

ArborGen Holdings Limited

Pruning FY26 Guidance

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ArborGen (ARB) has pruned its FY26 guidance, trimming Adjusted US GAAP EBITDA expectations to US\$10.3m–US\$10.7m from the prior US\$11m–US\$12m guidance range (-10% at the midpoint). Even so, revised guidance still implies +17% to +22% year-on-year growth (FY25: US\$8.8m). The downgrade reflects a delay in order timing from large Brazilian customers over 4Q26, due to a slower-than-anticipated start to the 2026 planting season. We view this as largely one-off in nature. The US South remains cyclically depressed but broadly in line with expectations, as ARB continues to emphasise higher-value MCP® advanced genetics and containerised seedlings to improve mix and defend margins through the trough. Management maintains confidence in year-on-year revenue and gross margin growth, citing intact structural tailwinds in both markets. While the reset dents near-term momentum, the broader investment case—genetic leadership, mix shift and Brazil-led growth—remains unchanged. Our spot valuation falls -1c to NZ\$0.19.

NZX code	ARB	Financials: Mar/	25A	26E	27E	28E	Valuation (x)	25A	26E	27E	28E
Share price	NZ\$0.12	Rev (US\$m)	63.2	66.1	73.7	77.9	PE	n/a	n/a	15.5	9.1
Spot Valuation	NZ\$0.19 (from 0.20)	NPAT* (US\$m)	-2.2	-0.9	2.4	4.1	EV/EBIT	n/a	47.8	13.7	10.3
Risk rating	High	EPS* (USc)	-0.4	-0.2	0.5	0.8	EV/EBITDA	6.9	6.2	4.6	3.4
Issued shares	525.0m	DPS (USc)	0.0	0.0	0.0	0.0	Price / NTA	0.6	0.6	0.5	0.5
Market cap	NZ\$63.5m	Imputation (%)	0	0	0	0	Cash div yld (%)	0.0	0.0	0.0	0.0
Avg daily turnover	50.1k (NZ\$6k)	*Based on normalised profits					Gross div yld (%)	0.0	0.0	0.0	0.0

What's changed?

- **Earnings:** We cut our FY26 underlying EBITDA by -9% to US\$10.4m, with more modest -2%/-1% cuts over FY27/FY28.
- **Spot valuation:** Our DCF based spot valuation falls by -5% to NZ\$0.19.

Downgrade on timing; broader demand drivers remain intact

Brazil continues to exhibit strong underlying demand, with ongoing year-on-year volume growth. However, the 4Q26 sales period has disappointed relative to management expectations. ARB attributes this to a slower planting start by large Brazilian customers, which has deferred sales and tempered EBITDA expectations versus prior guidance. The distinction between timing and end-market demand is important, particularly in a market characterised by structural demand growth. We note that some degree of order volatility is to be expected, given the company's exposure to large customers and the often lumpy nature of seedling orders.

Managing a persistent US cyclical trough

While ARB's US business remains constrained by weak residential construction market conditions, performance is tracking in line with internal expectations. Management remains focused on a mix shift towards advanced genetics and containerised seedlings, with the goal of improving pricing and margins. The timing of any recovery in the US residential property market remains uncertain. An extended period of weakness may delay volume recovery and limit operating leverage in ARB's US segment.

Still positioned for leverage

Despite the trim to FY26 guidance, ARB reiterated year-on-year revenue and gross margin improvement for FY26. At 4.8x forward EV/EBITDA, we believe the market's current pricing discounts the company's medium-term structural growth potential. While the reduction to near-term guidance is disappointing, our longer-term thesis remains intact, underpinned by expectations for: 1) growth in advanced genetics penetration over time; 2) US containerisation catch-up reducing competitive pressure; and 3) growing Brazilian scale, with market pulp development providing support.

ArborGen Holdings Ltd (ARB)

Market Data (NZ\$)						Spot valuation (NZ\$)					
Priced as at 12 Feb 2026					0.12						0.19
52 week high / low					0.15 / 0.11	Spot DCF					0.19
Market capitalisation (NZ\$m)					63.5						
Key WACC assumptions						DCF valuation summary					
Risk free rate					5.00%	Total firm value					110.0
Equity beta					0.96	(Net debt)/cash					-20.9
WACC					10.8%	Less: Capitalised operating leases					-25.3
Terminal growth					1.5%	Value of equity					63.7
Profit and Loss Account (US\$m)						Valuation Ratios					
	2024A	2025A	2026E	2027E	2028E		2024A	2025A	2026E	2027E	2028E
Revenue	67.7	63.2	66.1	73.7	77.9	EV/Sales (x)	0.8	1.0	1.0	0.9	0.8
Normalised EBITDA	12.8	8.8	10.4	14.0	19.2	EV/EBITDA (x)	4.4	6.9	6.2	4.6	3.4
Depreciation and amortisation	(11.6)	(10.3)	(9.9)	(10.3)	(14.0)	EV/EBIT (x)	n/a	n/a	47.8	13.7	10.3
Normalised EBIT	1.2	(1.5)	0.4	3.7	5.2	PE (x)	32.3	n/a	n/a	15.5	9.1
Net interest	(1.4)	(1.7)	(1.3)	(1.3)	(1.1)	Price/NTA (x)	0.6	0.6	0.6	0.5	0.5
Associate income	-	-	-	-	-	Free cash flow yield (%)	2.2	-10.2	6.8	4.3	11.1
Tax	1.4	1.0	-	-	-	Adj. free cash flow yield (%)	12.6	2.0	11.3	13.5	20.4
Minority interests	-	-	-	-	-	Gross dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Normalised NPAT	1.2	(2.2)	(0.9)	2.4	4.1	Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Abnormals/other	(1.4)	(19.3)	-	-	-	Capital Structure					
Reported NPAT	(0.2)	(21.5)	(0.9)	2.4	4.1	Interest cover EBIT (x)	n/a	n/a	0.3	2.9	4.7
Normalised EPS (cps)	0.2	(0.4)	(0.2)	0.5	0.8	Interest cover EBITDA (x)	9.1	5.2	7.9	11.0	17.4
DPS (cps)	-	-	-	-	-	Net debt/ND+E (%)	8.8	14.4	12.7	11.8	8.0
Growth Rates							2024A	2025A	2026E	2027E	2028E
Revenue (%)	n/a	n/a	n/a	n/a	n/a	Net debt/EBITDA (x)	1.1	2.4	1.7	1.2	0.6
EBITDA (%)	50.0	7.7	5.2	8.6	76.5	Key Ratios					
EBIT (%)	0.0	n/a	n/a	n/a	n/a	Return on assets (%)	-1.8	-12.0	0.3	2.1	3.0
Normalised NPAT (%)	n/a	n/a	n/a	n/a	73.0	Return on equity (%)	0.8	-1.8	-0.7	1.9	3.3
Normalised EPS (%)	n/a	n/a	n/a	n/a	n/a	Return on funds employed (%)	0.0	0.0	0.0	0.0	0.0
Ordinary DPS (%)	n/a	n/a	n/a	n/a	n/a	EBITDA margin (%)	18.9	13.9	15.7	19.0	24.7
Cash Flow (US\$m)							2024A	2025A	2026E	2027E	2028E
EBITDA	12.8	8.8	10.4	14.0	19.2	EBIT margin (%)	-5.2	-33.4	0.7	5.0	6.7
Working capital change	1.5	(5.1)	0.0	(2.1)	(3.1)	Capex to sales (%)	9.7	12.3	4.3	8.0	7.6
Interest & tax paid	(2.8)	(2.7)	(1.3)	(1.3)	(1.1)	Capex to depreciation (%)	169	186	64	122	70
Other	0.2	2.2	-	-	-	Imputation (%)	0	0	0	0	0
Operating cash flow	11.7	3.2	9.1	10.6	15.0	Pay-out ratio (%)	0	0	0	0	0
Capital expenditure	(6.6)	(7.8)	(2.8)	(5.9)	(5.9)	Operating Performance					
(Acquisitions)/divestments	-	4.1	-	-	-		2024A	2025A	2026E	2027E	2028E
Other	(3.3)	(1.6)	(2.0)	(2.0)	(2.0)	North America					
Funding available/(required)	1.8	(2.1)	4.3	2.7	7.0	NA total revenue (US\$m)	41.2	37.5	38.4	41.0	43.8
Dividends paid	-	-	-	-	-	NA assets (US\$m)	136.2	97.8	97.8	97.8	97.8
Equity raised/(returned)	-	-	-	-	-	NA seedling capacity (m)	350	350	350	350	350
(Increase)/decrease in net debt	1.8	(2.1)	4.3	2.7	7.0	NA production (m)	253	214	212	223	234
Balance Sheet (US\$m)							2024A	2025A	2026E	2027E	2028E
Working capital	33.4	38.3	38.3	40.4	43.5	NA capacity utilisation (%)	72%	61%	61%	64%	67%
Fixed assets	36.6	27.6	28.2	31.7	31.7	NA average price (cents/seedling)	14.1	15.1	15.6	15.9	16.3
Intangibles	88.9	60.2	54.7	49.1	43.6	NA advanced (% sales)	42%	40%	41%	42%	43%
Right of use asset	7.1	8.7	9.4	10.0	10.5	South America					
Other assets	11.4	24.3	24.3	24.3	24.3	SA total revenue (US\$m)	26.5	25.7	27.7	32.7	34.1
Total funds employed	177.4	159.1	154.9	155.5	153.6	SA assets (US\$m)	7.8	9.4	9.4	9.4	9.4
Net debt/(cash)	14.4	20.9	17.7	16.5	11.0	SA seedling capacity (m)	138	150	150	160	170
Lease liability	5.2	6.5	9.4	10.0	10.5	SA production (m)	110	112	120	144	151
Other liabilities	9.1	7.1	5.4	5.4	5.4	SA capacity utilisation (%)	80%	75%	80%	90%	89%
Shareholder's funds	148.7	124.6	122.3	123.6	126.7	SA average price (cents/seedling)	24.1	22.9	23.1	22.7	22.6
Minority interests	-	-	-	-	-	SA advanced (% sales)	50%	60%	65%	70%	75%
Total funding sources	177.4	159.1	154.9	155.5	153.6	Group					
						Group gross margin (%)	35%	29%	31%	33%	34%
						Group gross profit (US\$m)	24.0	18.2	20.1	23.9	26.1

* 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

Earnings revisions

Adjustments to our forecasts following ARB's FY26 guidance update include:

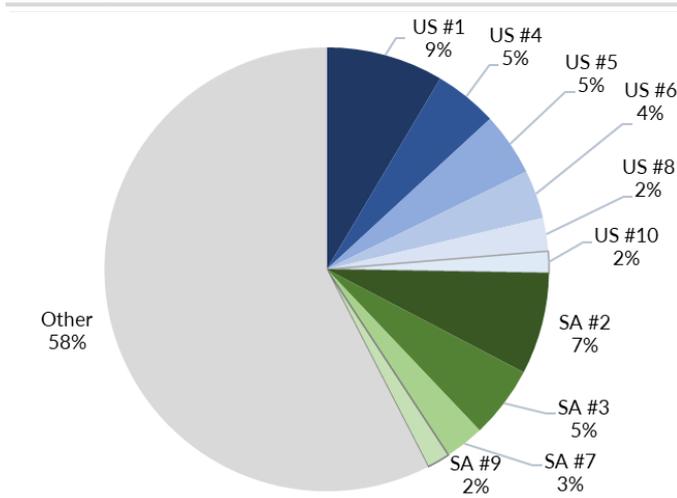
- Reducing our FY26 Brazil seedling volume growth forecast due to weaker 4Q26 performance. Our FY27 volume estimate remains broadly unchanged, reflecting the flow-through of delayed volumes into FY27, albeit with modest conservatism.
- On balance, operating revenue falls -3%/-1%/-1% across FY26/FY27/FY28, and EBITDA declines -9%/-2%/-1% across FY26/FY27/FY28, respectively, on added conservatism in our numbers.

Figure 1. Earnings changes

	FY26			FY27			FY28		
	Old	New	Change	Old	New	Change	Old	New	Change
Operating revenue	68.4	66.1	-3%	74.4	73.7	-1%	78.6	77.9	-1%
Cost of sales	(47.2)	(45.9)	-3%	(50.2)	(49.7)	-1%	(52.3)	(51.8)	-1%
Gross profit	21.2	20.1	-5%	24.2	23.9	-1%	26.3	26.1	-1%
Gross margin (%)	31.0%	30.5%		32.5%	32.5%		33.5%	33.5%	
Intellectual property amortisation	(5.5)	(5.5)	0%	(5.5)	(5.5)	0%	(5.5)	(5.5)	0%
Other income	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
General & admin expenses	(14.2)	(14.2)	0%	(14.7)	(14.7)	0%	(15.3)	(15.3)	0%
Operating earnings	1.5	0.4	n/a	3.9	3.7	-6%	5.5	5.2	-4%
Government grants, Inventory adjustment and other	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Movement of fair value assets and liabilities	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Operating earnings before financing expenses (EBIT)	1.5	0.4	n/a	3.9	3.7	-6%	5.5	5.2	-4%
Net finance (expense)/income	(1.3)	(1.3)	n/a	(1.3)	(1.3)	n/a	(1.1)	(1.1)	n/a
Net profit (loss) before income tax	0.2	(0.9)	n/a	2.6	2.4	-9%	4.4	4.1	-5%
Income tax (expense)/credit	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
NPAT	0.2	(0.9)	n/a	2.6	2.4	-9%	4.4	4.1	-5%
Basic and diluted loss per share	0.0	(0.2)		0.5	0.5	-9%	0.8	0.8	-5%
Operating EBITDA	11.4	10.4	-9%	14.2	14.0	-2%	19.5	19.2	-1%

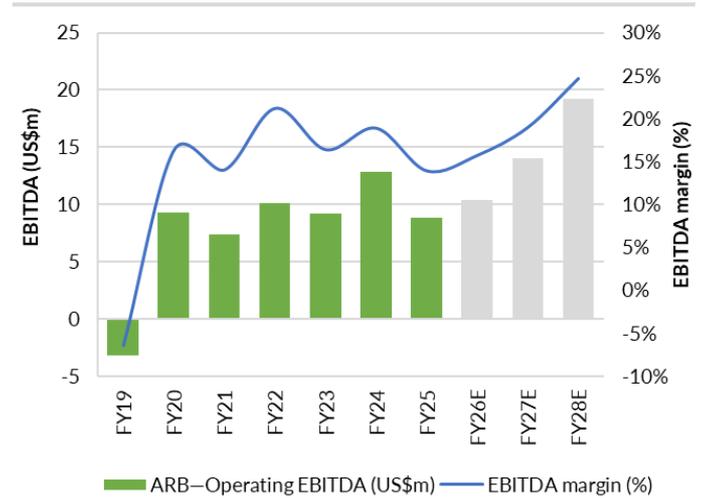
Source: Forsyth Barr analysis

Figure 2. While ARB's customer base* is relatively diversified, the timing of orders from large customers can impact volumes



Source: Company, Forsyth Barr analysis, *customer concentration Nov. 2025 estimates

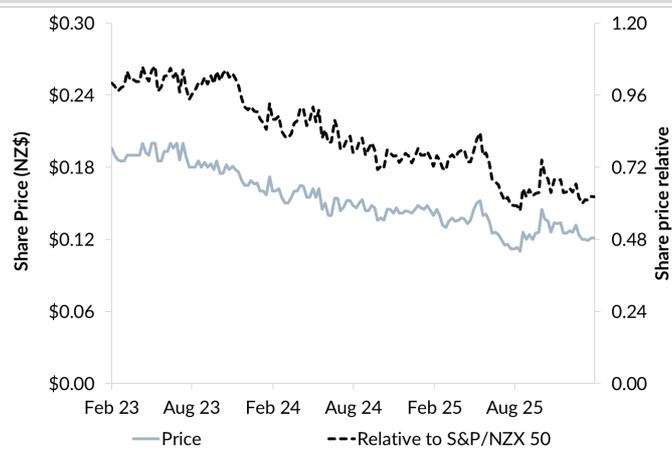
Figure 3. We still forecast meaningful operating EBITDA* growth over the near term



Source: Company, Forsyth Barr analysis, equivalent to ARB's adjusted US GAAP EBITDA

Additional data

Figure 4. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 5. 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 6. International valuation comparisons using consensus data (one and two year forward)

Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld 1yr
				1yr	2yr	1yr	2yr	1yr	2yr	
ArborGen Holdings	ARB NZ	NZ\$0.12	NZ\$64	17.3x	10.1x	5.2x	3.8x	15.6x	11.4x	n/a
KWS SAAT	KWS GR	€68.80	€2,270	12.1x	11.7x	6.3x	6.1x	8.6x	8.5x	2.2%
Sakata Seed	1377 JP	¥4290.00	¥194,812	17.1x	15.8x	8.5x	7.9x	12x	11.1x	1.9%
Corteva	CTVA US	US\$75.32	US\$51,445	20.5x	18.5x	12x	11.2x	15.2x	14.2x	1.0%
Bioceres Crop Solutions	BIOX US	US\$0.63	US\$40	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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