



24 February 2023

Dear Industry Colleagues,

I write to update you on today's meeting of the Zespri Board of Directors which included discussion on the following topics:

- Cyclone Gabrielle
- February 2022/23 Financial Forecast
- Progress Payments and Loyalty
- Forecast corporate profit and dividend range
- 2023 Licence Update
- Zespri NZX Listing Update
- Grower Roadshow

Cyclone Gabrielle

On Tuesday, I joined Dan Mathieson and the NZKGI Chairman and CEO in visiting Gisborne and Hawke's Bay where we saw first-hand the devastation from Cyclone Gabrielle and met with a number of growers and industry representatives.

The Board extends its sympathies to those growers who are continuing to deal with the impact of recent challenging weather events including Cyclone Gabrielle which the Board discussed today.

We also wish to express our appreciation for the efforts of growers, post-harvest and industry representatives from across the country who have rallied to offer pastoral, financial, mechanical and physical support.

This response reflects the best aspects of our industry and Zespri will work closely with post-harvest operators and NZKGI to continue supporting affected growers. The Board will bring our discussion today into the Industry Advisory Council meeting on Monday.

February 2022/23 Financial Forecast

The Board has approved the February forecast for the 2022/23 season, the final forecast for this season.

The table below outlines February 2022/23 forecast OGR per tray and per hectare returns for each category compared to the previous November forecast.

Pools (Fruit Categories)	2022/23 February Forecast (Per Tray)	2022/23 November Forecast (Per Tray)	2022/23 February Forecast (Per Ha)	2022/23 November Forecast (Per Ha)
Zespri Green	\$5.55	\$6.13	\$55,395	\$61,304
Zespri Organic Green	\$8.04	\$8.83	\$56,398	\$62,075
Zespri SunGold Kiwifruit	\$9.79	\$9.81	\$134,962	\$135,377

Zespri Organic SunGold Kiwifruit	\$11.58	\$11.42	\$125,909	\$124,107
Zespri Sweet Green	\$6.31	\$6.16	\$38,366	\$37,437
Zespri RubyRed Kiwifruit	\$21.99	\$20.38	\$41,543*	\$38,501*

*NB: Zespri RubyRed Kiwifruit forecast per hectare return, in its first year as a commercial pool, has been influenced by a high proportion of productive hectares returning low yields impacted by vine age. Across the age profile, 8 hectares with a vine age of >2 years returned an average yield of 6,029 trays per hectare and a per hectare return of \$132,593 (November forecast: \$122,882). A further 51 hectares with a vine age of <2 years returned an average yield of 1,213 trays and a per hectare return of \$26,663 (November forecast: \$24,710).

As discussed in our recent Grower Town Hall conversations and in the Industry Update on 20 January, costs associated with fruit storage quality for Green and Organic Green growers were underestimated in the November forecast. The Board recognises how tough the impact of this has been on grower financial planning and is committed to providing growers with the most up to date financial information as part of our forecasting process.

The latest February forecast reflects the challenges our industry has experienced in the 2022 season with fruit quality. While we've seen some upside from favourable foreign exchange movements and lower spend across key markets, returns for each of the major pools are down from November's forecast, other than for Organic SunGold Kiwifruit.

The latest forecast average Green OGR per tray is down 58 cents from the November forecast reflecting increased fruit quality costs. Forecast average Organic Green returns are down 79 cents per tray from November's forecast, driven by increased fruit loss and quality claims in Europe and to a lesser extent, quality costs in Japan and North America.

The forecast total fruit and service payment, across all pools and excluding the loyalty premium, is \$2.16 billion.

Progress Payments and Loyalty

Based on the February forecast, March progress payments for Green and Organic Green growers will be limited to specific sizes.

The average March progress payment over all sizes is 3 cents per tray for Green and 4 cents per tray for Organic Green, but the impact for each individual grower will depend on their own size profile and their Post Harvest entity pooling rules and arrangements. There will be no April progress payments for these varieties.

A full breakdown of progress payments by size, and for Gold varieties, will be published in the February Kiwiflier next week.

Please contact your Post Harvest entity to understand the impacts specific to you, taking into consideration that they will need time to work through implications for each of their growers.

In light of the headwinds the industry is currently facing and as part of efforts to assist grower cashflow, the Board has today confirmed:

- That Zespri will pay the full 30 cents per Class 1 tray loyalty premium. Despite the reduced NZ Supply EBIT result this season, the Board decided to forego its option under the Loyalty Agreement to reduce loyalty payments.
- The final 10 cents per tray loyalty payment for the 2022 season will be brought forward and paid out in March 2023 alongside progress payments, across all Class 1 varieties. This supplements the early payment in February of 10 cents per tray, to assist with short-term grower cashflow.

- Submit payments for the 2023 season will be reviewed with an intention to increase these by 25 cents for Green and Organic Green, with submit payments for Gold pools to be confirmed shortly. This will be reviewed at IAC.
- Zespri will give consideration to the level of July progress payments as another option to help smooth grower cashflow.

Forecast corporate profit and dividend range

The forecast range of corporate net profit after tax for the year ending 31 March 2023 is \$217 million to \$227 million, including licence release income. This is down from last year's 2021/22 corporate profit after tax of \$361.5 million, with the bottom end of the range below the November 2022 forecast range. This has been driven by quality costs associated with our New Zealand supply business and a reduction in Non-New Zealand supply volumes.

The forecast net dividend per share range for the year ending 31 March 2023 is \$1.07 to \$1.11 per share (with a gross dividend per share of \$1.37-\$1.44). This range is inclusive of the 89 cents per share net interim dividend (a gross interim dividend of \$1.15) paid in August 2022, and the second net interim dividend of 10 cents per share (the gross interim dividend is 13 cents per share) paid in December 2022.

Zespri 2023 Licence Release

At the request of industry, the Board today reviewed the opening (reserve) price for both the Gold3 Open Pool (150ha Unrestricted Gold3 Pool) and the newly introduced Hayward/Sweet Green cutover licence pool (200ha Restricted Gold3 Pool), in the ascending-price open auction.

The opening price for both Gold pools will be reduced from \$340,000 (excl. GST) to \$225,000 (excl. GST) per hectare which equates to \$258,750 (incl. GST) per hectare. The reserve price now represents approximately a 50% discount on the 2022 minimum accepted price for the Gold pool and constitutes a starting point for bidding only. There is no change to the opening price for the Red pool.

While the Gold opening price has been reduced, this does not represent Zespri's assessment of the market value of licence, and the final licence price will be determined by grower bids and demand.

The reduction is an acknowledgement of reduced financial returns for Hayward growers and is designed to enable a more affordable entry price in the 2023 auction, assisting Hayward growers to convert to the Gold category. To keep consistency between both bidding Pools it was decided to also reduce the Unrestricted Gold3 opening price. Zespri encourages prospective bidders to seek their own financial and other professional advice prior to submitting bids in the auction process.

Growers are also reminded that if they wish to participate in any of the licence release auctions, they **need to register for pre-approval from Wednesday 8 March to Friday 17 March**. Growers are asked to complete the applicable Licence Application Overview and Rules forms which can be found on Canopy and send this to Cooney Lees Morgan by **Friday 17 March**. The deadline of Tuesday 28 February for registering a KPIN is only if a new KPIN is required to be created for a new development.

For any questions regarding the process please contact the Zespri Licence Team on 07 572 6440.

Zespri NZX Listing Update

The Board has confirmed that Zespri will proceed with plans to list on the NZX in late 2023.

An NZX listing is an important prerequisite to be able to implement initiatives designed to help unshared and “under-shared” growers become shareholders.

Zespri will be consulting with industry regarding potential initiatives under consideration after harvest concludes and is progressing the listing to support options for the future.

Listing on NZX will not change current restrictions on ownership of Zespri shares (NZ growers only), nor will Zespri be seeking to raise capital as part of this listing.

2023 Grower Roadshows

A reminder that Zespri’s next round of Grower Roadshows will commence next week, where Dan Mathieson, Directors and members of the team will be discussing the latest financial forecast, 2023 season planning including progress made as part of the industry’s Quality Action Plan, and a grower Q&A session.

The Board acknowledges this has been a tough start to the year for many growers and wishes the industry the best for the rest of the 2023 harvest and season ahead.

Best regards

Bruce Cameron
Chairman