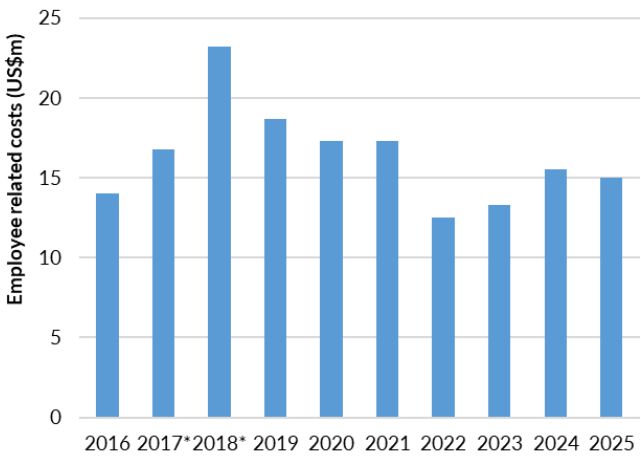
Source: Company, Forsyth Barr analysis

Figure 100. ARB—Staff headcount by region (#)



Source: Company, Forsyth Barr analysis

Figure 101. ARB—Employee related operating expenses by year



Source: Company, Forsyth Barr analysis *2018 and 2019 annualised

ARB's workforce profile differs structurally by geography due to differences in seedling production cycles rather than planting activity. In the US South, seedling lifting and sales are concentrated into a single annual season, resulting in a relatively stable core workforce supplemented by seasonal contractors during peak production periods, see Figure 101. By contrast, Brazil's nursery operations run largely year-round, with continuous cutting and propagation, growing and dispatch of eucalyptus clones and pine seedlings. This supports a materially larger permanent workforce in Brazil, expanding alongside capacity growth, while US core staffing has remained comparatively stable.

Appendix 9: Key terms and definitions

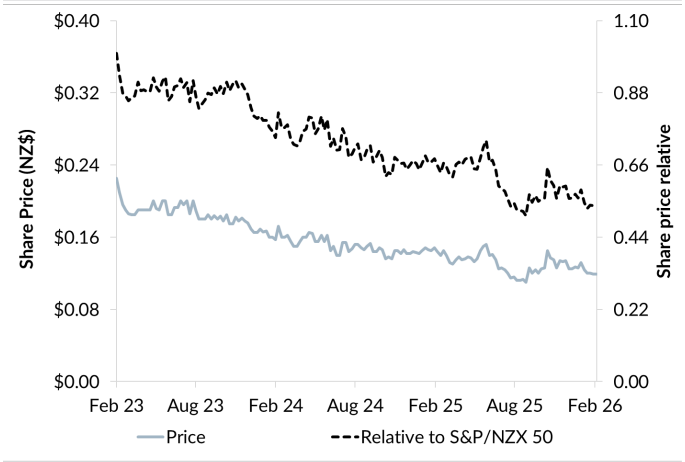
Figure 102. ARB—Key terms & definitions

Term	Definition
Adjusted US GAAP EBITDA	ARB's preferred earnings metric. US GAAP EBITDA adjusted for one-off or unusual items such as restructuring, impairments, asset sales, or tax credits.
Advanced genetics	Seedlings bred from superior genetic material delivering higher yields, straighter stems, better disease resistance, and stronger economics.
AG Score	ARB's genetic index ranking pine families by traits, including volume gain, straightness, rust resistance, and reduced forking.
ARB	ArborGen Holdings.
ASP	Average selling price per seedling or product unit.
BAU	Business-as-usual activity levels excluding one-off events.
Biological assets	Seedlings valued at fair value under IFRS with unrealised gains or losses recognised prior to sale.
CAGR	Compound annual growth rate over a defined multi-year period.
Carbon market	Market for carbon offset projects where forests generate carbon credits sold to emitters.
Chestnut Carbon	ARB's major US carbon-afforestation partner planting large-scale forests using ARB seedlings.
Container seedlings	Seedlings grown in trays or containers with stronger root systems and higher survival rates and typically sold at a premium.
DCF	Discounted cash flow valuation model based on forecast free cash flows.
Fair value uplift	Non-cash increase in biological-asset value, reflecting updated expected selling prices.
Gross margin	Gross profit as a percentage of revenue, measuring product-level profitability.
Head Office–Ridgeville US	Former US head-office facility classified as held for sale.
In vitro business	Former tissue-culture division sold to refocus on core seed and seedling operations.
Intangible assets	Non-physical assets such as IP, breeding rights, and licences, amortised over time.
Intellectual property	ARB's proprietary genetics, breeding lines, patents, and seed technologies.
MCP	Mass Control Pollinated seedlings produced via controlled pollination, delivering superior growth and form to OP seedlings.
Net debt	Total interest-bearing debt minus cash and equivalents, excluding lease liabilities.
Net tangible assets	Equity less intangible assets, representing ARB's tangible balance-sheet backing.
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards.
Open-pollinated (OP)	Seedlings produced from natural pollination with greater variability and lower performance than MCP.
Protected clones	ARB's proprietary clonal seedlings offering higher performance, premium pricing, and long-term stability.
SAM	Serviceable available market that ARB can realistically target.
Seed orchards	Specialised orchards of selected parent trees used to produce improved seed.
Seedling volumes	Number of seedlings sold in a period, expressed in millions.
SOM	Serviceable obtainable market or ARB's achievable share of SAM.
South America segment	ARB's Brazilian operations, reported separately in segmental disclosures.
TAM	Total addressable market size in value or volume terms.
Teresina nursery	Brazilian nursery acquired to expand advanced-genetics capacity.
TIMOs	Timber Investment Management Organisations that manage timberland portfolios.
US GAAP	United States Generally Accepted Accounting Principles.
US GAAP EBITDA	Earnings before interest, tax, depreciation and amortisation, calculated under US GAAP.
US South	ARB's core US loblolly pine region supplying saw timber, pulp, and OSB markets.
USDA	United States Department of Agriculture, source of US nursery and planting statistics.
Value-added products	Higher-margin offerings such as MCP, protected clones and container seedlings.
WACC	Weighted average cost of capital used as the discount rate in DCF valuations.
Year-round production	Brazil's climate allows continuous grow-and-plant cycles with lower seasonality.
Yield gain	Incremental wood volume per hectare achieved from advanced-genetic seedlings versus standard seedlings.

Source: Forsyth Barr analysis

Additional data

Figure 103. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 104. Substantial shareholders

Shareholder	Latest Holding
David Knott	20.1%
Libra Fund LP	14.7%
Greensprings Capital LP	6.4%
ACC	6.1%

Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 105. International valuation comparisons using consensus data (one and two year forward)

Company	Code	Price	Mkt Cap	PE		EV/EBITDA		EV/EBIT		Cash Yld
			(m)	1yr	2yr	1yr	2yr	1yr	2yr	1yr
ArborGen Holdings	**ARB NZ**	**NZ$0.12**	**NZ$62**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
KWS SAAT	KWS GR	€74.50	€2,458	12.9x	12.5x	6.7x	6.6x	9.2x	9x	2.0%
Sakata Seed	1377 JP	¥4055.00	¥184,141	16.2x	15x	8x	7.4x	11.3x	10.5x	2.0%
Corteva	CTVA US	US$72.80	US$49,723	19.7x	17.6x	12x	11.3x	15.5x	14.4x	1.0%
Bioceres Crop Solutions	BIOX US	US$0.84	US$53	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: Forsyth Barr analysis, Bloomberg. NOTE: all multiples based on Bloomberg consensus estimates. EV = market cap + net debt + lease liabilities + min interests - investments

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