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ArborGen Holdings Limited
FY26: EBITDA Beats, but US Challenges Grow

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ArborGen's (ARB) FY26 result beat our forecast and the reset February 2026 guidance range at the EBITDA line, but the outlook provided was softer than anticipated. Brazil remained the key driver, while the US South came broadly in line in a planting market the company now characterises as structurally challenged as opposed to cyclically depressed. Despite this, pricing gains were substantial on better genetics and containerised product mix, and this offset year-on-year volume declines, but did not flow to gross margin, which missed our estimates. Positively, opex was well controlled, but cash conversion remained weak, reflecting a working capital lift, higher seed supply, and enterprise resource planning (ERP) IT spend. ARB now needs the headline EBITDA improvements to flow through to cash generation and net debt reduction. Harder decisions may be needed at its US operations to restore margins after six years of volume reductions, with capacity utilisation now ~59% and production down -38% from FY20 highs. Our DCF-based spot valuation declines -NZ5cps to NZ$0.14 on materially lower earnings forecasts, higher net debt, and capitalised lease obligations.

NZX code	ARB
Share price	NZ$0.087
Spot Valuation	NZ$0.14 (from 0.19)
Risk rating	High
Issued shares	522.7m
Market cap	NZ$45.5m
Avg daily turnover	52.5k (NZ$6k)

Financials: Mar/	26A	27E	28E	29E
Rev (US$m)	68.2	71.2	75.1	79.7
NPAT* (US$m)	-6.3	-2.2	-0.2	2.1
EPS* (USc)	-1.2	-0.4	0.0	0.4
DPS (USc)	0.0	0.0	0.0	0.0
Imputation (%)	0	0	0	0

*Based on normalised profits

Valuation (x)	26A	27E	28E	29E
PE	n/a	n/a	n/a	12.4
EV/EBIT	n/a	88.9	23.7	12.7
EV/EBITDA	5.1	4.7	4.4	3.8
Price / NTA	0.4	0.4	0.4	0.3
Cash div yld (%)	0.0	0.0	0.0	0.0
Gross div yld (%)	0.0	0.0	0.0	0.0

What's changed?

- **Earnings:** FY27/FY28/FY29 EBITDA estimates fall materially on US weakness, down -6%/-26%/-22% respectively.
- **Spot valuation:** Declines -28% to NZ$0.14, with US earnings challenges, plus higher leases and net debt impacting.

EBITDA beats, cash continues to lag

Adjusted US GAAP EBITDA rose +31% year-on-year to US$11.5m, above revised guidance of US$10.3m–US$10.7m. Gross margin increased just +20bp to 29.0%, below our 30.5% estimate, as pricing gains (+6% US, +9% Brazil) were offset by higher cost of sales (we estimate ~+1%/~+11% respectively). G&A expenses rose only +2%, below the +19% FY22–FY25 CAGR. Cash conversion remained poor, with operating cash flow of US$3.7m and, even with capex falling to US$4.1m (FY25: US$7.7m), net debt rose +US$4.2m to US$25.2m. The Ridgeville head office remains under contract and in due diligence; a sale could reduce net debt by ~US$10m–US$10.5m. A US$4.1m tax expense was booked on the P&L following a reassessment of prior provisions, despite a NPBT loss.

Brazil leads, US holds revenue

Brazil remained the growth driver, with revenue of US$30.2m, up +18% year-on-year (+14% local currency terms). Volumes lifted +5% to 119m seedlings, and the average seedling price (ASP) rose +9% in local currency. Advanced genetics rose +3ppt to 63% of volume, short of our 65% estimate, yet Brazil gross margin still declined -1.5ppt to ~27.5%. US revenue lifted just +1% to US$38.0m, with a -4% volume decline to 205m seedlings offset by the +6% ASP gains.

Growth guided, but US structurally capped

Management is targeting adjusted US GAAP EBITDA growth in FY27, supported by continued Brazil growth, higher-value product mix, US market share gains, and ongoing operational efficiencies. The US outlook is framed around a structural industry reset rather than a cyclical recovery, with US South pulp mills continuing to close.

ArborGen Holdings Ltd (ARB)

Market Data (NZ$)	
Priced as at 01 Jun 2026	**0.087**
52 week high / low	0.15 / 0.08
Market capitalisation (NZ$m)	45.5

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

Profit and Loss Account (US$m)	2025A	2026A	2027E	2028E	2029E
Revenue	63.2	68.2	71.2	75.1	79.7
Normalised EBITDA	**8.8**	**11.5**	**13.1**	**14.3**	**16.0**
Depreciation and amortisation	(10.3)	(10.8)	(12.4)	(11.7)	(11.2)
Normalised EBIT	**(1.5)**	**0.7**	**0.7**	**2.6**	**4.9**
Net interest	(2.7)	(5.5)	(4.2)	(4.2)	(4.1)
Associate income	-	-	-	-	-
Tax	1.0	(4.1)	-	-	-
Minority interests	-	-	-	-	-
Normalised NPAT	**(2.2)**	**(6.3)**	**(2.2)**	**(0.2)**	**2.1**
Abnormals/other	(19.3)	(1.2)	-	-	-
Reported NPAT	**(21.5)**	**(7.5)**	**(2.2)**	**(0.2)**	**2.1**
Normalised EPS (cps)	(0.4)	(1.2)	(0.4)	(0.0)	0.4
DPS (cps)	-	-	-	-	-

Growth Rates	2025A	2026A	2027E	2028E	2029E
Revenue (%)	-6.6	7.9	4.3	5.6	6.0
EBITDA (%)	-31.3	30.7	13.9	9.3	12.1
EBIT (%)	n/a	n/a	n/a	n/a	n/a
Normalised NPAT (%)	n/a	n/a	n/a	n/a	n/a
Normalised EPS (%)	n/a	n/a	n/a	n/a	n/a
Ordinary DPS (%)	n/a	n/a	n/a	n/a	n/a

Cash Flow (US$m)	2025A	2026A	2027E	2028E	2029E
EBITDA	**8.8**	**11.5**	**13.1**	**14.3**	**16.0**
Working capital change	(4.9)	(5.7)	(1.4)	(1.1)	(1.9)
Interest & tax paid	(3.4)	(4.6)	(4.5)	(4.6)	(4.5)
Other	2.2	2.5	-	-	-
Operating cash flow	**2.7**	**3.7**	**7.2**	**8.6**	**9.6**
Capital expenditure	(7.8)	(4.1)	(3.4)	(3.5)	(3.5)
(Acquisitions)/divestments	4.1	0.5	-	-	-
Other	(5.5)	(4.3)	(2.9)	(2.9)	(3.0)
Funding available/(required)	**(6.5)**	**(4.2)**	**0.9**	**2.2**	**3.1**
Dividends paid	-	-	-	-	-
Equity raised/(returned)	-	-	-	-	-
(Increase)/decrease in net debt	**(6.5)**	**(4.2)**	**0.9**	**2.2**	**3.1**

Balance Sheet (US$m)	2025A	2026A	2027E	2028E	2029E
Working capital	38.3	44.0	45.4	46.5	48.5
Fixed assets	27.6	29.6	30.4	31.2	31.9
Intangibles	60.2	54.1	48.0	41.9	35.8
Right of use asset	8.7	14.1	10.9	8.5	6.8
Other assets	24.3	20.4	20.4	20.4	20.4
Total funds employed	**159.1**	**162.2**	**155.1**	**148.5**	**143.4**
Net debt/(cash)	20.9	25.1	24.2	22.0	19.0
Lease liability	6.5	11.4	10.9	8.5	6.8
Other liabilities	7.1	6.9	4.6	4.6	4.6
Shareholder's funds	124.6	118.8	115.5	113.4	113.0
Minority interests	-	-	-	-	-
Total funding sources	**159.1**	**162.2**	**155.1**	**148.5**	**143.4**

* 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

Spot valuation (NZ$)	**0.14**
Spot DCF	0.14

DCF valuation summary	
Total firm value	105.2
(Net debt)/cash	-25.1
Less: Capitalised operating leases	-37.0
Value of equity	43.1

Valuation Ratios	2025A	2026A	2027E	2028E	2029E
EV/Sales (x)	0.8	0.9	0.9	0.8	0.8
EV/EBITDA (x)	5.7	5.1	4.7	4.4	3.8
EV/EBIT (x)	n/a	>100x	88.9	23.7	12.7
PE (x)	n/a	n/a	n/a	n/a	12.4
Price/NTA (x)	0.4	0.4	0.4	0.4	0.3
Free cash flow yield (%)	-15.4	-7.0	2.0	4.8	6.7
Adj. free cash flow yield (%)	1.8	2.0	9.5	12.4	14.5
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

Capital Structure	2025A	2026A	2027E	2028E	2029E
Interest cover EBIT (x)	n/a	0.0	0.2	0.6	1.2
Interest cover EBITDA (x)	3.3	2.1	3.1	3.4	3.9
Net debt/ND+E (%)	14.4	17.4	17.3	16.3	14.4
Net debt/EBITDA (x)	2.4	2.2	1.8	1.5	1.2

Key Ratios	2025A	2026A	2027E	2028E	2029E
Return on assets (%)	-12.0	0.0	0.4	1.6	3.1
Return on equity (%)	-1.8	-5.3	-1.9	-0.2	1.9
Return on funds employed (%)	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	13.9	16.9	18.4	19.1	20.1
EBIT margin (%)	-33.4	0.0	1.0	3.5	6.1
Capex to sales (%)	12.3	6.0	4.8	4.6	4.4
Capex to depreciation (%)	186	87	54	62	69
Imputation (%)	0	0	0	0	0
Pay-out ratio (%)	0	0	0	0	0

Operating Performance	2025A	2026A	2027E	2028E	2029E
North America					
NA total revenue (US$m)	37.5	38.0	40.7	43.0	45.3
NA assets (US$m)	97.8	90.8	90.8	90.8	90.8
NA seedling capacity (m)	350	350	350	350	350
NA production (m)	214	205	207	213	220
NA capacity utilisation (%)	61%	59%	59%	61%	63%
NA average price (cents/seedling)	17.5	18.5	19.7	20.1	20.6
South America					
SA total revenue (US$m)	25.7	30.2	30.4	32.2	34.3
SA assets (US$m)	9.4	16.3	16.3	16.3	16.3
SA seedling capacity (m)	150	160	164	168	172
SA production (m)	113	119	125	131	138
SA capacity utilisation (%)	75%	74%	76%	78%	80%
SA average price (cents/seedling)	22.7	25.4	24.3	24.5	24.9
Group					
Group gross margin (%)	29%	29%	29%	31%	32%
Group gross profit (US$m)	18.2	19.8	20.6	22.9	25.5

FY26 results review

ARB's FY26 result beat revised February 2026 guidance, with adjusted US GAAP EBITDA of US$11.5m, ahead of the US$10.3m–US$10.7m range and up +31% year-on-year. Revenue reached US$68.2m, up +8% year-on-year. Growth was price driven, with sales volumes declining -1% to 324m seedlings. Gross profit rose +9% to US$19.8m, representing a 29.0% gross margin, slightly up on 28.8% in FY25. Operating expenses were well controlled, with G&A lifting just +2% to US$13.5m in the period, well below the historical +19% G&A expense CAGR seen between FY22 and FY25. Reported net loss after tax was US$7.5m, better than the US$21.5m seen in FY25 that included a US$21.8m non-cash impairment of intangibles.

Cash conversion of EBITDA was poor, with US$3.7m cash flow from operations, up from US$2.7m in FY25. Capex declined to US$4.1m from US$7.7m, as the ERP build and several years of capacity investment tapered. Inventory rose to US$42.0m from US$38.4m, primarily reflecting continued investment in ARB's secured seed supply and Brazil growth, and borrowings climbed to US$27.3m with cash of US$2.2m—net debt rose to US$25.2m from US$20.9m at FY25.

FY26 segment results:

- **Brazil**—remained the growth engine with revenue up +18% year-on-year (+14% in local currency terms) and sales volume lifting ~+5%. Advanced seedling sales mix improved +3ppt to 63%, albeit behind our expectations for 65%, while capacity rose +10m to 160m seedlings. ASP lifted +9% year-on-year (local currency terms). Against that, slower crop growth constrained late-season inventory and gross margin fell -1.5ppt despite gross profit dollars rising +11%.
- **US South**—revenue was broadly flat at US$38.0m despite volumes declining -4%, as pricing, market share gains, and a greater focus on mass control pollinated (MCP®) and containerised seedlings offset the impact of adverse early-season weather. Advanced genetics remained flat at ~38% of volume, implying the +6% increase in ASP was driven by containerisation and a richer within-segment mix (advanced loblolly pine, MCP®), rather than a higher contribution from advanced genetics.

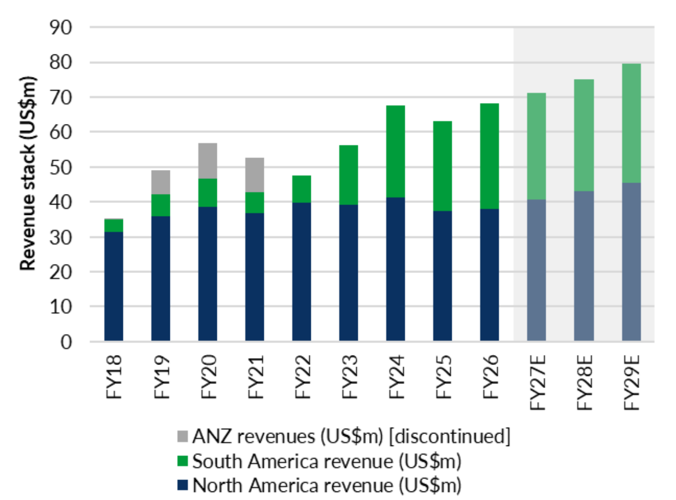
Figure 1. Result summary (US$m)

US$m	FY25 Actual	FY26 Actual	Change	FY26 Estimate	Deviation
Operating revenue	63.2	68.2	+8%	66.1	+3%
Cost of sales	(45.0)	(48.4)	+8%	(45.9)	+5%
Gross profit	**18.2**	**19.8**	**+9%**	**20.1**	**-2%**
Gross margin (%)	*28.8%*	*29.0%*	*+23bp*	*30.5%*	*-147bp*
Intellectual property amortisation	(6.1)	(6.1)	0%	(5.5)	+10%
General & admin expenses	(13.3)	(13.5)	2%	(14.2)	-5%
Operating earnings	**(1.2)**	**0.2**	**n/a**	**0.4**	**-55%**
Movement of fair value assets and liabilities	(19.6)	(0.7)	n/a	0.0	n/a
Operating earnings before financing expenses (EBIT)	**(20.8)**	**(0.5)**	**n/a**	**0.4**	**n/a**
Net finance (expense)/income	(1.7)	(2.9)	n/a	(1.3)	n/a
Net profit (loss) before income tax	**(22.5)**	**(3.4)**	**n/a**	**(0.9)**	**n/a**
Income tax (expense)/benefit	1.0	(4.1)	n/a	0.0	n/a
NPAT	**(21.5)**	**(7.5)**	**n/a**	**(0.9)**	**n/a**
Operating EBITDA	**8.8**	**11.5**	**+31%**	**10.4**	**+11%**

Source: Company, Forsyth Barr analysis

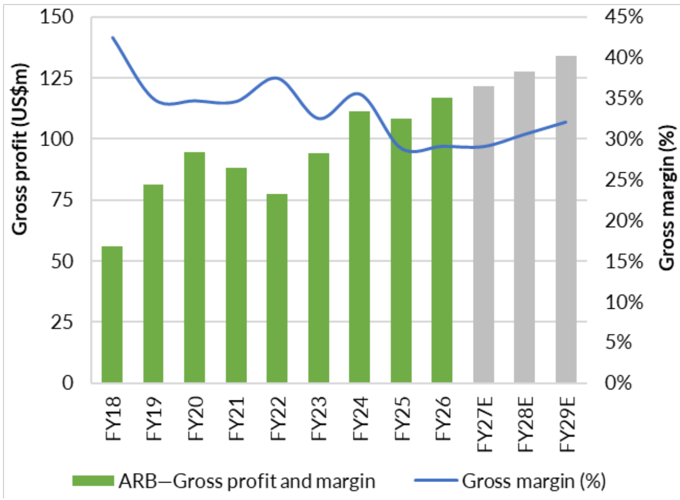
Charts of interest

Figure 2. Brazil was the key growth driver in FY26



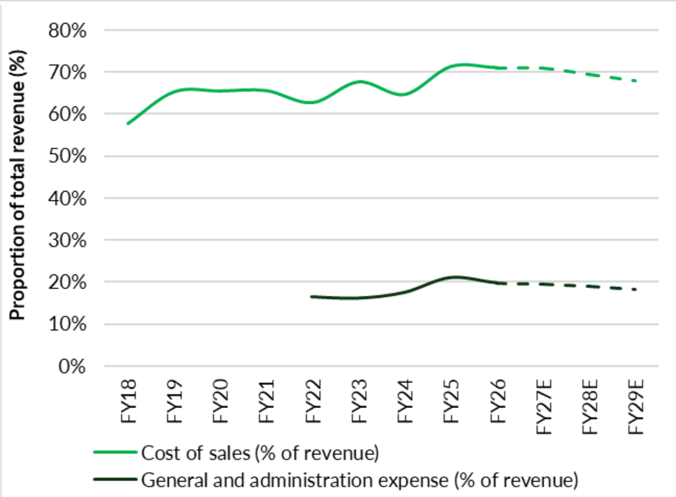
Source: Company data, Forsyth Barr analysis

Figure 3. Gross margin lifted slightly, albeit less than expected



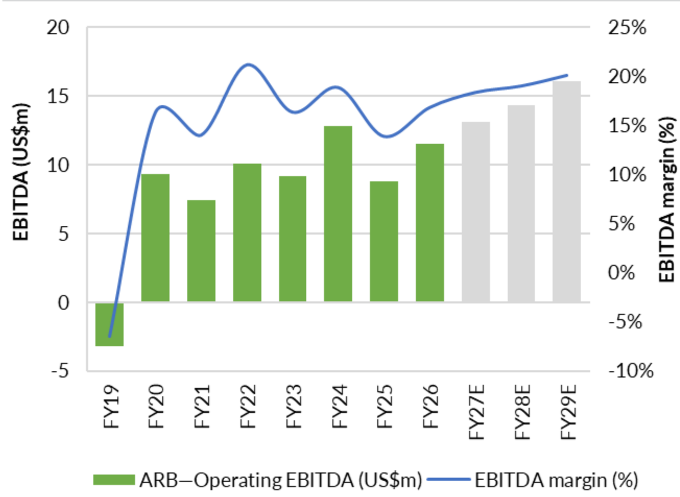
Source: Company data, Forsyth Barr analysis, *Adjusted US GAAP EBITDA

Figure 4. Opex cost control was better in the period



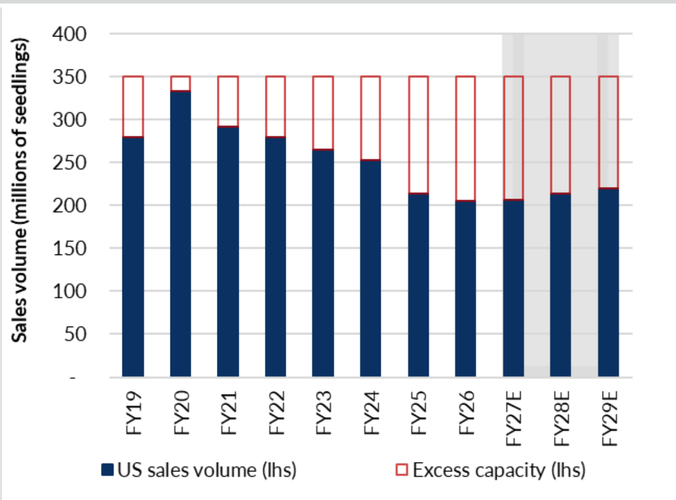
Source: Company data, Forsyth Barr analysis

Figure 5. Operating EBITDA* saw a solid rebound



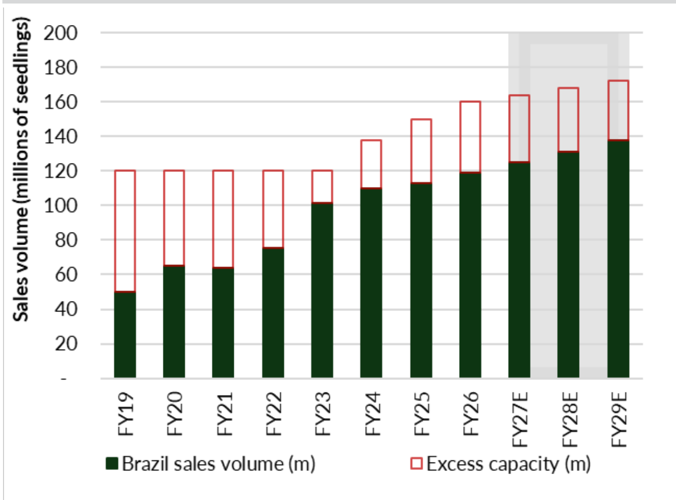
Source: Company data, Forsyth Barr analysis, equivalent to ARB's Adjusted US GAAP EBITDA

Figure 6. US volumes remain challenged; modest segment revenue growth was underpinned by price growth ...



Source: Company, Forsyth Barr analysis

Figure 7. ... Brazil volumes lifted broadly in line with expectations, while price uplift was stronger than expected



Source: Company, Forsyth Barr analysis

Earnings revisions

We make a number of forecast revisions following ARB's FY26 result. At the group level, we lower our medium-term gross margin track with FY26 gross margins softer than expected, particularly in Brazil. We continue to expect gradual margin improvement from FY28 onwards, supported by improved mix and higher nursery utilisation. We temper our G&A expense track to reflect ongoing operational focus required due to structural challenges. On balance, our operating EBITDA forecasts fall -4%/-23%/-19% across FY27/FY28/FY29 respectively. Our NPAT forecasts decline further, in percentage terms, reflecting higher D&A, finance cost, and ROU lease assumptions. Our changes divisionally:

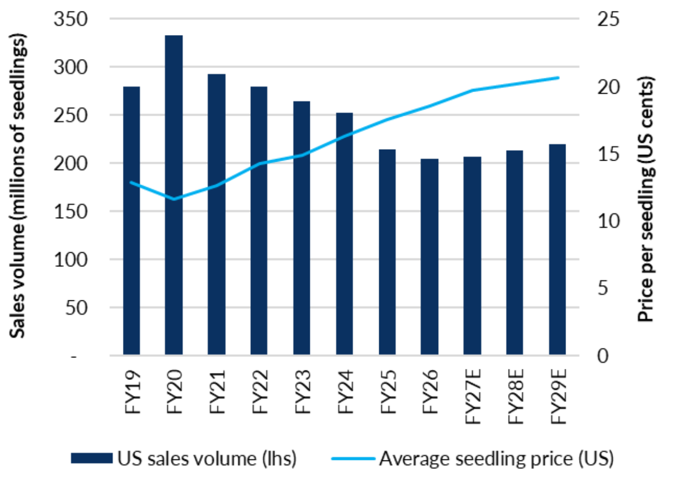
- **US South**—Our medium-term volume assumptions rebase lower following softer-than-expected FY26 volumes. We forecast +1% year-on-year volume growth in FY27 to ~207m seedlings (down -7% from our prior estimates), as market conditions remain challenged. We forecast +6% ASP growth on continued containerised seedling momentum, underpinning FY27 revenue of US$40.7m, up +7% year-on-year.
- **Brazil**—Our medium-term price and volume assumptions are tempered with the emergence of stronger-than-expected competition. Our FY27 advanced genetics mix falls -4ppt to 66% with FY26 penetration behind expectations. We forecast +5% year-on-year revenue growth in FY27, all volume driven with pricing forecast flat.

Figure 8. Earnings revisions (US$m)

	FY26	FY27			FY28			FY29		
	Actual	Old	New	Change	Old	New	Change	Old	New	Change
Operating revenue	68.2	73.7	71.2	-3%	77.9	75.1	-4%	82.0	79.7	-3%
Cost of sales	(48.4)	(49.7)	(50.5)	2%	(51.8)	(52.2)	1%	(54.2)	(54.2)	0%
Gross profit	**19.8**	**23.9**	**20.6**	**-14%**	**26.1**	**22.9**	**-12%**	**27.9**	**25.5**	**-9%**
Gross margin (%)	*29.0%*	*32.5%*	*29.0%*	*-350bp*	*33.5%*	*30.5%*	*-300bp*	*34.0%*	*32.0%*	*-200bp*
Intellectual property amortisation	(6.1)	(5.5)	(6.1)	10%	(5.5)	(6.1)	10%	(5.5)	(6.1)	10%
General & admin expenses	(13.5)	(14.7)	(13.8)	-6%	(15.3)	(14.2)	-8%	(15.9)	(14.5)	-9%
Operating earnings	**0.2**	**3.7**	**0.7**	**-81%**	**5.2**	**2.6**	**-50%**	**6.4**	**4.9**	**-24%**
Movement of fair value assets and liabilities	(0.7)	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Operating earnings before financing expenses (EBIT)	**(0.5)**	**3.7**	**0.7**	**-81%**	**5.2**	**2.6**	**-50%**	**6.4**	**4.9**	**-24%**
Net finance (expense)/income	(2.9)	(1.3)	(2.9)	127%	(1.1)	(2.9)	158%	(1.0)	(2.7)	170%
Net profit (loss) before income tax	(3.4)	2.4	(2.2)	-192%	4.1	(0.2)	-105%	5.4	2.1	-61%
Income tax (expense)/credit	(4.1)	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
NPAT	**(7.5)**	**2.4**	**(2.2)**	**-192%**	**4.1**	**(0.2)**	**-105%**	**5.4**	**2.1**	**-61%**
Operating EBITDA	**11.5**	**14.0**	**13.1**	**-6%**	**19.2**	**14.3**	**-26%**	**20.6**	**16.0**	**-22%**

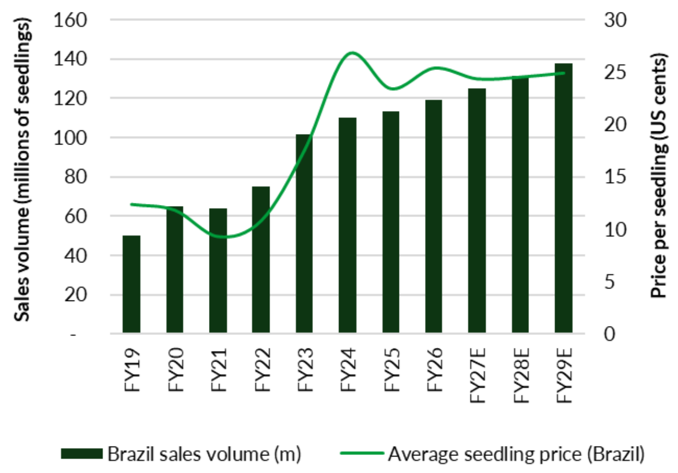
Source: Company, Forsyth Barr analysis

Figure 9. ARB—Average seedling price and production US



Source: Company, Forsyth Barr analysis

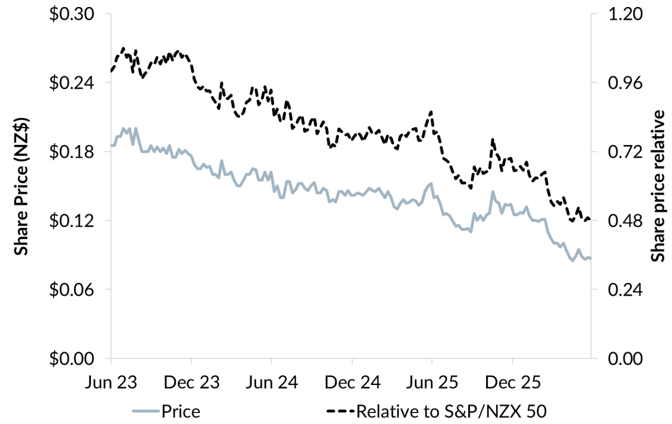
Figure 10. ARB—Average seedling price and production Brazil



Source: Company, Forsyth Barr analysis

Additional data

Figure 11. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 12. Substantial shareholders

Shareholder	Latest Holding
David Knott	20.2%
Libra Fund LP	14.8%
Greensprings Capital LP	6.4%
ACC	6.2%

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

Figure 13. 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$0.09**	**NZ$45**	**9.7x**	**6.2x**	**4.3x**	**3.3x**	**12.9x**	**9.8x**	**n/a**
KWS SAAT	KWS GR	€71.10	€2,346	12.5x	11.9x	6.6x	6.4x	9.3x	8.9x	2.1%
Sakata Seed	1377 JP	¥4205.00	¥190,952	16.7x	15.4x	8.7x	8.1x	11.9x	11.1x	1.9%
Corteva	CTVA US	US$80.60	US$54,111	20.7x	18.8x	13x	12.2x	16.7x	15.4x	0.9%
Bioceres Crop Solutions	BIOX US	US$0.42	US$27	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

Disclosures

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