



FARMS OF
NEW ZEALAND

Media Statement

For Immediate Release

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Pāmu performs strongly despite Covid overhang; declares dividend

Landcorp Farming Limited (Pāmu) has delivered a strong performance for the year ended 30 June 2020, achieving EBITDAR of \$65 Million.

EBITDAR¹ is Pāmu's principal measure of performance, and this year's result was 91% above the figure achieved in the previous year². The company's revenue of \$251 Million, was a \$10 Million improvement over 2019, driven by increased milk and livestock revenue.

Chairman Warren Parker and Chief Executive Steven Carden said the result was very pleasing given the unique circumstances posed by Covid-19 and the worst drought conditions in Northland in half a century.

"Extreme weather events, an increasingly frequent challenge in farming were again anticipated and managed well. What we could not foresee was the disruption caused by a global pandemic. In both cases our team worked hard to make sure we came through with minimal impact on the business," Carden said.

Pāmu's pre-tax operating surplus for the twelve months to June 2020 was \$14 Million excluding the impact of fair value losses on financial instruments, biological assets and property, plant and equipment. Covid-19 particularly impacted the year-end values for Pāmu's 86,000 deer, reflecting this sector's high reliance on the food service sector. Dairy land values were moderated in line with national trends. After taking these movements into account the net loss after tax was \$24 Million.

The company has declared a dividend of \$5 Million, recognising the solid performance of the company, and in line with its desire to return capital to the shareholder where possible. It is the third consecutive year the company has paid a dividend.

Dr Parker said the result reflected strong productivity performance from the farm teams, along with an ongoing focus on cost containment.

"We were an essential service during the Covid lockdown, and the continued high demand for our products, including a strong milk price also helped our result.

"Ongoing strong prices for organic milk confirmed the company's decisions to convert six of our farms to organic over the last few years. We are the country's largest organic dairy supplier and our close monitoring of

¹ EBITDAR – Earnings before interest, tax, depreciation and amortisation and revaluations

² The underlying rise in EBITDAR is \$16m. The balance of the increase is attributable to the introduction of a new accounting standard (NZ IFRS 16) which requires the cost of leased assets to be recorded as interest and depreciation expenses.

the performance of this low input system, indicates further opportunity to convert our farms to organic systems.

“Our diversification into non-cow milks, such as sheep milk and deer milk, will help underpin the company’s performance in the upcoming years. Supporting this is the completion of the Melody Dairies milk drying facility in Hamilton this year, of which Pāmu is a 35% owner, which will increase processing capacity for specialty milks and offer a real land-use diversification option for farmers.

“The ongoing growth this year of the Spring Sheep milk business, of which Pāmu owns 50%, is testament to the important role Pāmu continues to play in driving innovation in New Zealand agriculture.

“Pāmu continued its strategic focus on alternative land use, with our initial avocado orchard planting on track for harvest in 2022 and another 1.8 Million forestry trees planted on land less suited to livestock.

“The company continued to be focused on reducing the environmental footprint of our operations and investing in the safety and development of our people.

“We saw a 20% reduction in our lost time injury rate this year, which is a result of a well embedded and focused health and safety culture in the business.”

Mr Carden said it was difficult to predict how the current year will play out for the company.

“It is clear that the full economic impacts of Covid-19 are yet to be felt. However, the sector’s ongoing strength through the initial phase of Covid-19 and the lockdown gives some confidence for the future despite the economic uncertainty posed by Covid-19.

“We are confident that the continued execution of our strategic direction and business plan will ensure we are well placed” Mr Carden concluded.

ENDS

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Editor’s notes:

- Pāmu is the brand name for Landcorp, a Stated Owned Enterprise, and one of New Zealand’s most innovative farmers and food businesses. It is also the name given to the quality products created by the company. Pāmu is the Māori word ‘to farm’ and reflects the deep connection New Zealanders have with the land, born from respect, and a genuine desire to protect and enhance the environments in which the company works. It’s a proud provenance that stands behind every product bearing the Pāmu name.
- Pāmu’s Integrated Annual Report for FY20 will be published at the end of September.