



Repurchase of Shares

1 June 2023

The New Zealand Merino Company Limited (NZMC) wishes to advise that it has repurchased 147,633 NZMC shares from two senior managers and one retired senior manager, pursuant to an arrangement entered into with them in 2011.

Under the 2011 scheme shares were issued to John Brakenridge (Retired Chief Executive), Peter Floris (Chief Operating Officer), Keith Ovens (GM Commercial) and Mike Hargadon (Retired GM Supply) in consideration for them forgoing their notional dividend/profit share schemes with the company.

Given the limited liquidity on NZMC shares at the time the agreement with these senior managers allowed them to require the company to buy-back the shares based upon an agreed formula.

The existence of this scheme, the parameters around it, including the extent of the liability, and the pricing formula have been fully disclosed in the NZMC Annual Report each year. The pricing formula is:

<i>Value per Share</i>	Total equity value/Total shares on issue
	Enterprise value
<i>Total Equity Value</i>	Less term debt
	Plus surplus cash
<i>Enterprise Value</i>	Assessed earnings x Earnings multiple
	Average of three years EBIT
<i>Assessed Earnings</i>	The last two full financial years (audited accounts)
	The budget/reprojected EBIT in year of notice
<i>Earnings Multiple</i>	5

In the past year the NZMC board and the participants in the scheme have discussed the future of the scheme. The participants have now elected to exercise their options and the company has agreed that given the changed context of the business now compared to 2011, including the removal of constitutional restrictions on share ownership, and the listing on the USX exchange it is appropriate for the scheme to be wound up.

John Brakenridge has previously sold all shares he owns to a third party so no longer has any shares that are eligible for repurchase under the scheme. The shares repurchased by the company therefore are:

Peter Floris 59,053 shares

Keith Ovens 44,290 shares

Mike Hargadon 44,290 shares

The consideration for the shares under the contractual formula is \$8.45 per share.

The repurchased shares will be held as Treasury Stock at this stage.

Following the repurchase of the shares under the scheme Peter Floris, Keith Ovens and Mike Hargadon all remain substantial shareholders in the NZMC business. Given this and the company desire to wind up the scheme the board has agreed to waive the original requirement that the participants must retain 20% of the shares issued under the scheme while they are employed by NZMC.

ENDS

THE NEW ZEALAND MERINO COMPANY LIMITED