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NEW ZEALAND EQUITY RESEARCH | INDUSTRIALS | FORESTRY SEEDLING SALES AND GENETICS
16 SEPTEMBER 2026

ArborGen Holdings Limited
Pruning for Value

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ArborGen (ARB) provided a brief update at its 2026 ASM, confirming a US$8.8m debt reduction following the sale of its Ridgeville US head office (announced in July 2026). We view the divestment positively, reflecting progress towards an improved balance sheet position and the right-sizing of ARB's US operations. Management commentary suggested the structurally challenged backdrop highlighted at FY26 (June 2026) has continued. We lower our medium-term US volume assumptions following the ASM to better reflect ongoing structural challenges, while also incorporating the US head office sale into our forecasts. Despite this, we believe our medium-term thesis remains broadly intact, underpinned by expectations for continued Brazil growth and ARB's relatively more defensive positioning in the US as a leading advanced genetics provider. Management reiterated expectations for continued Brazil volume growth and modest US revenue growth in FY27. Our target price falls -NZ1c to NZ$0.13.

NZX code	ARB
Share price	NZ$0.069
Spot Valuation	NZ$0.13 (from 0.14)
Risk rating	High
Issued shares	522.7m
Market cap	NZ$36.1m
Avg daily turnover	45.4k (NZ$4k)

Financials: Mar/	26A	27E	28E	29E
Rev (US$m)	68.2	72.0	74.7	77.1
NPAT* (US$m)	-6.3	-2.2	-0.4	1.2
EPS* (USc)	-1.2	-0.4	-0.1	0.2
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	17.4
EV/EBIT	n/a	n/a	25.6	13.8
EV/EBITDA	4.6	4.1	3.5	3.2
Price / NTA	0.3	0.3	0.3	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:** NPAT declines -US$0.1m/-US$0.3m/-US$1.1m across FY27/FY28/FY29 respectively, as we incorporate the head office property sale and further structural weakness in our medium-term US forecasts.

Ridgeville property sale proceeds put to use

ARB confirmed a US$8.8m reduction in debt following the sale of its Ridgeville headquarters (gross proceeds US$10.85m), which we estimate reduces pro forma net debt from US$25.2m at FY26 to *c.*US$15.2m (*c.*1.2x FY27E EBITDA), all else equal. While we estimate the asset sale should result in annualised interest savings of *c.*US$0.5m, we expect the divestment to be broadly NPAT neutral with savings offset by lost sublease rental income and incremental lease expenses.

US industry challenges remain a key theme

Management commentary again highlighted that US industry volumes remain structurally challenged following a shift in tone at the company's FY26 results (June 2026). Management cited weaker housing activity, reduced timber harvesting, and a structural decline in local pulp markets as key drivers. We use the opportunity to modestly lower our medium-term US volume assumptions to better reflect current market conditions, albeit we expect ARB to outperform the underlying market given its leading position in advanced genetics and opportunities for further market share gains.

FY27 outlook reiterated—guidance expected at 1H27 result

While no quantitative FY27 guidance was provided, management reiterated expectations for: (1) continued Brazil volume growth and customer transition towards advanced (protected) clones; (2) 'some' revenue and volume growth in the US South, underpinned by higher-value products and market share gains; and (3) further improvements in operational efficiency and cost management. We forecast FY27 operating EBITDA of US$12.8m (+12% year-on-year). Management expects to provide quantitative FY27 guidance at its 1H27 results (late November 2026).

ArborGen Holdings Ltd (ARB)

Market Data (NZ$)	
Priced as at 15 Sept 2026	**0.069**
52-week high / low	0.15 / 0.06
Market capitalisation (NZ$m)	36.1

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	72.0	74.7	77.1
Normalised EBITDA	**8.8**	**11.5**	**12.8**	**14.1**	**15.1**
Depreciation and amortisation	(10.3)	(10.8)	(12.4)	(12.2)	(11.6)
Normalised EBIT	**(1.5)**	**0.7**	**0.4**	**1.9**	**3.5**
Net interest	(2.2)	(4.2)	(4.0)	(3.7)	(3.7)
Associate income	-	-	-	-	-
Tax	1.0	(4.1)	-	-	-
Minority interests	-	-	-	-	-
Normalised NPAT	**(2.2)**	**(6.3)**	**(2.2)**	**(0.4)**	**1.2**
Abnormals/other	(19.3)	(1.2)	-	-	-
Reported NPAT	**(21.5)**	**(7.5)**	**(2.2)**	**(0.4)**	**1.2**
Normalised EPS (cps)	(0.4)	(1.2)	(0.4)	(0.1)	0.2
DPS (cps)	-	-	-	-	-

Growth Rates	2025A	2026A	2027E	2028E	2029E
Revenue (%)	-6.6	7.9	5.5	3.8	3.2
EBITDA (%)	-31.3	30.7	11.6	10.0	6.8
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**	**12.8**	**14.1**	**15.1**
Working capital change	(4.9)	(5.7)	(1.6)	(1.1)	(0.9)
Interest & tax paid	(3.4)	(4.6)	(4.3)	(4.1)	(4.0)
Other	2.2	2.5	-	-	-
Operating cash flow	**2.7**	**3.7**	**7.0**	**9.0**	**10.1**
Capital expenditure	(7.8)	(4.1)	(3.4)	(3.5)	(3.5)
(Acquisitions)/divestments	4.1	0.5	-	-	-
Other	(5.5)	(4.3)	7.1	(3.0)	(3.0)
Funding available/(required)	**(6.5)**	**(4.2)**	**10.7**	**2.6**	**3.6**
Dividends paid	-	-	-	-	-
Equity raised/(returned)	-	-	-	-	-
(Increase)/decrease in net debt	**(6.5)**	**(4.2)**	**10.7**	**2.6**	**3.6**

Balance Sheet (US$m)	2025A	2026A	2027E	2028E	2029E
Working capital	38.3	44.0	45.6	46.7	47.5
Fixed assets	27.6	29.6	30.4	31.2	31.8
Intangibles	60.2	54.1	48.0	41.9	35.8
Right-of-use asset	8.7	14.1	12.9	10.0	7.9
Other assets	24.3	20.4	9.5	9.5	9.5
Total funds employed	**159.1**	**162.2**	**146.4**	**139.2**	**132.5**
Net debt/(cash)	20.9	25.1	14.4	11.8	8.2
Lease liability	6.5	11.4	12.9	10.0	7.9
Other liabilities	7.1	6.9	4.6	4.6	4.6
Shareholders' funds	124.6	118.8	114.5	112.8	111.9
Minority interests	-	-	-	-	-
Total funding sources	**159.1**	**162.2**	**146.4**	**139.2**	**132.5**

* 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$)	**0.13**
Spot DCF	0.13

DCF valuation summary	
Total firm value	103.0
(Net debt)/cash	-25.1
Less: Capitalised operating leases	#N/A
Value of equity	#N/A

Valuation Ratios	2025A	2026A	2027E	2028E	2029E
EV/Sales (x)	0.7	0.8	0.7	0.6	0.5
EV/EBITDA (x)	5.2	4.8	4.2	3.3	2.6
EV/EBIT (x)	n/a	n/a	>100x	24.0	11.4
PE (x)	n/a	n/a	n/a	n/a	17.4
Price/NTA (x)	0.3	0.3	0.3	0.3	0.3
Free cash flow yield (%)	-19.4	-8.9	1.9	7.1	10.0
Adj. free cash flow yield (%)	2.2	2.5	11.3	16.7	19.8
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	n/a	0.1	0.5	0.9
Interest cover EBITDA (x)	4.0	2.7	3.2	3.8	4.1
Net debt/ND+E (%)	14.4	17.4	11.2	9.5	6.8
Net debt/EBITDA (x)	2.4	2.2	1.1	0.8	0.5

Key Ratios	2025A	2026A	2027E	2028E	2029E
Return on assets (%)	-11.9	-0.3	0.3	1.2	2.3
Return on equity (%)	-1.8	-5.3	-1.9	-0.4	1.1
Return on funds employed (%)	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	13.9	16.9	17.8	18.9	19.6
EBIT margin (%)	-32.9	-0.7	0.6	2.6	4.5
Capex to sales (%)	12.3	6.0	4.7	4.6	4.5
Capex to depreciation (%)	186	87	54	56	64
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$m)	37.5	38.0	41.4	42.5	42.7
NA assets (US$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	207	203
NA capacity utilisation (%)	61%	59%	59%	59%	58%
NA average price (cents/seedling)	17.5	18.5	20.0	20.5	21.1
South America					
SA total revenue (US$m)	25.7	30.2	30.6	32.3	34.3
SA assets (US$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	24.5	24.6	24.9
Group					
Group gross margin (%)	29%	29%	29%	31%	32%
Group gross profit (US$m)	18.2	19.8	20.9	22.8	24.7

Earnings revisions

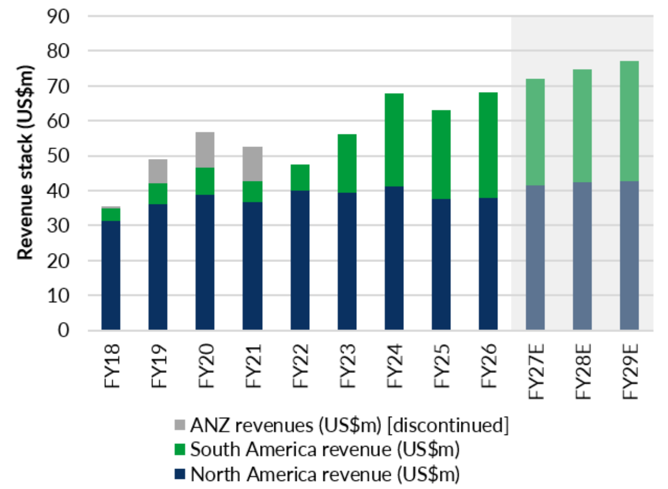
We incorporate our estimate of *c.*US$10m net-of-fee proceeds from the sale of ARB's US Ridgeville property into our forecasts. We expect the sale to be broadly NPAT neutral, with lower interest expense broadly offset by increased lease costs and forgone sublease rental income. Additionally, we take the opportunity to trim our medium-term US growth forecasts to reflect ongoing structural challenges. On balance, our NPAT forecasts decline by -US$0.1m/-US$0.3m/-US$1.1m across FY27/FY28/FY29 respectively.

Figure 1. Earnings revisions (US$m)

	FY26	FY27			FY28			FY29		
	Actual	Old	New	Change	Old	New	Change	Old	New	Change
Operating revenue	68.2	72.0	72.0	+0%	75.8	74.7	-1%	80.2	77.1	-4%
Cost of sales	(48.4)	(51.1)	(51.1)	0%	(52.7)	(51.9)	-1%	(54.5)	(52.4)	-4%
Gross profit	19.8	20.9	20.9	+0%	23.1	22.8	-1%	25.7	24.7	-4%
Gross margin (%)	*29.0%*	*29.0%*	*29.0%*	*+0bp*	*30.5%*	*30.5%*	*+0bp*	*32.0%*	*32.0%*	*+0bp*
Intellectual property amortisation	(6.1)	(6.1)	(6.1)	0%	(6.1)	(6.1)	0%	(6.1)	(6.1)	0%
Other income	0.0	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
General & admin expenses	(13.5)	(14.0)	(14.3)	+2%	(14.3)	(14.8)	+3%	(14.6)	(15.1)	+3%
Operating earnings	**0.2**	**0.8**	**0.4**	**-44%**	**2.7**	**1.9**	**-30%**	**5.0**	**3.5**	**-30%**
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)**	**0.8**	**0.4**	**-44%**	**2.7**	**1.9**	**-30%**	**5.0**	**3.5**	**-30%**
Net finance (expense)/income	(2.9)	(2.9)	(2.6)	-9%	(2.9)	(2.3)	-19%	(2.7)	(2.3)	-16%
Net profit (loss) before income tax	(3.4)	(2.1)	(2.2)	+3%	(0.1)	(0.4)	n/a	2.3	1.2	-47%
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)**	**(2.1)**	**(2.2)**	**+3%**	**(0.1)**	**(0.4)**	**n/a**	**2.3**	**1.2**	**-47%**
Operating EBITDA	**11.5**	**13.2**	**12.8**	**-3%**	**14.4**	**14.1**	**-2%**	**16.2**	**15.1**	**-7%**

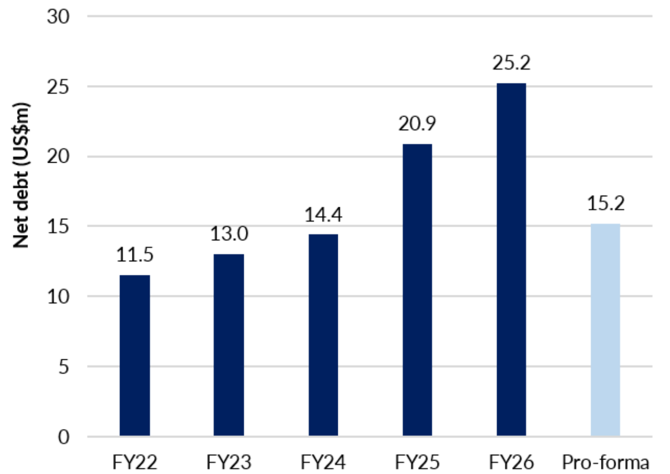
Source: Company, Forsyth Barr analysis

Figure 2. We forecast US revenue broadly flat over the medium term, reflecting a challenging industry backdrop



Source: Company, Forsyth Barr analysis

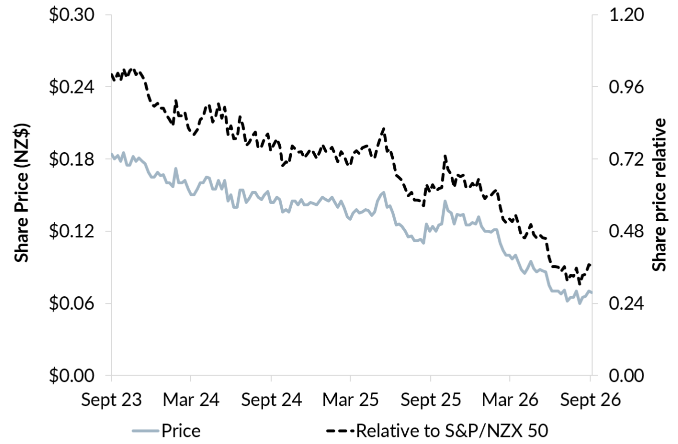
Figure 3. The sale of ARB's Ridgeville head office property materially reduces pro forma net debt



Source: Company, Forsyth Barr analysis

Additional data

Figure 4. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 5. Substantial shareholders

Shareholder	Latest Holding
David Knott	20.5%
Libra Fund LP	15.0%
Greensprings Capital LP	6.5%
ACC	6.3%

Source: NZX, Bloomberg, Forsyth Barr analysis; shares outstanding fall back to the analyst model; NOTE: based on SPH notices only

Figure 6. 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$0.069**	**NZ$36**	**<0x**	**62.6x**	**3.8x**	**3.3x**	**45.9x**	**18.4x**	**0.0%**
KWS SAAT	KWS GR	€77.40	€2,554	13.5x	n/a	7.2x	n/a	10.1x	n/a	2.0%
Sakata Seed	1377 JP	¥4375.00	¥198,672	16.0x	14.7x	8.9x	8.3x	12.7x	11.8x	2.0%
Corteva	CTVA US	US$82.54	US$55,056	20.6x	18.8x	12.3x	11.5x	15.5x	14.2x	0.9%
Bioceres Crop Solutions	BIOX US	US$0.43	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

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