

# PGG Wrightson



**Wrightson**

# PGG and Wrightson Announce Intention to Merge

- Terms agreed by Boards
- Both Boards unanimously recommend shareholders approve
- Cornerstone shareholders in full support
- Creates Top 20 NZX company with
  - total assets of nearly \$900 million
  - revenue of \$1.1 billion

# The Industry

- Agriculture pivotal to economic growth
  - faces intense international competition
  - requires capable suppliers
- Supply side more than \$7 billion per year – but fragmented
  - lacking scale to deliver efficiencies
  - lacking leadership and innovation
  - ease of entry has seen specialists and new competitors

# Two Strong Companies

- Proud histories – PGG from 1851, Wrightson from 1841
- Both experienced in market consolidation
  - PGG with Reid and Southland Farmers
  - Wrightson with Williams & Kettle

# Goals

- Provide leadership and innovation in rural supply industry
- Critical mass to invest in new services and products to improve on-farm productivity and profitability
- Improved returns and ability to invest in expansion for shareholders
- Stronger business with enhanced career opportunities for staff

# Merger Overview

- Merger superior option
  - Alternatives investigated by boards of both companies
  - Friendly merger achieves best value outcome
  - And avoids takeover premium
- Will retain operational strength of both companies
  - ... and preserves staff and client relationships
- Backed by major shareholders
  - Wrightson: RPI 50.01%
  - PGG: PGC 55.4%

# Merger Overview continued

- PGG will be merger vehicle
  - Will be re-named PGG Wrightson
  - Will remain listed on NZX
- PGG will issue approx 1.028 new shares for 1 Wrightson share\*

\*Securities to be issued as part of the merger are not guaranteed by PGC, RPI or any other parties. This ratio is dependant on final dividends and the treatment of imputation credits by both companies.

- Board of 12 Directors
  - 6 PGG, 6 Wrightson
  - Chairman Bill Baylis (current PGG chairman)



# Merger Overview continued

- Shareholders agreement between RPI and PGC
  - pre-emptive rights
  - standard governance and consultation provisions
- Search for new CEO
  - existing CEOs strong candidates

# Merger Benefits

- EPS neutral in year 1 and strongly positive from year 2
- Synergies
  - First year \$10m gain matched by costs
  - Ebit impact \$20m approx in year 2
- Wider investor appeal – Top 20 listed company

# Merger Benefits continued

- Merger creates significant improvements

For clients:

- procurement efficiencies
- investment in new products and services
- efficient, professional delivery of services
- real partner focussed on improving client profitability and productivity

# Merger Benefits continued

For shareholders:

- Better placed to compete
- Able to invest for future growth
- Improved financial returns

For staff:

- Enhanced career and development opportunities

# Structural Overview

- Leading positions in all market segments in which PGG Wrightson operates
  - livestock, wool, farm supplies, seed, finance, real estate, insurance, irrigation and training
- 2700 staff
  - 2100 now in Wrightson
  - 600 now in PGG

# Structural Overview continued

- Christchurch based
- Regional administration centres in Dunedin and Napier
- Proposed that Porirua office closes over time

# Transaction Summary

- Court approved scheme of arrangement
- Shareholder approvals by special resolution
  - PGC and RPI have indicated that they support the proposal in principle
- Regulatory clearances sought

# Expected Timing

- Investment Statement and prospectus to shareholders early August
- Independent experts' reports
- Shareholder meetings early September
- Legal completion September

# Conclusion

- PGG Wrightson will deliver:
  - leadership and innovation in the rural supply industry
  - better delivery of services and products lifting on-farm productivity and profitability
  - improved financial returns and scale to invest
  - opportunities for staff