



25 October 2022

Dear Shareholder

ACQUISITION OF NZM SHARES

As you will know, John Brakenridge has advised he will be moving on from his role as CEO of The New Zealand Merino Company Limited (NZM) with effect from 1 May 2023.

In connection with John's departure, NZM proposes to offer to acquire up to 267,401 ordinary NZM shares held by John and 35,306 ordinary NZM shares held jointly by John and Sarah Brakenridge, a total of 302,707 NZM shares (the *Shares*).

Board Chair Kate Morrison said the offer to acquire the shares reflects the regard the Board has for the contribution Mr Brakenridge has made to the company over his 27 years in the role.

The offer to acquire the Shares (the *Offer*) will be made pursuant to s 60(1)(b)(ii) of the Companies Act 1993 (the *Act*). The terms of the Offer are as follows.

- The purchase price will be \$8.47 per Share. This aligns with the independently-determined valuation of NZM shares, applied to the share based arrangements NZM has in place with a number of senior management personnel. The valuation multiple used in setting the purchase price is in line with (or below) multiples set in several independent valuations conducted on NZM in 2011, 2017 and 2020. Together this supports the Board's view that the purchase price is fair to NZM and to other NZM shareholders.
- The Shares will be acquired in two equal tranches, with the first tranche to be acquired on 1 May 2023 and the second tranche to be acquired on 23 October 2023.
- Immediately following the acquisition of the Shares, the Shares will be held as treasury stock by NZM to the extent the Act allows. Any Shares over and above the number permitted to be held as treasury stock will either be cancelled or may be placed on market for sale, to be determined by the Board.
- John and Sarah Brakenridge are also entitled to sell any of the Shares on USX or by any other permitted means. In the event they do so, the shares sold in that manner will cease to form part of the Shares acquired by NZM.

To initiate the Offer the Board has resolved the following:

- 1 The acquisition of the Shares under the Offer is in the best interests of NZM and of benefit to the remaining shareholders.
- 2 The terms of the Offer and the consideration offered for the Shares are fair and reasonable to both NZM and the remaining shareholders.

- 3 It is not aware of any information that will not be disclosed to shareholders:
 - 3.1 which is material to an assessment of the value of the Shares; and
 - 3.2 as a result of which the terms of the Offer and consideration offered for the Shares are unfair to the shareholders accepting the Offer.
- 4 The Board is satisfied that NZM will, immediately after acquiring the Shares, satisfy the solvency test applied under section 52 of the Act.
- 5 The Shares will not be deemed to be cancelled immediately on acquisition but will be held as treasury stock by NZM in accordance with section 67A of the Act.

This disclosure document is sent to you pursuant to section 61(5) of the Act.

Yours sincerely

A handwritten signature in black ink, appearing to read "Kate Morrison", followed by a period.

Kate Morrison
Chair
on behalf of the NZM Board