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ZESPRI ANNUAL MEETING
23 August 2023
CEO Address
Dan Mathieson

Tena koutou katoa

Thank you Bruce and good afternoon everyone.

I'm going to start with some thoughts on last season, before outlining why and how I believe we can succeed and respond to the challenges Bruce has outlined.

I'm also going to talk through what we're doing at Zespri to help ensure we build an industry fit for the future.

Financial Results

But firstly, on our financial results, they do reflect a very challenging year for all of us.

In total, we sold 183.5 million trays – back from the 201.5 million trays we sold the year before, and down on our initial expectations of a bigger crop.

Revenue from fruit sales decreased 3 percent to \$3.9 billion.

This saw direct payments to New Zealand growers decrease to \$2.2 billion, with returns down across all varieties.

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Zespri's global operating revenue was \$4.2 billion, down 5 percent on last year.

Our net profit after tax was \$238.7 million, down from \$361.5 million.

This was driven largely by reduced licence revenue, with fewer hectares released, as well as the cost increases we've experienced across our organisation and industry.

This meant that while our business is profitable, our New Zealand Supply segment returned a loss.

Workforce Capability and Productivity

As always, we're making every effort to operate efficiently and we've implemented measures to reduce costs.

People are our most important resource at Zespri, as well as one of our most significant costs.

Significantly less fruit and rising costs meant our Revenue per Employee fell from \$5.8 million in 2021/22 to \$5.1 million.

And we sold 219,000 trays per FTE, versus 260,000 trays the year before.

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The increase in headcount reflected our investment in building demand ahead of supply to support pricing and the implementation of our new digital systems through the Horizon Programme.

Our workforce planning is guided by long-term factors, including the need to have our marketing, sales and supply chain resources and capability in place to support the forecast growth in crop volumes.

We have also invested in building capability in strategic areas, including those critical to our ability to operate such as compliance, protecting our brand and growing value.

To manage our people costs in the current period of lower volumes, we have responded through a sinking lid policy, where only those roles deemed critical are replaced when staff leave.

We've prioritised resources into core areas that support value for growers - like better fruit quality management.

Our workforce size and employment costs are directly linked to, and constrained by, future volumes, and sales revenue growth, with an ongoing focus on cost management and realising economies of scale.

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To return more value to growers, we also need to address costs we're incurring on the supply side of the business.

This includes our cost of quality, which impacted grower returns across all varieties last season.

GREEN OGR VALUE CHAIN 2017-2023

The scale of those costs show just how much value we lost, and the importance of bringing quality costs back down as much as possible.

This should be towards the \$1.00 mark for Green and \$1.50 for SunGold Kiwifruit, recognising the ongoing climate-related challenges we are likely to see in the years ahead, and that the value of fruit loss and quality claims will increase over time.

GOLD OGR VALUE CHAIN 2017-23

Our results also reflect the broader challenges being felt across the primary sector, here and around the world.

It's tough for everybody.

But as you can see here, on the positive side, we're seeing freight and material costs starting to flatten out, or at least grow at a slower rate.



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The significant investment in creating demand ahead of supply we've built over many years, has allowed us to secure record prices.

Over many seasons, we have been focused on going further down the value chain, with prices increasing on the back of our demand-led strategy.

Building Back Stronger

As an industry we have taken encouraging steps with our quality management.

Like Bruce, I want to acknowledge the improvements we've seen off the back of considerable effort from the industry.

That includes more growers out on orchard to oversee their harvest.

And many more people focused on managing, monitoring and responding to fruit quality challenges at post-harvest facilities and at Zespri.

But while our results indicate we've reduced costs by keeping poorer quality fruit onshore this season, we're still receiving too much fruit that is failing to meet our industry standards.

It's why Zespri and the Industry Advisory Council has remained steadfast in maintaining our quality standards this year, even with much lower volumes.

We know this has been a point of contention for some growers.



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We've heard your frustrations about the volume of fruit that ultimately has not met our agreed thresholds for export.

We've had feedback that we are too market-led in our approach, and our commercial incentives don't reflect the challenges of growing fruit to meet those standards.

And while I do empathise with those challenges, we cannot compromise on quality.

Producing consistently good quality, great-tasting fruit, underpins our ability to secure strong repeat purchase and pricing and return greater value to growers.

Your input on how we can maintain that focus on delivering what the market wants, while ensuring we respond to the production environment you're operating in, is critical to finding the right balance.

Creating Value

One thing which should give us immense confidence, is that any fruit we get to market in the right condition, will sell and sell well.

And every year, it is selling better.

The fundamental drivers of value in market remain in our favour.

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We have a product people want because they know it is good for them and that it's grown in a way which they can support.

We've seen kiwifruit moving up the fruit bowl rankings, from 9th to 7th in our core markets in the last 4 years and Jiunn will talk more about that soon.

Our RubyRed Kiwifruit sales programmes through Asia have again performed well, attracting newer and younger consumers to the broader kiwifruit category.

There are encouraging long-term demand signals amongst our key markets of China, Europe and Japan, where our fruit sells at higher value to more people every year, in spite of the relative maturity of the markets.

Two of our key growth markets – North America and Vietnam – enjoyed strong growth last season.

Kiwifruit is becoming an increasingly preferred fruit, moving from 17th to 15th and 20th to 12th respectively, in those markets.

And we're looking at six markets for faster growth, including the UK, Switzerland, Portugal, India, Indonesia and Malaysia, where we expect volumes to double over the next decade.

We made more use of our popular Kiwi Brothers, using fewer but more impactful campaigns to deepen our connection with consumers, drive demand and increase greater efficiency of our promotional spend.

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We continued to invest in innovation, including our new varieties breeding programme through the Kiwifruit Breeding Centre and the research we've undertaken to support the industry's ongoing use of HiCane.

We've seen our ZGS performance improve, despite growers facing a number of significant weather events offshore, helping us meet the growing demand for our fruit.

And we've supported our communities through a number of community investment programmes, that look to help those most in need.

Zespri Operating Structure

We've also strengthened the voice of the grower within our business through changes to our executive structure.

These have been made to ensure we're in the best position to maximise long-term value for growers.

Having a Chief Operating Officer means a single leader with end-to-end responsibility through the supply chain, from growers to customers.

Jason Te Brake has been appointed to this position, bringing considerable commercial agribusiness knowledge and supply chain experience to the role.

I do want to thank Carol Ward for the great contribution she made over more than 20 years at Zespri, including driving our sustainability programme and helping establish the Kiwifruit Breeding Centre.

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And I also want to thank Linda Mills for stepping in to take on leadership of our Europe and North America team for a good portion of this year.

As part of our efforts to lift the connection between the industry and our key markets, our Executive Officers of Europe and North America, Greater China and Asia Pacific, now report to me directly, as Presidents of their territories.

We look forward to Steven Martina joining us as President of Europe and North America next month, bringing his extensive commercial leadership to this pivotal market.

Continuous Improvement

I also want to acknowledge that our team were under enormous pressure last year, and we didn't get everything right.

We know this has led to frustration amongst some growers and within the industry.

The forecasting mistake put additional pressure on you and for that we sincerely apologise.

Our systems were not set up to handle the volume of quality claims we were processing.



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Operationally, we struggled to respond well enough in Europe and other key markets to the significant quality challenges.

Despite the circumstances, we will learn from last year, knowing there are things we could have done better, and systems we can improve.

And as a global business operating in an increasingly complex environment, that will continue to be our focus.

Learning from any mistakes we make, and responding quickly to address these so that we don't repeat them.

Better Together

The reality is, we are all under pressure because of the challenges Bruce mentioned and we need to be prepared that some of these will continue.

The world is a more complicated place.

And while the scale and structure of our industry is a strength, it must be working well so that we can respond to our short and long-term challenges in a way that allows us to maximise value and protect our industry.

A short and long term focus

To help us prepare and respond, we are looking at three core areas:



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- The tactical responses we can implement now to maximise grower returns in the short term
- Designing a supply chain which maximises efficiency and returns and provides the agility, transparency and insights we need to respond to challenges quickly
- And in the longer term, our innovation investment which will allow us to create new sources of value and respond to the challenges we've talked about today, to build a successful industry for tomorrow

Maximising value now

On the first priority, finding more value for the fruit we grow now is critical to supporting your returns.

We know that's important to you.

In the recent grower survey asking for your priorities, 86% of you said fruit waste was an issue we needed to prioritise.

That means maximising value for our top quality fruit in the way we have been so successful at.

But it also means looking at other value-add opportunities.

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Where possible, adding more value through selling more of what we grow, without compromising the value of our premium fruit, so we can strengthen grower returns.

Of course addressing our quality issues, managing cost increases and 2024 season planning, are all part of this too.

Our key principles for 2024 season planning, which Jason will cover shortly, include:

- Preserving the high standard of fruit quality being delivered to customers and consumers in-market;
- Successful early start and smooth, consistent flow of fruit through harvest to maximise early season sales run rates and onshore capacity;
- Reducing unnecessary complexity throughout our supply chain;
- And industry collaboration and communication, to ensure we communicate as clearly as possible throughout the supply chain.

Supply Chain

This work on the supply side will inform our efforts to support a more resilient, agile, efficient and transparent supply chain.

While Zespri doesn't control the whole supply chain, we can positively influence a lot of it.

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That includes research and extension to transfer knowledge to growers to support orchard performance, along with our incentives to ensure the best fruit arrives at post-harvest in the best shape possible.

It includes adding efficiency and reducing complexity through things like fewer SKUs and better use of specialist offshore facilities for repacking.

And it includes working with post-harvest to maximise transparency for growers and our markets.

We want to see where issues are arising as early as possible, to allow us to respond quickly and effectively and to head off issues before they grow.

That would also mean more transparency for growers around how your fruit is performing and where value is being added and lost.

This was again, one of the issues you have told us is top of mind.

Future Focused Innovation

And most importantly there is innovation.

Sticking with the supply side, we remain focused on improving the varieties of today and of the future.

We're considering not just market, orchard and supply chain performance which are fundamental, but also varieties which grow in warmer climates.



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Longer term, we also need to consider what technologies might support that – for example, new growing systems which reduce exposure to the weather, support higher yields or are more labour friendly.

These are all current focuses of our research programme as we look into the future.

We're already seeing some positive progress and will have more to say on these over the coming year.

We also need to invest to meet regulatory challenges and the expectations of customers and consumers, which are becoming more stringent.

In the last year, we released our Climate Change Adaptation Plan and we will continue to do better when it comes to our carbon footprint and environmental impact, with issues like packaging top of mind for our consumers.

We have to innovate faster and make decisions which allow us to respond well.

And we have to continue to look after people working within our industry.

These challenges are real, but so is our ability to respond, if we continue to make the right decisions as an industry.



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Industry Alignment.

We need to address these issues in a well-structured way, with the industry having a strong voice in how we do so.

We've sought feedback from growers on how we do that, as part of work we've started on improving our industry alignment.

That's included understanding what you see as the priority issues through grower focus groups, surveys, Shed Talks and through NZKGI and IAC, as well as our general grower engagement.

The top themes which have come through most strongly include:

- Improved financials: strengthening returns across all varieties, but particularly for Green growers and reducing fruit waste so we maximise the amount of fruit we sell
- Improved incentives: aligning commercial incentives to our growing environment AND customer expectations
- Greater ownership: Lifting grower shareholding of Zespri and increasing the number of growers owning a licensed variety
- Enhanced supply chain transparency: Including better reporting, more clarity and flexibility in supply agreements, and a clear strategy for supply chain infrastructure development
- And our Future Issues Management: How we respond to the expansion of unauthorised G3 plantings in China, protect industry workers from



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exploitation, respond to climate change, and ensure offshore production supports our domestic industry too.

Collective decision-making and greater transparency

The greater complexity and the diversity of our industry, means it is crucial that everyone feels they are able to contribute.

I want to be clear that the voice of the grower will be at the centre of solution design and decision-making, and that transparency and accountability will be increased.

Future of Green

And we'll prioritise issues to address together.

A big focus of our early work must be looking at the future of Green.

We need to lift all grower returns, given it's been such a tough environment.

But we need to acknowledge the pressures our green growers in particular are feeling from increasing costs, greater competition, pricing pressure and reduced yields.

While some Green growers are doing well, it's become especially hard for growers who produce less than 10,000 trays a hectare.

That's despite many consumers around the world preferring Green, drawn to its sweet-sour flavour, and digestive health properties.

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We remain confident that if we can get the right volume of good quality Green through to our markets, we can sell it for good value.

However, we are also thinking longer term on how we can lift profitability for growers including by exploring alternative new green cultivars.

Future Outlook

If we get our priorities right as an industry, we have a huge opportunity in front of us and for those who enter our industry after us.

The demand in the market we have created outstrips our ability to supply it.

People want what we provide and they're willing to pay for it.

But we need to acknowledge others see that value and they want it too.

As tough as we're finding things at the moment, the world won't stand still waiting for us.

If we don't innovate and invest and adapt to meet the demand, someone else will.

Ultimately, we have to choose whether we want to meet that demand and agree on an ambition and strategy to realise it.

And we need to find a way to work better together to make more constructive decisions and see the industry for the whole that it is.

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All the parts need to work together for us to succeed.

That's why we're putting such a focus on industry alignment – getting closer together so we can address our challenges and unlock our potential.

Everyone should have the opportunity to take part in an ongoing, transparent conversation on the things that matter most to growers, to make sure we land in the best possible place.

It will require some hard conversations and for us to make some big decisions.

But by doing that, we'll ensure we're in the best position to maximise value, to strengthen the returns we provide to growers and our industry for generations to come, and to make greater contributions to our communities in the years ahead.

Thank you.