



30 May 2023

Dear Growers and Shareholders

The Zespri Board has approved the final result for the 2022/23 financial year.

This summary covers:

- 2022/23 Total Fruit and Service Payment and Pool Results
- Non New Zealand Supply
- Zespri's corporate results and net profit after tax
- The final dividend for the 2022/23 financial year
- Margin Reset
- Results commentary
- Mystery Creek Fielddays

### Total Fruit and Service Payments

Grower returns have increased across all categories since the February forecast. This reflects the final reconciliation of this season's costs, and in the **organics pools**, an increase in Class 2 and Non-Standard Supply income which will result in higher than expected payments through to growers and help address grower cashflow.

Despite this positive movement, we recognise 2022/23 was an incredibly tough season for growers, with final per tray returns for Green and SunGold Kiwifruit below our season forecast range and organics returns at the lower end of the forecast range.

Overall, Total Fruit and Service Payments to growers (including the loyalty premium) in 2022/23 were \$2.24 billion, down from last year's record high of \$2.47 billion.

Zespri net global kiwifruit sales decreased 2.8 percent to \$3.92 billion, our second highest sales revenue result, with global operating revenue (including sales and licence income) of \$4.22 billion down from last year's record high of \$4.47 billion. Global sales volumes decreased from 201.5 million trays to 183.5 million trays in 2022/23.

Increasing costs across the global supply chain have resulted in grower returns decreasing this year. This has been driven primarily by a considerable increase in fruit quality costs, rising from \$306.8 million last year to \$534.1 million this year, with growers facing per tray quality costs totalling \$2.56 for Green, \$3.26 for Organic Green, \$3.44 for SunGold Kiwifruit and \$3.50 for Organic SunGold Kiwifruit.

Pools (Fruit Categories)	2022/23 Final (Per Tray)	2022/23 February Forecast (Per Tray)	2021/22 Final (Per Tray)	2022/23 Final (Per Ha)	2022/23 February Forecast (Per Ha)	2021/22 Final (Per Ha)
Zespri Green	\$5.78	\$5.55	\$6.35	\$57,636	\$55,395	\$75,494
Zespri Organic Green	\$8.68	\$8.04	\$9.74	\$60,912	\$56,398	\$67,752
Zespri SunGold Kiwifruit	\$9.97	\$9.79	\$11.51	\$137,524	\$134,962	\$176,026
Zespri Organic SunGold Kiwifruit	\$12.28	\$11.58	\$12.61	\$133,548	\$125,909	\$143,772
Zespri Sweet Green	\$6.87	\$6.31	\$7.82	\$41,761	\$38,366	\$54,609
Zespri RubyRed Kiwifruit	\$22.27	\$21.99	-	\$42,063	\$41,543	-

### Non-New Zealand Supply

Zespri's Non-New Zealand Supply season has also experienced difficult growing conditions, with sales of \$519.3 million in 2022/23 down from the \$536.9 million recorded in 2021/22.

Italian growers in particular have faced a challenging season, with extreme heat causing fruit size and quality issues, and leading to a decrease in grower returns. Our thoughts are with those who have been impacted by the devastating flooding that has occurred recently in Emilia-Romagna.

Our offshore production bases are a critical part of Zespri's supply strategy, helping Zespri to hold shelf space and maintain commercial partnerships to support the launch of our New Zealand sales season, helping deliver stronger returns to growers in New Zealand and around the world.

### Corporate result

Zespri's net profit after tax is \$237.8 million, down from the 2021/22 net profit after tax of \$361.5 million. The decrease in profit after tax is mainly driven by the reduction in licence income from \$436.7m to \$308.1m in 2022/23, with Zespri releasing fewer SunGold Kiwifruit hectares. Non NZ Supply segment profitability was \$29.6m, up \$2.7m on 2021/22, with reduced volumes offset by increased pricing and improved margin. The New Zealand supply segment has operated at a loss this financial year due to higher costs and reduced fruit volumes.

### 2022/23 final dividend

The Zespri Board approved the intention to declare a 2022/23 net final dividend of \$0.18 per share (with a Gross Dividend of \$0.24), expected to be paid in August 2023. This brings the expected total net dividend to \$1.17 (with a Gross Dividend of \$1.53) per share, down from \$1.78 (the gross dividend was \$2.36) in 2021/22. The 2023 final dividend will be partially imputed. Overall, for the 2022/23 financial year, imputation credits will have been attached to 80% of the total expected dividend.

## **Margin Reset**

The industry's enduring funding agreement provides for adjustment of Zespri's fruit margin percentage according to final financial results each year. As a result of the 2022/23 financial results and NZ Supply EBIT dropping below 0.5% of NZ supply sales (subject to final audit sign-off), the calculation leads to an upwards reset of 0.25% to 7.00% for the 2023/24 financial year.

This agreement has delivered significant value to growers through total fruit and service payments, with the margin having been reset downwards in four of the last five years on the back of strong results.

While Zespri is operating with good financial stability with a strong group profit, the New Zealand supply segment of the business returned a loss in the 2022/23 financial year and we are expecting lower fruit volumes in the 2023 season. The margin reset will help Zespri continue to support the New Zealand sales season and invest in initiatives designed to deliver increased value to growers and the industry. The impact of this reset on grower returns is estimated to be between \$0.02 and \$0.04 cents per tray.

## **Results Commentary**

Our 2022/23 season results reflect the challenging period the industry is experiencing, and while we were able to secure very strong pricing in the marketplace, grower returns have decreased on the back of the increasing costs we've faced across the supply chain.

Quality costs, freight costs, and post-harvest costs have risen, and business costs have been impacted by inflationary pressures. The significant rise in fruit quality costs we have experienced has been driven by less consistent fruit quality, stemming from the severe labour shortage and poorer quality harvest in the 2022/23 season.

The scale of these quality costs offers an indication of the size of the value in front of the industry if we can address our challenges which we have a proven track record of achieving. The Board acknowledges the considerable efforts already underway to deliver this through the implementation of the industry's Quality Action Plan.

The 2023/24 growing season has also been tough and we acknowledge the impact low yields and adverse weather events are again having on growers. With harvest for the 2023/24 season now nearing its final stages, we are continuing to see strong demand for our fruit, with our scale, our investment in building a global-leading fruit brand, and our demand-led strategy leaving us well placed to meet this demand and return more value to growers by delivering consistently high-quality fruit to our consumers.

The Board will continue to ensure Zespri is maintaining an appropriate level of spending and prioritising projects which deliver value for the industry.

## **Mystery Creek Fielddays**

Members of the Board, Dan, Jason and the Zespri team look forward to meeting with growers at this year's Mystery Creek Fielddays starting Wednesday 14 June 2023. Zespri, NZKGI, KVH and KBC will be on site to offer a brief update on this season from 12:00pm each day when growers are invited to join us for lunch. We'll also have some end of day refreshments available from 3.30pm each day and a light informal breakfast will be available from 10:00am at our site on Saturday morning.

We look forward to seeing you at Fielddays.

Best regards

Paul Jones  
Acting Chairman