

21 May 2025

Dear Growers and Shareholders

## **RE: LaS/DaS Indicative Strike Price Range and Independent Valuation Report**

Strengthening grower ownership of Zespri is a key strategic priority for our industry.

Improving share alignment will align the commercial interest of growers, supporting industry unity and our ability to succeed and create value into the future. It will allow you to maintain control of your industry and help provide you with better financial security and control, offering another revenue stream through the performance of your marketer, encouraging Zespri's long-term growth, and supporting innovation and development. Ultimately, it will help protect the single desk and its ability to create wealth for you as growers.

### **Loyalty as Shares and Dividends as Shares**

We know you want us to improve shareholder alignment and we've been working with the industry and gathering your feedback to develop initiatives to help more growers into shares, focusing on key areas like affordability and ease of purchase while also making sure we're fair to existing shareholders.

The first two initiatives from those discussions are Loyalty as Shares (LaS) and Dividends as Shares (DaS) - where eligible growers can choose to receive their June loyalty payment from Zespri as shares and/or reinvest all or a proportion of their dividend payments as shares. These are ongoing initiatives and once you opt-in you will remain opted-in for subsequent years unless you decide to opt-out.

Growers will be able to opt-in to buy shares through these initiatives from 22 May. There is a range of supporting information on the Canopy, including offer documentation and a Product Disclosure Statement for an offer of ordinary shares in Zespri Group Limited which we strongly encourage you to read so that you can make an informed decision.

### **Indicative Strike Price Range and Independent Valuation**

As part of the LaS and DaS process, the Zespri Board has confirmed the indicative share strike (buying) price range for these initiatives.

**The range is \$5.55 to \$6.05 per Zespri share**, supported by an independent valuation from leading investment bank Northington Partners. The final strike price will be confirmed on 18 June. These prices exclude the estimated value of the dividends to be paid in July, as the shares associated with these initiatives are issued after the dividend record date and therefore will not receive a dividend until 2026.

The Board commissioned an independent valuation to provide an independent view of the market value for a minority parcel of Zespri shares. In preparing their report, Northington Partners relied on information from our 5-Year Plan, extending and amending those estimates based on their judgement. The valuation is based on profits from selling New Zealand-grown and ZGS kiwifruit, SunGold Kiwifruit licence releases in NZ to 2033, and PVR royalties (noting that the SunGold royalty expires in NZ in 2039). Northington Partners also considered the relatively illiquid trading of Zespri shares due to legislative and

constitutional restrictions, the limits on voting rights, and the cap on the total number of shares that you can hold based on the amount of fruit you supply to Zespri. I encourage you to read the report before making a decision on whether to buy shares under these initiatives.

The valuation range provided by Northington Partners is slightly higher than the indicative range approved by the Board. The variance in valuation range between the Zespri Board and Northington Partners relates to different licencing income assumptions in modelling the licence revenue to 2033. Northington Partners per hectare licence modelling assumptions are explained in their report on page 23. Internal modelling by Zespri using an alternative methodology results in very similar outcomes in the early years, but Zespri's model shows licence income dropping more in later years. As a result the Zespri Board's indicative range midpoint is \$0.16 lower per share than the midpoint in the valuation report.

We've made the full valuation report available to all growers and shareholders to ensure you have all of the information you need.

The LaS and DaS process will result in new shares being issued and additional capital due to the Loyalty and Dividend payments being retained to pay for the shares. Once we know the level of take up of the initiatives, the Board will decide on the appropriate level of capital required going forward. We have previously mentioned that we have received a binding ruling from the IRD to carry out a share buy-back tax free should we choose to conduct one, using capital from LaS and DaS to buy back shares. The Board will be discussing and deciding on this in July once we know the level of subscription to the two initiatives.

I strongly encourage you to read this valuation as part of your research and to seek independent financial advice as you consider whether to participate in the LaS and/or DaS initiatives.

The Board remains committed to lifting grower shareholding in Zespri which is fundamental to our industry's ability to succeed in the future, and I look forward to updating you on the final strike price for our Loyalty as Shares and Dividends as Shares initiatives in June.

Nathan Flowerday

Chairman

### Key Dates

<b>22 May - 6 June</b>	LaS/DaS offer opt-in period.
<b>18 June</b>	Final LaS/DaS Strike Price confirmed.
<b>19 June-26 June</b>	LaS/DaS opt-out period.
<b>30 June</b>	Assumed valuation date used in Northington Partners valuation report.
<b>4 July</b>	Dividend record date.
<b>11 July</b>	LaS shares issued.
<b>18 July</b>	DaS shares issued.



# Zespri Group Limited

## Independent Valuation

May 2025



 **Northington**  
Partners

# Important Notice

This report is dated 21 May 2025 and has been prepared by Northington Partners at the request of Zespri Group Limited (“**Zespri**”) for the purpose of providing the Board of Zespri with an independent assessment of the fair value of Zespri Shares (the “**Valuation**”). We understand the Valuation will be used to support the Board’s determination of the issue price for the proposed share offers by Zespri under the Loyalty as Shares (“**LaS**”) scheme and Dividends as Shares (“**DaS**”) scheme. This report, or any part of it, should not be reproduced or used for any other purpose.

Northington Partners was not engaged to provide any advice or assistance to any particular Shareholder or Producer. Neither this Valuation report (or the fact that it is being made available to Shareholders or Producers) nor the value range to which it refers are intended to provide, and should not be considered or construed as providing, any advice to any particular Shareholder or Producer on the value of Zespri or its Shares, the merits of, or whether to participate in, the share offers under the LaS scheme and DaS scheme, or whether to buy, sell or hold Zespri Shares.

Northington Partners has consented to the release of this Valuation and its disclosure on the Offer Register for offer number OFR13848. This report should be read in conjunction with the restrictions and indemnities outlined in Appendix 1.

Zespri shareholders should note the following important information in regard to this Valuation:

- The Valuation was prepared by Northington Partners for the purposes of assisting the Board in setting prices for proposed LaS and DaS schemes. The Valuation report did not include all the information that the Board may have required or which was necessary, for that purpose. The Zespri Board exercised its own judgement in considering and using the Valuation and determining a value(s) for the shares.
- The Valuation does not contain all information a shareholder may require or should solicit to form a view on the value of Zespri or the merits of whether to participate in the LaS or DaS schemes.
- This report was finalized on 21 May 2025 in relation to an estimated Valuation as of 30 June 2025. Issuance of Zespri shares under the LaS and DaS schemes will not occur until mid-July. There is no guarantee that the Valuation assumptions described in this report will still be relevant at that time.

In preparing the Valuation, Northington Partners relied on information supplied by Zespri (including forecasts) and/or taken from public sources, including information publicly released by Zespri. Northington Partners did not independently verify that information but has assumed that information to be true, complete, accurate and up-to-date. The Valuation was based on or referenced to:

- Prevailing market conditions and economic factors, including assumptions regarding future market conditions and Zespri’s view on the outlook for the kiwifruit sector; and
- Company forecasts and outlook assumptions provided by Zespri.

Business and economic conditions and what may represent a reasonable assumption or forecast can and do often change without notice or warning. Northington Partners made or adopted assumptions and forecasts which it considered reasonable, but those assumptions or forecasts may prove incorrect and be affected by changes in economic conditions and other circumstances. Northington Partners does not warrant that the assumptions are likely to be correct or that business forecasts will be achieved. Further, it cannot guarantee that during the timeframe between this Valuation report and the proposed LaS or DaS share issues, that the assumptions and Valuation will still be relevant at that time.

This Valuation report represents one source of information that Zespri shareholders may wish to consider when forming their own view on whether to participate in the LaS or DaS schemes. It should be read in conjunction with other information relating to Zespri and the LaS and DaS schemes including Zespri’s Product Disclosure Statement and the relating offer documents available on the Offer Register (found on the Disclose Register at [www.disclose-register.companiesoffice.govt.nz/](http://www.disclose-register.companiesoffice.govt.nz/) under offer number OFR13848).

It is not possible to contemplate all shareholders’ personal circumstances or investment objectives and our assessment is therefore general in nature. The appropriate course of action for each shareholder is dependent on their own unique situation. If appropriate, shareholders should consult their own professional adviser(s).

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# Section 1:

## Executive Summary



# Introduction and Background

Zespri has engaged Northington Partners to periodically provide an independent view of the market value for its shares. This report details our assessed valuation of Zespri shares in support of the 2025 LaS and DaS share issues.

## Introduction

Zespri Group Limited (“**Zespri**” or the “**Company**”) is a grower-owned and legislated “single desk” marketer of New Zealand kiwifruit exports. Zespri is responsible for kiwifruit innovation, supply management, distribution management and the licensing and marketing of various kiwifruit varieties including SunGold, Green and RubyRed. Zespri operates an integrated marketing system, comprising long-term partnerships between growers, post-harvest operators, port and shipping companies, distributors, wholesalers and retailers, all focused on delivering the highest-quality kiwifruit to consumers in over 50 countries. The key business segments and earnings drivers for Zespri are summarised in Figure 1.

In order to promote greater alignment between production and ownership of the Company, Zespri amended its constitution in 2018. Amongst other things, these changes introduced a share cap, restricted dividends to non-growers and provided a transition period for “overshared” growers to reduce their holding below the share cap.

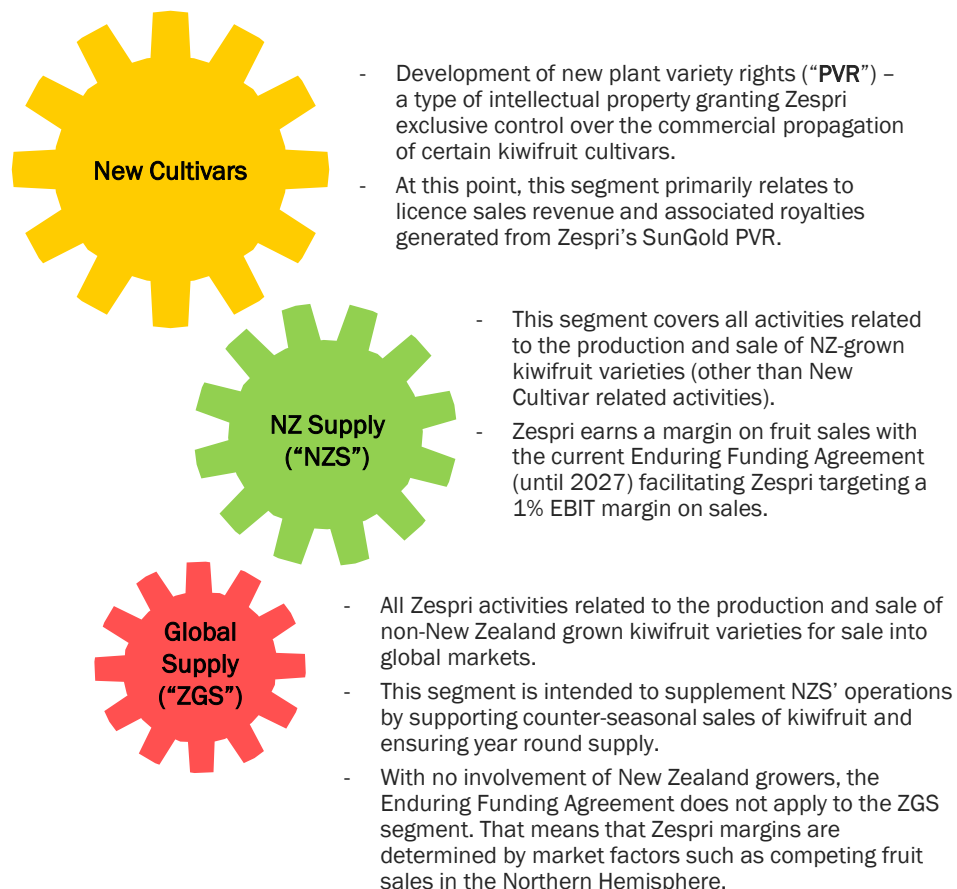
To further improve alignment between growers and shareholders, Zespri intends to facilitate the issue of shares to producers resident in New Zealand through the launch of the Dividend as Shares (“**DaS**”) and Loyalty as Shares (“**LaS**”) schemes which are scheduled for July 2025 and occurring annually thereafter. To support the issue price for the DaS and LaS offers, Zespri has appointed Northington Partners to undertake periodic independent valuations for Zespri shares (“**Valuation**”).

## Scope and Purpose

This report details our assessment of the “fair market value” of a minority parcel of Zespri shares as at 30 June 2025. We define fair market value as “*the price that would be negotiated in an open market between a knowledgeable, willing but not anxious buyer, and a knowledgeable, willing but not anxious seller, both acting at arm’s length*”.

- Our Valuation has been provided to assist the Directors of Zespri in determining the appropriate issue price under the DaS and LaS schemes; and
- In determining the Valuation, we have primarily relied on the financial information contained in Zespri’s 5-Year Plan and have applied a range of key valuation adjustments.

Figure 1: Zespri Business Segments and Key Value Drivers



## Valuation Assumptions

We have primarily relied on a DCF valuation for Zespri, with the majority of our forecast cash flow assumptions derived from Zespri's 5-Year Plan.

As a sales and marketing agent for global sales of kiwifruit, Zespri's valuation is largely driven by the profits and value derived from:

1. The margin generated from NZS export fruit sales. This is in turn driven by domestic orchard yields and the prices Zespri obtains for fruit sales (influenced by global demand and supply of kiwifruit varieties);
2. The margin generated from ZGS fruit sales, driven by ZGS SunGold orchard yields and the prices Zespri obtains for fruit sales; and
3. The profits related to selling PVR licences and the associated ongoing royalty income. Key drivers for this part of the business are the number and value of new licences sold each year.

We have primarily relied on a discounted cash flow ("DCF") valuation for Zespri, cross-checked against the comparable earnings multiples for its listed peers (principally Seeka and Scales Corporation). This approach reflects the unique attributes of Zespri's New Cultivars business (high profitability but limited life of the SunGold PVR) and lack of directly comparable companies with a similar cash flow and risk profile.

In order to capture the finite life of new licence sales for SunGold, our cash flow forecast period extends to FY2040. The key DCF assumptions around planted hectares, orchard yields and fruit pricing are derived from Zespri's 5-Year Plan (extrapolated out to FY2040) and are summarised in Table 1. We suggest that the 5-Year Plan reflects the best available estimates for key volume and price assumptions, but have made some adjustments (primarily to margins and New Cultivar licence hectare pricing) to reflect our assessment of the risk of achieving certain forecasts.

Our future cash flow forecasts reflect increased volumes and pricing with no explicit forecasts for poor harvest seasons. Instead this risk is incorporated into our discount rate. The assumed valuation date is 30 June 2025.

**Table 1: FY2026 – FY2040 Key DCF Valuation Assumptions**

<b>Kiwifruit Volumes &amp; Pricing</b>	<ul style="list-style-type: none"> <li>– 5-Year Plan to FY2029, Zespri forecast volumes to FY2035 with no volume growth thereafter. This includes increased fruit volumes from a total of 2,520ha of new SunGold plantings in ZGS (as approved by producers in 2024).</li> <li>– Overall annualized net fruit sales revenue growth (reflecting volume and pricing) between FY2026 and FY2040 of 4.5% and 9.2% for NZS and ZGS, respectively.</li> </ul>
<b>TFSP &amp; Loyalty Payments</b>	<ul style="list-style-type: none"> <li>– We assume fruit payments, which along with Zespri overheads, deliver a long-run NZS margin of 1.1% (see below).</li> </ul>
<b>NZS &amp; ZGS Margins</b>	<ul style="list-style-type: none"> <li>– Long-run EBIT margin of ~1.1% (after loyalty payments) assumed for NZS reflecting Enduring Funding Agreement targets.</li> <li>– A margin of ~4% for ZGS, reflective of historic levels and consistent with the 5-Year Plan.</li> </ul>
<b>New Cultivars</b>	<ul style="list-style-type: none"> <li>– Licence releases consistent with the mid-point of the 5-Year Plan (400ha in FY2027 and 425ha/year from FY2028 to FY2034), with no further releases thereafter.</li> <li>– Our estimate of SunGold licence value in each year is based on our evaluation of the economic value derived from the incremental cash flows from converting land to SunGold. This results in an average price of ~\$360k/ha over FY2027 to FY2034.</li> <li>– Royalties of 3.0% on SunGold and Ruby Red net sales from NZS growers, of which 1.65% is retained by Zespri (the remaining 1.35% paid to Plant &amp; Food Research).</li> </ul>
<b>Terminal Value</b>	<ul style="list-style-type: none"> <li>– No value assumed for New Cultivars beyond FY2040. This reflects our view that prospective investors would be unlikely to attribute any value to new PVRs until they were more commercially developed.</li> <li>– Value of NZS and ZGS for enduring operations beyond FY2040 assessed at 5.0x forecast FY2040 EBIT.</li> </ul>
<b>Discount Rate</b>	<ul style="list-style-type: none"> <li>– Our estimated post-tax cost of equity for Zespri is in a range between 10.75% and 11.25%. This includes a premium to reflect Zespri's unique horticultural, market and regulatory risks which are not captured in our cash flow forecasts.</li> </ul>
<b>Cash for Valuation Purposes</b>	<ul style="list-style-type: none"> <li>– Of Zespri's 31 March 2025 net cash of \$493m, we have assumed \$150m represents net cash for valuation purposes (noting much of Zespri's cash at 31 March reflects seasonal working capital factors or cash restricted in certain offshore markets to maintain Zespri's sales and distribution).</li> <li>– We have also increased our assessed net cash position for the subsequent SunGold May 2025 licence proceeds (net of tax) and deducted assumed dividends. After these adjustments, we assess Zespri's net cash position at \$98m as at 30 June 2025 for valuation purposes.</li> </ul>



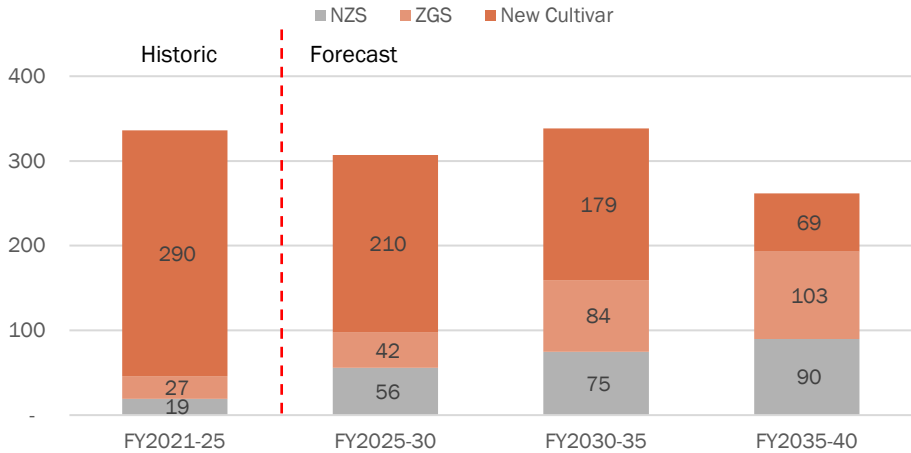
# Earnings Forecast Summary

Our DCF forecasts assume a significant change in Zespri’s earnings composition through time. New Cultivar earnings are expected to diminish as we approach the expiry of the SunGold PVR in 2039, offset by increased earnings contributions from NZS and ZGS.

Figure 2 summarises Zespri’s earnings by segment over the last five years, along with the projected earnings in our DCF forecasts for the subsequent five year periods out to FY2040. Key features include:

- **New Cultivars:** while New Cultivars have contributed a significant portion of Zespri’s overall earnings over the last five years (~86% of EBIT), this reflects the significant area of new licenced orchards (~3,000ha over five years) and licence pricing. Historic licence pricing reflects a range of factors (land values, grower sentiment, supply/demand, etc) and the longer period of PVR protection at the time.
- New Cultivar licence sales are anticipated to diminish over time before our assumption of them ending in FY2034. This is partially offset by increasing royalty income through to FY2040 when the SunGold PVR expires. No further income is assumed from New Cultivars thereafter reflecting our view that there is too much uncertainty regarding the timing and likelihood of commercial success for new cultivar opportunities.
- **NZS:** NZS’ more recent performance (FY2021-FY2025) has been impacted by fruit losses in FY2023 and lower volumes in FY2024. However, our forecasts assume a resumption of “normal” growing and harvesting conditions and results in NZS contributing higher earnings as new orchards mature and fruit volumes and assumed pricing increases (with the horticultural risks captured in the discount rate applied under our DCF value framework).
- **ZGS:** reflects the increased plantings in the Northern Hemisphere contributing to significantly higher volumes as the orchards mature. We also assume the continuation of higher EBIT margins (~4%) compared to NZS resulting in ZGS becoming a higher earnings contributor to Zespri than NZS.

Figure 2: Historic and Forecast EBIT (5-Year Average, \$m)



Source: Zespri Annual Reports, Northington Partners’ forecast assumptions. Excludes land & buildings.

## Valuation Conclusion

We have assessed an enterprise value range for Zespri of \$1,679 - \$1,874m. After allowing for net cash and discounts to reflect illiquidity and lack of control, we estimate a market value range of \$6.82 - \$7.41 per Zespri share (equivalent to \$5.67 - \$6.26 per share ex-dividend).

We estimate a DCF value for 100% control of Zespri of \$1,697 - \$1,874m on a cash/debt free basis. This implies an enterprise value to FY2025 EBIT multiple range of 8.1x - 9.0x. However, this value needs to be adjusted to reflect the fair market value for a minority parcel of shares with ownership restrictions and limited liquidity. We have applied discounts for two factors, summarised as follows:

- A minority discount to reflect that shares issued under the DaS/LaS are minority parcels of shares with no control over Zespri's strategy or dividend policy etc. This discount is typically in a range of 20% - 30% and we have applied a 30% discount for Zespri; and
- A marketability discount to account for the ownership restrictions on Zespri shares, the relatively limited market (~2,800 growers) and very low liquidity. Marketability discounts are also typically in a range of 20% - 30% and we have adopted 20% for Zespri. This value is consistent with the marketability discount directly observed for Fonterra farmer shares vs Fonterra investor shares.

Our DCF value excludes allowance for Zespri's cash position, the positive cash flow impact from the recently completed SunGold licence auction (mostly received in July), as well as assumed total cash dividends of \$1.19 per Class A share (as shares issued under the DaS / LaS will be issued ex-dividends).

After applying our assessed minority and marketability discounts of 30% and 20% respectively (compounding impact of 44%) and our cash adjustments, we estimate a post-dividend equity value range of \$5.67 - \$6.26 per Zespri share (\$5.96 mid-point). This is equivalent to a dividend inclusive range of \$6.82 - \$7.41 per share prior to Zespri shares going ex-dividend on 2 July 2025 (adjusted for Zespri's assumed dividends of \$1.15 per share<sup>1</sup>).

When excluding the value and earnings from the New Cultivars business (due to its unique value characteristics), the implied price to FY2025 earnings multiples for Zespri's underlying business are 10.4x - 12.4x. We consider that the implied value multiples are broadly consistent with the comparable companies (primarily Scales and Seeka), particularly after taking account of some of Zespri's key characteristics (high growth from NZS and ZGS but lower marketability due to ownership restrictions).

**Table 2: Valuation Summary (30 June 2025)**

	Low	High	Mid
<b>Enterprise Value (\$m)</b>	\$1,679	\$1,874	\$1,776
<i>Implied FY2025 EBIT Multiple</i>	8.1x	9.0x	8.5x
<i>less Combined Minority and Marketability Discount</i>	(\$739)	(\$824)	(\$782)
<i>plus Cash Adjustments (net of Dividends Payable)<sup>2</sup></i>	\$98	\$98	\$98
<b>Minority Equity Value (\$m)</b>	\$1,038	\$1,147	\$1,093
Value Per Zespri Share (ex-Div)	\$5.67	\$6.26	\$5.96
<i>Equivalent Value Prior to Dividends<sup>1</sup></i>	\$6.82	\$7.41	\$7.11
<i>Price / FY2025 EPS</i>	6.9x	7.6x	7.3x
<i>Adjusted P/E (ex. New Cultivars)</i>	10.4x	12.4x	11.4x

<sup>2</sup> Cash adjustments include our assessment of Zespri's net cash for valuation purposes after allowing for the proceeds of Zespri's May 2025 SunGold auction results and assumed dividends as detailed on page 30.

<sup>1</sup> While the assumed dividends are \$1.19 per Class A share, because Class B dry shareholders will not receive the dividend, the equivalent distribution is approximately \$1.15 per share across all shares (including Class B shares which are not entitled to dividends).

# Section 2:

## Zespri Overview

## Company Profile

Zespri is the world's largest marketer of kiwifruit, supporting growers in New Zealand's largest horticulture sector sell kiwifruit to more than 50 countries.

### Company

Zespri is a grower-owned commercial business that coordinates the distribution and sales and marketing of Zespri branded kiwifruit (including Zespri Green, Zespri SunGold, and Zespri RubyRed) to over 50 countries. Zespri works with New Zealand and international growers and post-harvest operators to source and supply Zespri quality kiwifruit through its distribution partners to wholesale markets and retail customers.

Much of Zespri's success has also been driven by its focus on brand-led market development. The Company has also developed:

- New and appealing cultivars, with SunGold being a standout success; and
- A non-New Zealand grower base in order to ensure year round supply and maintain retail shelf space. Key markets include Japan, China and Europe.

### New Zealand Kiwifruit Sector

The majority of Zespri's kiwifruit supply is sourced from ~2,800 New Zealand growers who operate over 14,500ha of registered kiwifruit orchards. New Zealand exports over \$3bn of kiwifruit with annualised 10-year volume growth of 7%. With 6% average price growth over the same period, the value of the New Zealand kiwifruit industry has increased annually by approximately 13% post-PSA (see Figure 4). Kiwifruit is by far New Zealand's largest horticulture export with FY2025 revenue expected to exceed \$3.5bn (wine is the second largest horticulture export category at ~\$2.2bn).

### Strategy

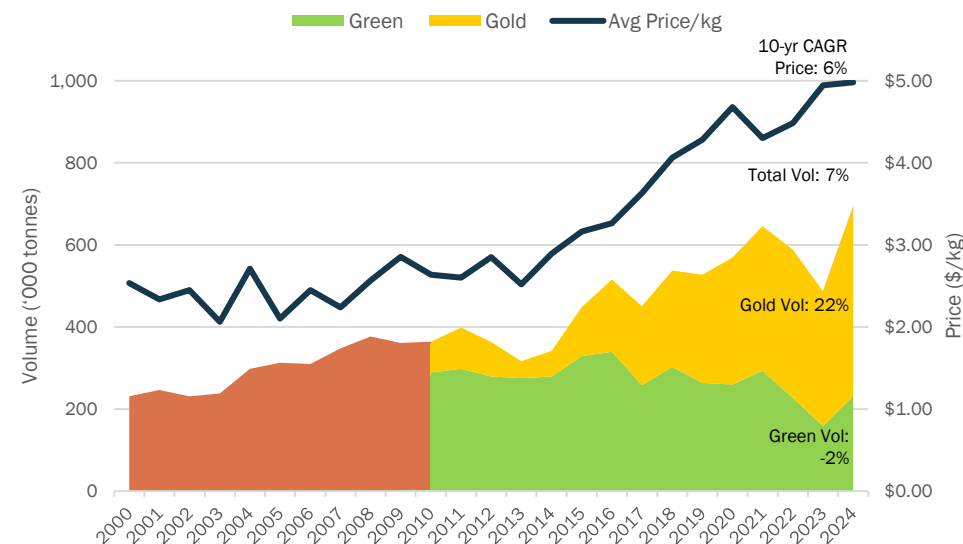
Zespri's strategy centres around developing new or more resilient cultivars and extending customer-led demand for fruit over 12 months of the year.

Zespri's partnership with Plant & Food Research focuses on developing new, improved and differentiated cultivars. These cultivars are designed to attract new consumers to the kiwifruit category and grow overall kiwifruit consumption, improve productivity and orchard performance and strengthen climate resilience.

Zespri's brand-led demand strategy continues to build demand ahead of supply to deliver significant growth in both volume and value. As Zespri is predominantly an exporter, maintaining current markets and expanding into new ones is an important aspect of its business. In this respect, China, Japan, and Europe are its most important markets.

ZGS supports Zespri's 12-month global supply strategy with emphasis on delivering value for growers via a focus on quality, continuously driving efficiencies through the supply chain and the wider business and fulfilling demand by being on the shelf 12 months of the year. In addition to NZS, ZGS is a key element of fulfilling the demand that Zespri creates. ZGS, unlike NZS, is also not subject to margin limitations set out in the Enduring Funding Agreement.

Figure 4: New Zealand Kiwifruit Exports by Volume ('000 Tonnes) and Average Price (NZ\$/kg)



Source: StatsNZ. Average price for Green and Gold FOB in NZ\$. No separation of Green/Gold available pre 2010

# Financial Summary

Zespri anticipates revenue and earnings growth to resume as orchard yields normalize after two poor seasons and the Company realises further benefit from increasing SunGold licenced hectares in NZS and increasing growing area in ZGS.

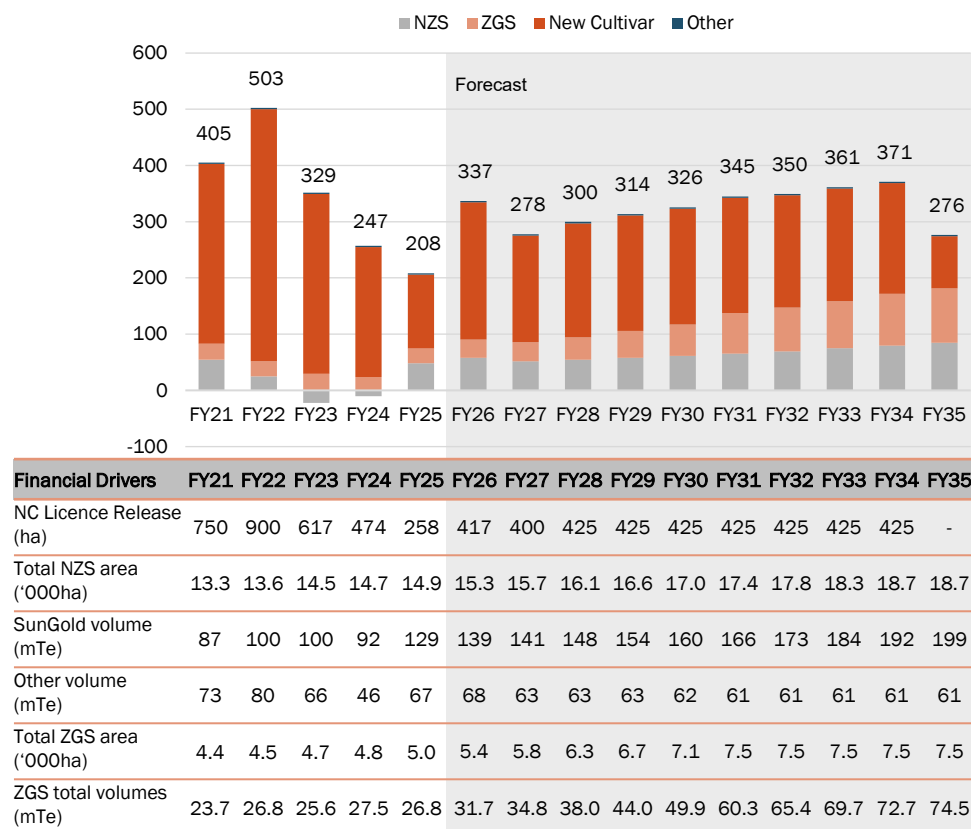
Despite two consecutive seasons of relatively poor performance in FY2023 and FY2024 (largely due to fruit losses in FY2023 and seasonally lower volumes in FY2024), Zespri has delivered historical EBIT in the range of \$247 - \$503m over the FY2021 – FY2024 period.

The largest contributor to earnings has been the New Cultivars segment, which has delivered ~90% of earnings over FY2021 to FY2024. While the performance of the New Cultivars segment is attributable to the value of SunGold, the earnings from this are expected to diminish as the SunGold PVR licence approaches expiry in 2039. Consequently, Zespri's future performance centres around:

- **New Cultivars:** earnings from the release of new licence hectares is assumed to cease by FY2035 and diminish over that period as auction prices are assumed to reduce. However, the reduction in new licence sales is offset by increased royalties from historic licenced area as orchards mature (ie. 100% of New Cultivar earnings in FY2035 relate to royalties and other income).
- **NZS:** the 2024 and 2025 seasons have been more consistent with historical trends supporting forecast earnings returning to the \$40m - \$50m level in FY2025 and FY2026 (post loyalty payment). For forecast purposes, we have assumed a continuation of "normal" seasonal returns supported by increased volume growth (from SunGold licence release). However, we have assumed NZS EBIT margins of 1.1% long-run to account for seasonal and performance risks.
- **ZGS:** Zespri's global supply business has been a relatively consistent performer through FY2021 – FY2024, contributing EBIT of \$24m - \$30m, but with growth limited due to restricted allocations of SunGold orchards. However, the producer vote in late 2024 allows for an additional allocation of up to 420ha of SunGold per year over 6 years which is assumed to result in increased earnings contributions as these orchards mature.

Collectively, while Zespri's FY2026 – FY2035 forecast EBIT is relatively flat compared to historic earnings, the compositional change is significant. New Cultivars' earnings contribution is forecast to reduce from ~65% in FY2025 to ~30% by FY2035 before abruptly disappearing in FY2040. This reduction is offset by the increasing contributions from NZS and ZGS.

Figure 5: Historical and Forecast EBIT (\$m) and Key Financial Drivers



Source: Zespri Annual Reports, Northington Partners' forecast assumptions. NZS EBIT presented post loyalty payments. Licence release includes SunGold and historic RubyRed release.

# Key Investment Attributes

Our valuation considers Zespri's unique value proposition arising from its monopsony position within the New Zealand kiwifruit industry, as well as the broader horticulture, market and regulatory risks faced by the Company.

## Investment Highlights

- 1. World's largest marketer of kiwifruit:** With over \$5bn of total revenue, Zespri is by far the largest and most influential global kiwifruit business. However, Kiwifruit still represents less than 1% of the global fruit bowl and the sector therefore has significant scope for further growth supported by its high nutritional value, long storage life and taste.
- 2. Single Point of Entry (SPE) status:** Zespri's unique regulatory position gives it the exclusive right (subject to collaborative marketing arrangements) to export kiwifruit to all countries other than Australia.
- 3. Zespri's brand offering:** Zespri has a strong brand position amongst top fruit brands in Zespri's core global markets, continuing to represent a trusted and valued consumer brand through premium quality, great taste and health benefits.
- 4. Strong track record:** Zespri has a demonstrable track record in profit growth and delivering value for growers through both the international marketing of fruit as well as commercial development of the Zespri brand and reputation.
- 5. Innovation in developing new cultivars:** Zespri invests heavily in its breeding program and R&D in cultivar development. With a consumer-led focus, this investment ensures Zespri and New Zealand growers remain global kiwifruit industry leaders.
- 6. Relatively stable and predictable cash flows:** Key horticulture and market risks are shared with growers. The agreement in place with growers over operating margins and loyalty payments act as effective shock absorbers for Zespri's earnings by significantly reducing year-to-year volatility (relative to growers). While there is greater uncertainty in relation to New Cultivar income, the high growth and relatively lower risk of the NZS business (and to a lesser extent ZGS) underpins Zespri's value.

## Key Risks

- **Loss of SPE:** While it is hard to determine the likelihood of Zespri losing its SPE status, any deregulation could have a material impact on Zespri's future earnings or viability. We suggest the biggest threats to Zespri's SPE status would result from a prolonged period of underperformance which eroded grower confidence/returns or from changes to the political environment affecting the sector (including challenges driven by industry participants).
- **Changes in consumer tastes or access to markets:** The export of kiwifruit is highly reliant on maintaining or growing the share of the "fruit bowl" and access to international markets. If market conditions changed such that kiwifruit became less desirable relative to other fruits or access to markets was restricted (for geopolitical, environment or other reasons), Zespri's earnings could be impacted.
- **Brand damage:** Zespri's global brand recognition is strong and synonymous with kiwifruit. Any damage to the Zespri brand through quality control, PVR infringement (including unauthorised plantings), supply chain issues, failure to meet customer expectations, etc could significantly impact on performance.
- **Competitor cultivars and obsolescence:** Zespri's proprietary cultivars, particularly SunGold, are a significant contributor to earnings and value. If competitors were successful in developing new cultivars with greater market appeal or if unauthorised plantings of Zespri PVRs impacted on popularity or pricing for SunGold, Zespri's earnings could be severely impacted.
- **New growing systems or genetic varieties:** New growing systems or genetic varieties of kiwifruit could deliver higher yields, impact on demand for Zespri varieties, or result in the commoditisation of fruit which would severely impact the New Zealand industry and Zespri's position within the industry.
- **Tension between grower shareholders and non-shareholder growers:** Zespri operates as a commercial entity but its ownership is restricted to growers. The current alignment between growers and shareholders is challenged by the fact that <50% of growers are shareholders. This results in natural tensions between grower shareholders seeking to maximise overall returns from both fruit payments and dividends (and the value of their shares) and non-shareholder growers seeking to maximise fruit payments. However, we note that recent changes to Zespri's capital structure and the DaS/LaS/buyback schemes are intended to ameliorate this tension.
- **Horticulture and environmental risks:** As a seller of fresh produce, Zespri is exposed to general horticulture risks (environmental factors impacting on fruit yields, losses or quality, pests and diseases). Zespri is also exposed to broader climate change issues. While these risks will likely have a greater impact on growers, any sustained effects or impacts which are not absorbed by growers will impact on Zespri's financial performance. This factor decreased earnings in FY23 and FY24 when loyalty payments were maintained and resulted in negative NZS EBIT.



## Section 3:

# Zespri Valuation – Framework and Key Assumptions

# Valuation Methodology

We have used a DCF model as our primary valuation approach for Zespri, with the value outcome cross-checked against earnings multiples for comparable companies.

## Valuation Methodology

For most assets, value should be determined as a function of the estimated level of cash returns that the assets are expected to generate in the future. The specific approach that is used to estimate this value is dependent on the nature of the asset and the expectations regarding future performance. The two main approaches usually adopted in the valuation of larger assets and companies are summarised as follows:

- **Earnings Multiple:** This method determines value by applying a valuation multiple to the assessed level of maintainable annual earnings (or cash flows), where the multiple is chosen to reflect the risk associated with the future performance of the asset. Depending on the nature of the business, multiples can be applied to earnings measured at various levels and often focus on EBITDA, EBIT or NPAT.
- **Discounted Cash flows:** A DCF approach is based on an explicit forecast of the annual cash flows that will be generated over a specified forecast period (typically between 5 and 10 years). The value of cash flows expected to occur beyond the explicit forecast period is incorporated into the valuation process by capitalising an estimate of maintainable cash flows for the terminal period.

We believe that the DCF framework is most appropriate for determining Zespri's value. This view reflects the following:

- A significant portion of Zespri's future earnings are expected to be derived from the sale of SunGold PVR licences. This revenue source has historically contributed up to 90% of earnings, and while this is expected to decline as the SunGold PVR expires in September 2039 (unless new PVR licence opportunities are commercialised), the licence revenue will remain meaningful. Because there are no comparable companies with a similar earnings profile to Zespri, an earnings multiple approach is difficult to apply;
- Zespri develops comprehensive financial projections for the industry as part of its annual five-year outlook ("**5-Year Plan**"). This is provided in order to support industry stakeholders with their own strategy and business investment decision making. We believe that these projections are based on a reasonable set of assumptions and reflect the Company's in-depth understanding of key cashflow drivers for the business;
- Zespri's value is highly sensitive to key assumptions, particularly its new cultivar licence revenue and ZGS strategy. We believe that DCF approach provides the best framework to incorporate the risks and value sensitivities into our value assessment.

We have also benchmarked the implied earnings multiples from our DCF valuation against earnings multiples from a number of comparable companies, with particular emphasis on Seeka (NZX-listed kiwifruit post-harvest operator) and Scales (NZX-listed owner of Mr Apple and significant post-harvest operations as well as global protein/pet food business). However, due to the magnitude of new cultivar licence earnings / value to Zespri, this value component has been backed out of our assessment at the DCF value in order to provide a meaningful comparison.

# Valuation Methodology (Continued)

## Valuation Framework

We have assessed Zespri's value using the "fair market value" standard, defined as follows:

*"Fair market value is the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, both acting at arm's length."*

We believe that this value standard is appropriate in the circumstances because it appropriately contemplates the value impacts of a minority position, as well as the illiquidity and marketability restrictions attached to Zespri shares.

## Forecast Assumptions and Segments

Our DCF valuation framework for Zespri is largely based on the latest 5-Year Plan prepared by the Company, and which has been extended to FY2035 by Zespri. We have extended the model by a further five years to FY2040 in order to capture the timing of the SunGold licence expiry in September 2039 (ie. during FY2040). The model therefore covers an explicit cashflow period of 15 years. We have also made a range of modifications to the model parameters provided by the Company to reflect our assessment of key input assumptions for valuation purposes.

We have valued Zespri on a component sum-of-the-parts approach based on the business segments reported in Zespri's Alternative Revenue Statement (NZS, ZGS, New Cultivars, Land & Buildings). This allows for historic comparison and sensitivity analysis of key assumptions impacting each segment.

A summary of the DCF structure is set out in Table 3, while details of the key input assumptions for each Zespri earnings segment are presented in the remainder of this section.

Table 3: DCF Model Structure

Parameter	Assumption
Valuation Date	30 June 2025 with certain modifications to account for events that happen immediately after 30 June (cash receipts from the May 2025 SunGold auction and dividends payments, both occurring in July 2025)
Financial year	Year ending 31 March FY2026 referring to period from 1 April 2025 – 31 March 2026
Model Term	15 years representing FY2026 to FY2040
Terminal Value	Nil terminal value for new cultivars (due to uncertainty around likelihood or earnings from new PVRs) Terminal value for NZS and ZGS based on our assessment of the enduring business earnings and higher degree of uncertainty at that time
Cash Flow Basis	Post-tax nominal
Cash Flow Timing	Mid-period discounting

## NZS Assumptions

The Enduring Funding mechanism agreed with suppliers means that establishing projections for key parts of the NZS business is relatively straight forward. Future earnings are highly dependent on volumes and fruit pricing, and our base case assumptions are derived from the 5-Year Plan.

Table 4: Key Valuation Assumptions - NZS

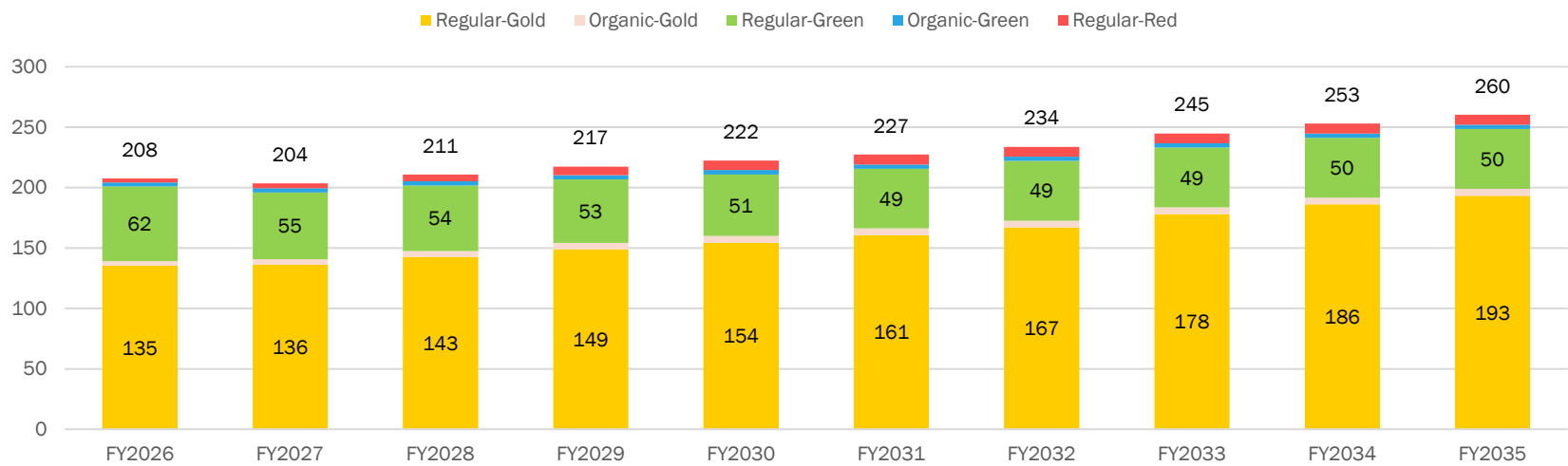
Assumption	Discussion																																										
1. Kiwifruit Volumes	<p>This section outlines the key assumptions underpinning total fruit production, including productive hectares and average yields per hectare for major fruit varieties. Our assumptions align with Zespri management and the 5-Year Plan, recognising that most changes in production area are linked to planned licence release auctions. The tables below illustrate the projected shifts in production area from 2025 to 2035, beyond which we assume a steady-state in both area and yield, reflecting assumed maturity and limitations on land availability for these varieties.</p> <div><div><p>Forecast producing area by fruit variety (Total hectares)</p><table><tr><th>Fruit type</th><th>2025 Area</th><th>2035 Area</th><th>CAGR</th></tr><tr><td>SunGold</td><td>8,626</td><td>11,825</td><td>3%</td></tr><tr><td>SunGold (Organic)</td><td>354</td><td>473</td><td>3%</td></tr><tr><td>Green</td><td>5,587</td><td>4,622</td><td>-2%</td></tr><tr><td>Green (Organic)</td><td>476</td><td>514</td><td>1%</td></tr><tr><td>Red</td><td>353</td><td>909</td><td>10%</td></tr></table></div><div><p>Forecast yield by fruit variety (TEs per Hectare)</p><table><tr><th>Fruit type</th><th>2025 Yield</th><th>Maturity Yield</th></tr><tr><td>SunGold</td><td>14,461</td><td>14,939</td></tr><tr><td>SunGold (Organic)</td><td>10,298</td><td>12,104</td></tr><tr><td>Green</td><td>10,763</td><td>10,579</td></tr><tr><td>Green (Organic)</td><td>7,710</td><td>6,892</td></tr><tr><td>Red</td><td>4,280</td><td>8,902</td></tr></table></div></div> <p>In line with management, we assume growth in total standard and organic SunGold producing area at a CAGR of 3%. This is consistent with planned license releases through to FY2034. Conversely, we assume a minor decline in Green orchard area over the projection period as growers continue to cutover to the higher yielding SunGold varieties. The corresponding increase in the Red variety is reflective of the scale-up of the current planted area, with no additional Red release assumed.</p> <p>Consistent with the 5-Year Plan, we have assumed modest increases in yields for SunGold varieties, alongside corresponding decreases in Green. The significant increase in yields for Red varieties over the next 10 years simply reflects the maturation of the current orchards.</p>	Fruit type	2025 Area	2035 Area	CAGR	SunGold	8,626	11,825	3%	SunGold (Organic)	354	473	3%	Green	5,587	4,622	-2%	Green (Organic)	476	514	1%	Red	353	909	10%	Fruit type	2025 Yield	Maturity Yield	SunGold	14,461	14,939	SunGold (Organic)	10,298	12,104	Green	10,763	10,579	Green (Organic)	7,710	6,892	Red	4,280	8,902
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# NZS Assumptions (Cont'd)

Table 4: Key Valuation Assumptions - NZS

Assumption	Discussion
1. Kiwifruit Volumes	Our resulting tray volumes are consistent with the 5-Year Plan to FY2034. We have assumed 417ha of SunGold release in FY2026, 400ha in FY2027 and 400ha each year thereafter until FY2034 (see New Cultivar assumptions). From FY2035 through to FY2040, we have assumed no further increase in planted kiwifruit orchard area, reflective of the cessation of license sales. There is however some modest volume growth as a result of ongoing orchard maturity.

Figure 6: NZS Kiwifruit Volume Forecast (million TEs)



The increase in tray volumes over the forecast period assumes global demand for SunGold continues to grow through Zespri’s marketing initiatives, with no significant impact of pests and diseases. We also note that this forecast assumes “normal” growing conditions in each year of the projection period, and therefore makes no allowance for the potential volume impact of a poor year or the possibility of a pest or disease outbreak. While growing conditions will clearly vary through time and volumes will fluctuate accordingly, we suggest that it is difficult to appropriately incorporate this variability into the projected future cashflows used in our valuation modelling. Doing so would require explicit assumptions around the likely timing and severity of the adverse events.

We have instead made an allowance for the volume and earnings volatility through the projection period via the risk premium incorporated into our required return on equity (see page 24).

## NZS Assumptions (Cont'd)

Table 4: Key Valuation Assumptions - NZS

Assumption	Discussion																																																																																				
2. Kiwifruit Pricing	<p>We have adopted price forecasts in line with Zespri’s 5-Year Plan. These forecasts represent a detailed bottom-up assessment of supply/demand dynamics in Zespri’s markets and we believe these represent the best available estimates for fruit value.</p> <p>Figure 7 summarises the forecast net price per tray equivalent for key fruit types and a weighted average of all NZS kiwifruit sales.</p> <p><b>Figure 7: Forecast net price per tray equivalent (\$NZ / TE)</b></p> <table><caption>Estimated data for Figure 7: Forecast net price per tray equivalent (\$NZ / TE)</caption><thead><tr><th>Fiscal Year</th><th>Gold</th><th>Gold (Organic)</th><th>Green</th><th>Green (Organic)</th><th>Red</th><th>Total average</th></tr></thead><tbody><tr><td>FY2025</td><td>24.0</td><td>27.5</td><td>16.5</td><td>20.5</td><td>29.5</td><td>22.0</td></tr><tr><td>FY2026</td><td>24.5</td><td>28.5</td><td>17.0</td><td>21.0</td><td>28.5</td><td>22.5</td></tr><tr><td>FY2027</td><td>25.5</td><td>29.0</td><td>17.5</td><td>21.5</td><td>30.0</td><td>23.0</td></tr><tr><td>FY2028</td><td>26.0</td><td>29.5</td><td>17.5</td><td>21.5</td><td>29.5</td><td>24.0</td></tr><tr><td>FY2029</td><td>26.5</td><td>30.0</td><td>18.0</td><td>22.0</td><td>30.0</td><td>25.0</td></tr><tr><td>FY2030</td><td>27.5</td><td>31.5</td><td>18.5</td><td>22.5</td><td>30.5</td><td>26.0</td></tr><tr><td>FY2031</td><td>28.5</td><td>33.0</td><td>18.5</td><td>23.0</td><td>31.0</td><td>27.0</td></tr><tr><td>FY2032</td><td>29.5</td><td>34.5</td><td>19.0</td><td>23.5</td><td>31.5</td><td>27.5</td></tr><tr><td>FY2033</td><td>30.5</td><td>35.5</td><td>19.5</td><td>24.0</td><td>32.0</td><td>28.5</td></tr><tr><td>FY2034</td><td>31.5</td><td>36.5</td><td>20.0</td><td>24.5</td><td>32.5</td><td>29.0</td></tr><tr><td>FY2035</td><td>32.5</td><td>37.5</td><td>20.5</td><td>25.0</td><td>33.5</td><td>30.0</td></tr></tbody></table>	Fiscal Year	Gold	Gold (Organic)	Green	Green (Organic)	Red	Total average	FY2025	24.0	27.5	16.5	20.5	29.5	22.0	FY2026	24.5	28.5	17.0	21.0	28.5	22.5	FY2027	25.5	29.0	17.5	21.5	30.0	23.0	FY2028	26.0	29.5	17.5	21.5	29.5	24.0	FY2029	26.5	30.0	18.0	22.0	30.0	25.0	FY2030	27.5	31.5	18.5	22.5	30.5	26.0	FY2031	28.5	33.0	18.5	23.0	31.0	27.0	FY2032	29.5	34.5	19.0	23.5	31.5	27.5	FY2033	30.5	35.5	19.5	24.0	32.0	28.5	FY2034	31.5	36.5	20.0	24.5	32.5	29.0	FY2035	32.5	37.5	20.5	25.0	33.5	30.0
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3. Pool Costs	<p>We have adopted Zespri management’s forecast for pool costs. These include direct costs such as freight, insurance, promotion and other direct costs. Total costs equate to approximately \$4.67 per tray in FY2026, increasing at a rate less than inflation. This reflects a marginal decrease in costs as a percentage of revenue attributable to NZ pools as Zespri continues to grow and achieves scale benefits.</p>																																																																																				
4. Fruit & Service Payments	<p>We have modelled Total Fruit &amp; Service Payments (“TFSP”) as the difference between revenue after total pool costs and the Zespri fruit return margin that results in our assumed Zespri EBIT as outlined in assumption 5. While we have not explicitly modeled how our assumed Zespri EBIT margin impacts TFSP vs Zespri overheads, the implied TFSP broadly ranges between \$15.70-\$22.00 per tray supplied over the FY2026 to FY2040 forecast period (including loyalty premiums).</p>																																																																																				

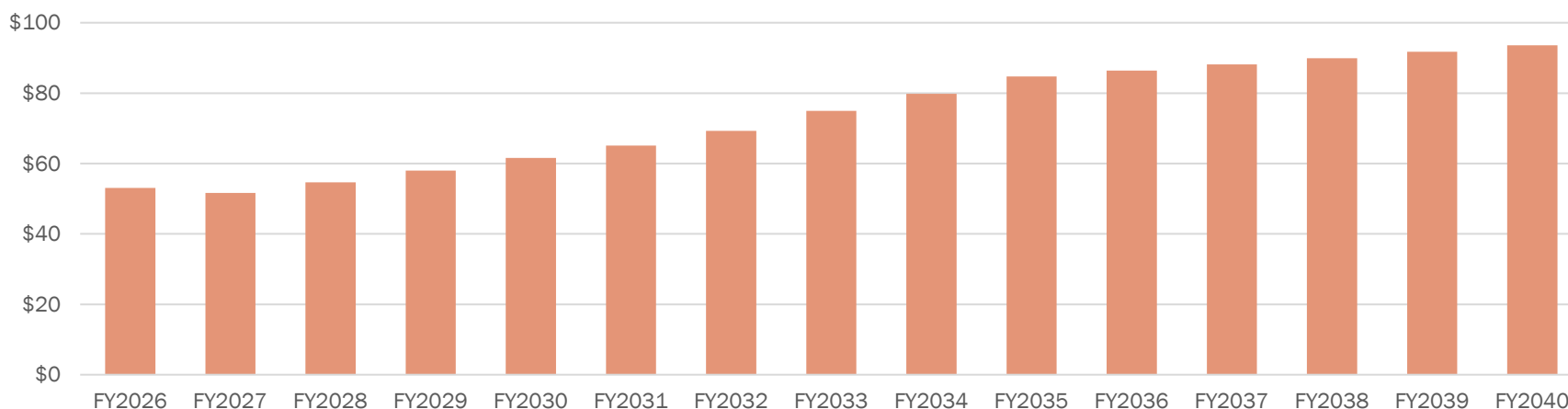


## NZS Assumptions (Cont'd)

Table 4: Key Valuation Assumptions - NZS

Assumption	Discussion
<b>5. Zespri EBIT Margin</b>	<p>Under the Enduring Funding Agreement with suppliers, NZS' fruit return margin on fruit sales is mandatorily scaled down by 0.25% if its average EBIT margin (post-loyalty payments) exceeds 1.2% over the 3 preceding years. Conversely, if the average EBIT margin falls below 0.5%, NZS may optionally increase the fruit return margin up 0.25%.</p> <p>Over the 8 years since the Enduring Funding Agreement has been in place, NZS has averaged an EBIT margin of 0.8% (post-loyalty). We note that this average was negatively impacted by the 2022 and 2023 seasons and if we exclude these years, the average was 1.3%. We also note that the agreement is due for renewal in 2027 for a further 10 years. The 5-Year Plan results in Zespri's EBIT margin exceeding the 1.2% threshold and therefore results in downward margin resets over the forecast period.</p> <p>Growers with a Zespri shareholding aligned with production (i.e. 1 share for each tray supplied) should be relatively indifferent to whether they receive the incremental return from changes to Zespri's margins through higher TFSP or dividends. However, given the significant portion of growers that are not shareholders, we believe that a margin persistently higher than 1.2% is unlikely to persist due to a variety of factors, including:</p> <ul style="list-style-type: none"> <li>- Weaker volumes or pricing due to a range of horticultural or market risks not explicitly forecast;</li> <li>- Grower resistance resulting in increased pressure for higher TFSP or loyalty payments; or</li> <li>- Zespri not achieving its operational efficiency targets (noting Zespri is targeting operating efficiencies to result in costs growing at rates lower than revenue growth).</li> </ul> <p>Therefore, rather than explicitly forecast the probability or impact of the factors above, we have assumed that NZS achieves an average medium to long-run EBIT margin (post-loyalty) of 1.1%, representing lower EBIT levels than under Zespri's 5-Year Plan. For simplicity, we have assumed the reduced margin is reflected in higher TFSPs (rather than higher operating costs). Figure 8 summarises our resulting NZS EBIT.</p>

Figure 8: Northington Partners' Forecast NZS EBIT (\$m)



## NZS Assumptions (Cont'd)

Table 4: Key Valuation Assumptions - NZS

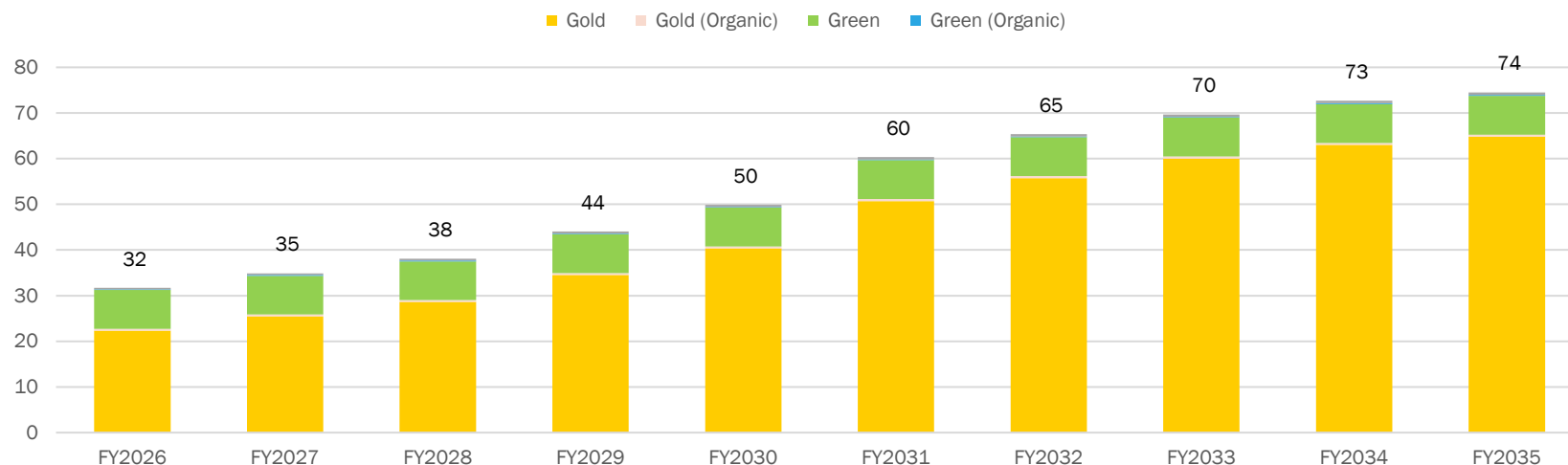
Assumption	Discussion
<b>6. Overheads</b>	<p>We have incorporated Zespri management's forecast for general overheads. This applies an efficiency adjustment whereby overhead growth is aligned with revenue growth less 1.25% to reflect scale efficiencies being achieved by the business. For example, business revenue growth of 5% would result in 3.75% overhead growth. Note that the overheads projections exclude Horizon digital transformation costs and innovation costs; these costs are incorporated into our valuation separately.</p> <p>From FY2036 onwards, we have increased overheads in line with projected inflation. This assumes no further growth in the scale of the business via current fruit types. While we recognise the possibility that Zespri will progress additional ventures over the forecast period which create further growth in the business and its cost base, no such opportunities are sufficiently advanced to include in the projection.</p>
<b>7. Loyalty payments</b>	<p>Zespri's grower loyalty scheme incentivises long-term supply by rewarding qualifying growers with a base payment of 25 cents per tray equivalent, plus 50% of earnings exceeding a 1% earnings-before-loyalty threshold. To qualify, growers must commit to supplying 100% of their Class 1 export kiwifruit to Zespri under a long-term agreement, ensuring stability in the supply chain.</p> <p>We have assumed that after the Enduring Funding Agreement is re-negotiated in 2027, this element of the agreement will remain in place with comparable parameters.</p>
<b>8. Capital Expenditure</b>	<p>We have adopted Zespri's estimate for capex to remain broadly stable over the forecast period at approximately \$18m per annum. Similarly, we have adopted Zespri's estimate for the remaining Horizon program spend of ~\$117m, spread over the period from FY2026 to FY2028.</p>

# ZGS Assumptions

Table 5: Key Valuation Assumptions - ZGS

Assumption	Discussion
1. Kiwifruit Volumes	Producers approved an additional 2,520 hectares of SunGold licences for the ZGS business in 2024. We have therefore projected an annual release of 420ha of SunGold licences over the next 6 years, leading to substantial growth in global SunGold supply over the next decade. We have assumed the ZGS business will reach a total of ~74m tray equivalents in FY2035. As with NZS, we have assumed constant fruit volume beyond FY2035 with an annual price increase of 2%.

Figure 9: ZGS Forecast Kiwifruit Volumes (Million TEs)



Green volumes are assumed to be procured locally in each ZGS market that meet Zespri's standards and contribute volumes of ~8.5m trays over the forecast period, consistent with recent levels.

We have made no allowance for RubyRed for ZGS despite the recent decision for the commercialisation of up to 170ha in Italy between 2026 and 2028. This reflects our view that a prospective investor would unlikely account for this until the opportunity is significantly more advanced. We also note the relatively low earnings contribution even if the full area was commercialised (i.e. less than \$2m EBIT to ZGS at full maturity assuming fruit yields achieved similar to New Zealand).

2. Margins	<p>Our assumptions regarding ZGS costs and margins align to the 5-Year Plan. To support growth, Zespri has entered supply agreements with Italian suppliers at lower margins than those previously obtained. This results in a marginal decrease in ZGS EBIT margin from 5% - 6% as was achieved over the FY2021 – FY2024 period, to ~4.2% over the forecast period.</p> <p>Following the expiry of the SunGold PVR in NZ in FY2040, we have assumed an EBIT margin of 2% in perpetuity to reflect an assumed increase in non-Zespri competition (particularly for SunGold).</p>
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# New Cultivar Assumptions

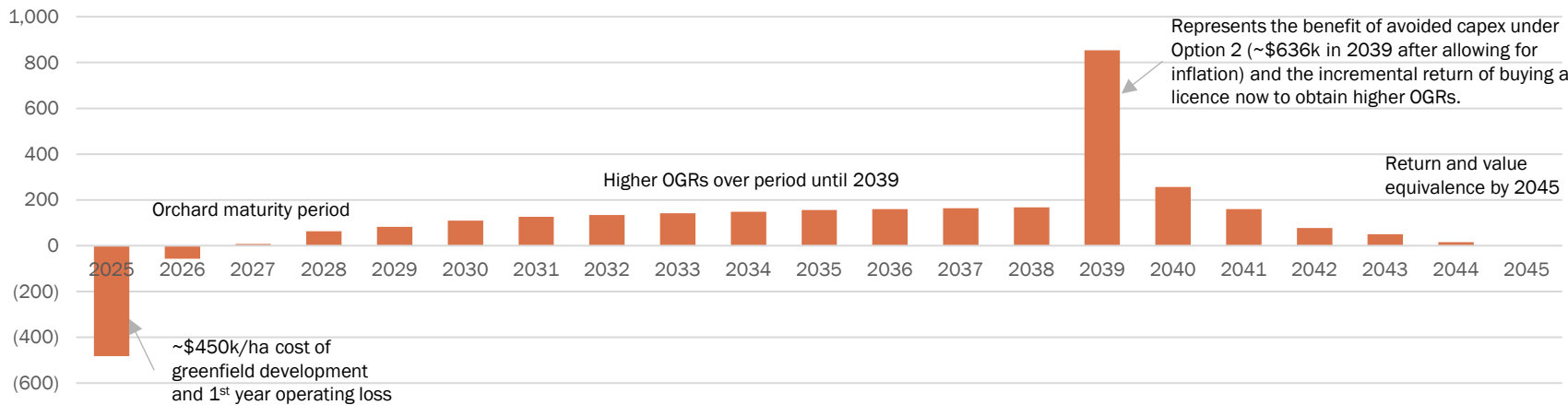
Table 6: Key Valuation Assumptions – New Cultivars

Assumption	Discussion
1. Cultivar Licence Pricing	<p>Our approach to assessing the value of new SunGold licences is to estimate the incremental value for a marginal licence buyer from converting their existing land use (e.g Green kiwifruit orchard, other horticultural crop or pastoral use) to SunGold. In effect, this approach explicitly compares the cash flows from the following two options:</p> <ol style="list-style-type: none"> <li>Maintaining the current land use and returns until 2039 when the PVR expires, and then converting to SunGold at that time with no associated licence payment; and</li> <li>Converting to SunGold now, incurring redevelopment costs but then receiving SunGold OGRs (which are expected to be much higher than returns from the current land use).</li> </ol>

The incremental cash flows from option 2 relative to option 1 represent the net benefits the new cultivar licence buyer expects to receive through time via improved land-use returns (ie. the value benefit they are paying for representative of the licence value). Figure 10 illustrates our estimates of incremental cash flows from redeveloping pastoral greenfield land into SunGold now (i.e. option 2 cash flows less option 1 cash flows). While buying a licence requires the grower to incur development costs up-front, the additional returns more than compensate for that expenditure.

The estimated value of the licence is equal to the total present value of the incremental cashflows, discounted at an appropriate required rate of return.

Figure 10: Land Use Change Incremental Cash Flows: Greenfield Development (\$'000 per hectare)



Note: development cost and SunGold OGR assumptions derived from industry benchmarks provided by Zespri. Assumes greenfield land value of \$70k / ha returning ~\$4k/ha.

## New Cultivar Assumptions (Cont'd)

Table 6: Key Valuation Assumptions – New Cultivars

Assumption	Discussion
<b>1. Cultivar Licence Pricing</b>	<p>We have estimated the incremental value of converting to SunGold in each year out to FY2039 using the framework outlined on the previous page for both greenfield land and cutover of Green orchards. Our discount rate has been determined by back-solving the implied pre-tax internal rate of return (IRR) based on the incremental cash flow framework for both the May 2024 and May 2025 auction results. Under this analysis we assess the pre-tax IRR in a range between 10% - 12% (the recent 2025 season being at the lower end and the 2024 season being at the higher end). We have used a blended average IRR from the 2024 and 2025 season results. Figure 11 demonstrates the resulting licence value per hectare under our value methodology.</p> <p><b>Figure 11: SunGold Licence Prices (\$'000s/ha)</b></p> <p>We note that the forecast SunGold licence prices are highly sensitive to key assumptions and may change significantly year-to-year based on a number of key drivers, including:</p> <ul style="list-style-type: none"> <li>- SunGold OGRs relative to alternate land use returns;</li> <li>- Grower's individual cost of capital influenced by sector performance, sentiment and availability of credit / capital;</li> <li>- Scarcity of licence hectares, impacted by demand / supply for SunGold fruit, availability of suitable land and Zespri licence hectare released (Zespri has significant control over this aspect); and</li> <li>- The overall global demand outlook for SunGold.</li> </ul> <p><b>In order to account for the year-to-year uncertainty, we have adopted annual values that represent a 10% discount to our modelled price path from FY2027 onwards.</b></p>
<b>2. Hectares Released</b>	<p>We have assumed a SunGold licence release consistent with the 5-Year Plan (other than the actual 417ha for the recent FY2026 auction):</p> <ul style="list-style-type: none"> <li>– 400ha in FY2027; and</li> <li>– 425ha each year between FY2028 and FY2034. This represents the mid-point of the range included in the 5-Year Plan of 350 – 500ha.</li> </ul> <p>We note that while our assessed licence values remain positive until FY2039, we have maintained Zespri's assumption that licence releases will end in FY2034 due to the expected uncertainty around land availability and SunGold supply/demand.</p> <p>While it may be reasonable to expect that Zespri will also continue to develop new cultivars, we have not factored any other new PVRs or licence releases into our forecasts (including Red). This reflects our view that prospective investors would not attribute any value to existing R&amp;D until commercialisation was significantly advanced.</p>
<b>3. Royalty Income</b>	<p>Royalty income of 3.0% is assumed on the net sales for SunGold and RubyRed. Of this 1.35% is paid to Plant &amp; Food Research with Zespri retaining the remaining 1.65%. The NZ SunGold PVR expires September 2039.</p>
<b>4. Operating Costs</b>	<p>The main New Cultivars operating costs relate to innovation and commercialisation costs and overheads which amounted to \$38m in FY2025. Forecast costs are assumed to increase in line with management estimates thereafter.</p>

# Terminal Value and Discount Rate Assumptions

Table 7: Key Valuation Assumptions - Other

Assumption	Discussion																
<b>1. Terminal Value</b>	<p>The terminal value represents the enduring value of Zespri beyond the explicit cash flow forecast period. We have not attributed any terminal value to New Cultivars beyond the cash flows generated over the NZ SunGold PVR licence period to FY2040 (licence and royalty revenues) but believe attributing a terminal value to the NZS and ZGS businesses is appropriate. These components of Zespri are reasonably expected to continue successfully beyond FY2040.</p> <p>Accordingly, we have incorporated a terminal value for:</p> <ul style="list-style-type: none"> <li>NZS based on its FY2040 forecast EBIT and applied a terminal EBIT multiple of 5.0x.</li> <li>ZGS assuming a lower terminal EBIT margin (2%) to reflect our assessed impact of competition following NZ SunGold PVR expiry and then applied the same 5.0x terminal EBIT multiple.</li> </ul> <p>We note that the adopted terminal EBIT multiple of 5.0x is considerably lower than the multiple for Zespri's peers (see page 33) or what we would ordinarily apply to the short-term EBIT for NZS and ZGS. However, this reflects our view of the elevated risks beyond the forecast period, including regulatory (SPE status) and obsolescence risk (including commoditisation of fruit varieties or reduced popularity).</p>																
<b>2. Discount Rate</b>	<p>We have discounted the forecast future cash flows and terminal value using an adopted cost of equity of 10.75% - 11.25%. We have estimated the cost of equity using a Brennan-Lally form of the capital asset pricing model ("CAPM") commonly applied in New Zealand. The key CAPM assumptions are summarised in Table 8.</p> <p><b>Table 8: Cost of Equity CAPM Assumptions</b></p> <table> <tr> <td><b>CAPM Formula</b></td><td><math>\text{cost of equity} = R_f(1 - T) + (\beta \times \text{TAMRP}) + \alpha</math></td></tr> <tr> <td><b>Risk Free Rate (R<sub>f</sub>)</b></td><td>4.7% (current 10-year government bond rate)</td></tr> <tr> <td><b>Leverage (D/E)</b></td><td>0% (reflects Zespri's policy of using limited debt funding and typical net cash position)</td></tr> <tr> <td><b>Tax (T)</b></td><td>28.0%</td></tr> <tr> <td><b>Equity Beta (β)</b></td><td>0.6 - 0.7 based on assumed asset beta of 0.6 - 0.7 (derived from comparable companies and our assessment for a monopsony business similar to Zespri) but with leverage of 0%.</td></tr> <tr> <td><b>Market Risk Premium (TAMRP)</b></td><td>7.0% as commonly used in NZ</td></tr> <tr> <td><b>Specific Equity Risk Premium (α)</b></td><td>3.0% - 3.5% While the estimated cost of equity is nominally based on the CAPM, we have also applied an additional equity premium to reflect the risk inherent in the growth profile incorporated into the DCF cash flows (particularly uncertainty in New Cultivars) and unique horticulture/market risks not necessarily captured within the equity beta. We suggest that investors would expect a return premium to compensate for the higher level of uncertainty and risk associated with the assumed growth profile as well as industry specific risk factors not reflected in the cash flows. Consequently, we have assumed an equity premium of 3.0% - 3.5%.</td></tr> <tr> <td><b>Cost of Equity</b></td><td>4.7% x 72% + (0.6 x 7.0%) + 3.0% = 10.58% 4.7% x 72% + (0.7 x 7.0%) + 3.5% = 11.28% 10.75% - 11.25% adopted</td></tr> </table> <p>We note that the discount rate is intended to incorporate the risk factors Zespri is exposed to that cannot be reduced through portfolio diversification. We consider that the standard form of the CAPM would under-compensate for Zespri's risks and have therefore added the equity risk premium to allow for these risks (horticulture and market risks as well as company specific risks including SPE status, competing cultivars, new growing systems and unauthorised plantings, etc). Given the forecast risks in each Zespri segment (e.g. New Cultivars vs NZS) also differ, rather than use individual discount rates for each segment, we suggest that a blended rate is appropriate.</p>	<b>CAPM Formula</b>	$\text{cost of equity} = R_f(1 - T) + (\beta \times \text{TAMRP}) + \alpha$	<b>Risk Free Rate (R<sub>f</sub>)</b>	4.7% (current 10-year government bond rate)	<b>Leverage (D/E)</b>	0% (reflects Zespri's policy of using limited debt funding and typical net cash position)	<b>Tax (T)</b>	28.0%	<b>Equity Beta (β)</b>	0.6 - 0.7 based on assumed asset beta of 0.6 - 0.7 (derived from comparable companies and our assessment for a monopsony business similar to Zespri) but with leverage of 0%.	<b>Market Risk Premium (TAMRP)</b>	7.0% as commonly used in NZ	<b>Specific Equity Risk Premium (α)</b>	3.0% - 3.5% While the estimated cost of equity is nominally based on the CAPM, we have also applied an additional equity premium to reflect the risk inherent in the growth profile incorporated into the DCF cash flows (particularly uncertainty in New Cultivars) and unique horticulture/market risks not necessarily captured within the equity beta. We suggest that investors would expect a return premium to compensate for the higher level of uncertainty and risk associated with the assumed growth profile as well as industry specific risk factors not reflected in the cash flows. Consequently, we have assumed an equity premium of 3.0% - 3.5%.	<b>Cost of Equity</b>	4.7% x 72% + (0.6 x 7.0%) + 3.0% = 10.58% 4.7% x 72% + (0.7 x 7.0%) + 3.5% = 11.28% 10.75% - 11.25% adopted
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<b>3. Tax</b>	<p>We have assumed an overall corporate tax rate consistent with Zespri's historical rates, with adjustments to reflect expected profitability for Zespri's local and international entities based on corporate tax rates in each jurisdiction. Over the forecast period, this results in an applied effective corporate tax rate of between 28% - 29%.</p>																

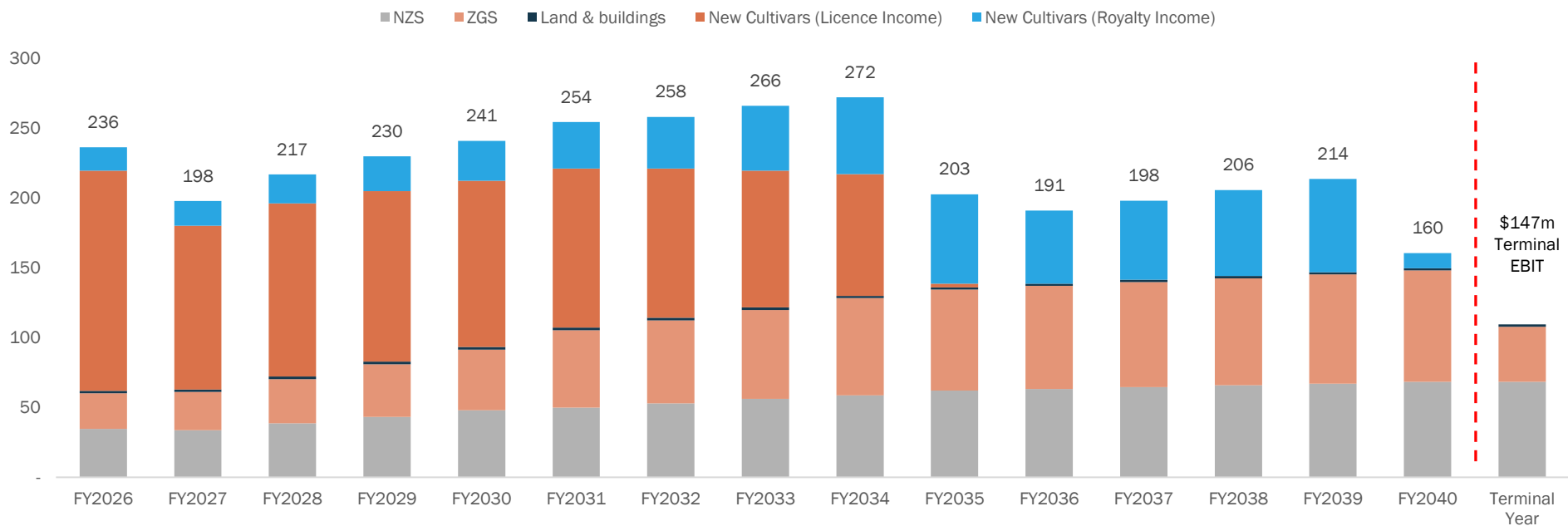


# Summary DCF Cash Flow Forecasts

While Zespri’s cash earnings are relatively flat over our 15-year forecast period, the composition of earnings changes considerably as reduced New Cultivar licence cash flows are replaced with increased margins on NZS and ZGS.

Figure 12 summarises our DCF cash flow forecasts by segment after capex and tax.

Figure 12: Assessed Post-Tax Cash Flow Forecasts by Segment (\$m)



## Section 4:

### Zespri Valuation Conclusion

## Enterprise Value

We assess the enterprise value of Zespri in a range between \$1,679m and \$1,874m on a 100% control basis. However, this value does not incorporate an appropriate discount for a minority shareholding in a company with ownership restrictions.

### Enterprise Value

Based on our DCF valuation framework, we assess an underlying value range for Zespri at \$1,679 - \$1,874m. This outcome is summarised in Table 9. However, this represents the value for a 100% control position, the value we would attribute to Zespri if an acquirer was capable of acquiring 100% of the Company without ownership and fruit producer requirements. It is considerably higher than the value we would expect Zespri shares to trade between growers or the value we would expect Zespri to issue shares under the DaS or LaS schemes. It also represents the value of Zespri on a debt and cash free basis, prior to our assessment of net cash and the impact of dividend payments which will be paid prior to the issue of LaS and DaS shares.

We have therefore made the following adjustments to the assessed enterprise value in order to determine an appropriate fair market value for a minority parcel of Zespri shares:

1. Appropriate discounts to reflect both a minority position and Zespri's marketability restrictions which impact on shareholders' ability to buy and sell Zespri shares. We consider these factors on pages 28 and 29;
2. Our assessment of Zespri's current net cash position which impacts on equity value. This includes the following components (as discussed on page 30):
  - i. Our estimate of Zespri's net cash position for valuation purposes as at 31 March 2025 (i.e. prior to the recent SunGold auction and any Zespri dividends);
  - ii. The recent proceeds from the May 2025 SunGold licence auction which are not incorporated into our DCF valuation forecasts and instead treated as a cash item; and
  - iii. Zespri's assumed final FY2025 dividend and interim FY2026 dividend of \$0.21 and \$0.98 per Class A share respectively (\$211m cash in total) which all else equal, reduces our equity value by an equivalent amount (we note that because we only reduce the value by the total cash distributed from Zespri to shareholders, across all shares including Class B, the FY2025 final and FY2026 interim dividend are equivalent to \$0.20 and \$0.95 per total shares on issue respectively, or \$1.15 in total). While our valuation date is 30 June and the dividends are not paid until July, this adjustment is necessary because the shares issued under both the LaS and DaS schemes are issued "ex-dividend" (i.e. they are not entitled to the dividends).

**Table 9: Assessed Enterprise Value (\$m)**

\$m	Low	High
DCF Value of FY2026 – FY2040 Cash Flows	\$1,529	\$1,690
Present Value of FY2040 Terminal Value	\$149	\$183
<b>Enterprise Value (100%)</b>	<b>\$1,679</b>	<b>\$1,874</b>
<i>Multiple of FY2025 EBIT</i>	8.1x	9.0x

## Minority and Marketability Discount

Our DCF valuation reflects the value for a 100% control position, and we therefore believe material adjustments are needed to reflect both a minority position and Zespri's marketability restrictions.

### Equity Discount

The value for 100% of Zespri represents a different standard of value compared to the relevant standard for shares trading between growers (or pricing for the LaS / DaS schemes). Both the traded market value of existing shares and the issue price for shares under the LaS/DaS schemes should reflect that the shares:

- Represent a minority parcel with limited control over the operations of the Company; and
- Are trading in a market where there are restrictions on ownership which limits liquidity and price discovery.

We believe that a discount should be applied to the value of Zespri to account for these two factors. This is consistent with empirical studies on discounts and other directly relevant examples, including Fonterra where shares in the farmer only market trade at a persistent discount to the investor shares (see further detail on the following page).

As set out in Table 10, the appropriate discount applied to individual companies to account for control and marketability restrictions can be material. We also note that the discount (particularly the marketability discount) can vary over time and will be impacted by both market factors and company-specific factors. In relation to Zespri, we note:

- There may be an imbalance of supply / demand created by Zespri's constitutional changes in 2018. This includes changes for dry shareholders who were grandfathered into the new requirements and will lose their rights to dividends over the next 12 months. This may have created an "overhang" of shares for sale as these shareholders seek to exit their B Class shares (estimated at over 6.1m shares over the next 12 months); and
- The kiwifruit industry is experiencing its best season in a number of years and grower sentiment is currently positive. This is in contrast to the previous two difficult seasons which may have negatively impacted growers and their own financial positions. Sentiment and industry performance are key influencers on our assessed marketability discount for Zespri.

As discussed on the following page, Fonterra provides a useful live demonstration of how the marketability discount may change over time, partly in response to macro factors such as interest rates, availability of bank credit and broader sector sentiment.

When considering Zespri's unique ownership and producer vote restrictions, we believe minority and marketability discounts of 30% and 20%, respectively, are appropriate.

Table 10: Factors Impacting Value Discount

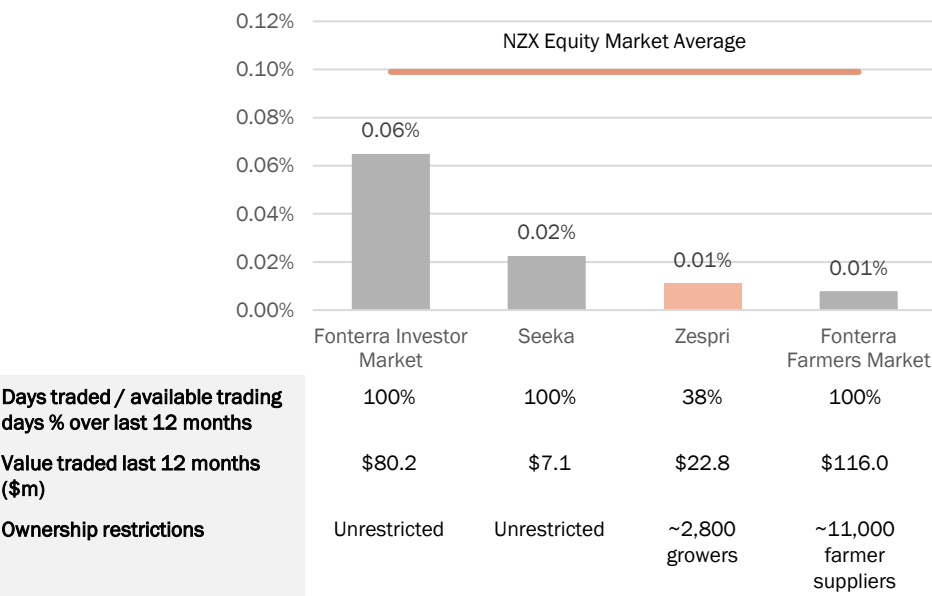
	Lack of Control	Lack of Marketability
<b>Description</b>	Represents the discount for a minority shareholding position, lack of voting control and the limited ability for minority shareholders to influence key management and governance decisions, including overall company strategy as well as investment and dividend policies.	Represents the discount for transferability restrictions which impacts on an investment's marketability and liquidity. It essentially represents the opportunity cost attributable to the reduced ability to exit an investment in a timely fashion.
<b>Factors Affecting Discount for Zespri</b>	<p>Our DCF valuation represents the value for 100% control of Zespri. We would expect a minority parcel of shares to trade at a discount to this value due to the associated lack of control.</p> <p>Minority shareholders in Zespri have restricted ability to influence strategy and key investment decisions of the company. The various rights afforded to Producers also reduce the control position of the Zespri shareholders.</p> <p>We note that our DCF valuation differs to a multiple-based valuation approach where a minority discount may not be necessary when the selected multiple is derived from trading prices for comparable companies which already include an inherent minority discount (as was the case for the market valuation of Zespri in 2018).</p>	<p>Holders of Zespri shares are restricted to growers that supply Zespri, and subject to a share cap of 6 shares per tray supplied.</p> <p>The pool of potential buyers of securities is also significantly restricted to a small number of grower suppliers (&lt;2,800), many of whom have limited appetite for buying shares or are less financially sophisticated than broader professional investors.</p> <p>Fonterra provides a directly analogous example of marketability discounts between the farmer-only market (albeit a much larger pool of potential shareholders with ~11,000 farmer suppliers who must own shares in order to supply Fonterra).</p> <p>The lack of marketability also impacts liquidity with Zespri shares historically being relatively illiquid. Market liquidity (the ability to buy and sell securities easily) also has a significant influence on price discovery and market value.</p>
<b>Assessed Discount</b>	<p>20% – 30%</p> <p>This range reflects typical "control" premiums observed for takeovers for 100% of a subject company.</p>	<p>20% - 30%</p> <p>This range is consistent with marketability discounts commonly applied in NZ but is toward the lower end of international empirical studies. It is also consistent with the discount observed between Fonterra farmer-only shares and broader investor shares (see overleaf).</p>
<b>Applied Discount</b>	A discount of 30% is adopted. This is at the top of our assessed range and reflects the significant control limitations attached to Zespri shares. In particular, we note the ownership limits imposed on Zespri shares and the control rights held by Producers.	A discount of 20% is adopted for this valuation. This is at the low end of our assessed range and largely reflects our assessment of the positive sentiment currently prevailing in the sector. This positivity should support buyer demand.

# Minority and Marketability Discount (Cont'd)

## Share Liquidity

The traded liquidity for Zespri shares on USX is extremely limited due to the ownership restrictions. Figure 13 illustrates the liquidity for Zespri shares relative to other similar companies, with Fonterra being a particularly useful comparator due to the ownership restrictions in the farmers' market. This highlights that Zespri liquidity (measured by average daily USX market volume relative to shares issued) is significantly lower than both the Fonterra investor shares and Seeka, as well as the broader NZX market. While Zespri liquidity is comparable to the Fonterra farmer market, the available investor pool for the Fonterra market is considerably larger (~11,000 potential farmer owners and 12 month trading volume of \$116m vs \$23m for Zespri). The Fonterra investor shares also support better price discovery and Fonterra farmer shares trade every day (compared to Zespri, which have only traded on 38% of available trading days). However, we do note that there are a significant number of additional off-market trades that do occur which is potentially unique to Zespri.

Figure 13: Comparable Company Share Liquidity (Average Daily Volume / Shares on Issue)



Note: Liquidity measured by shares traded on the respective USX or NZX market. Significant volumes of shares may trade off-market directly between shareholders which is quite common for Zespri and the Fonterra farmers market.

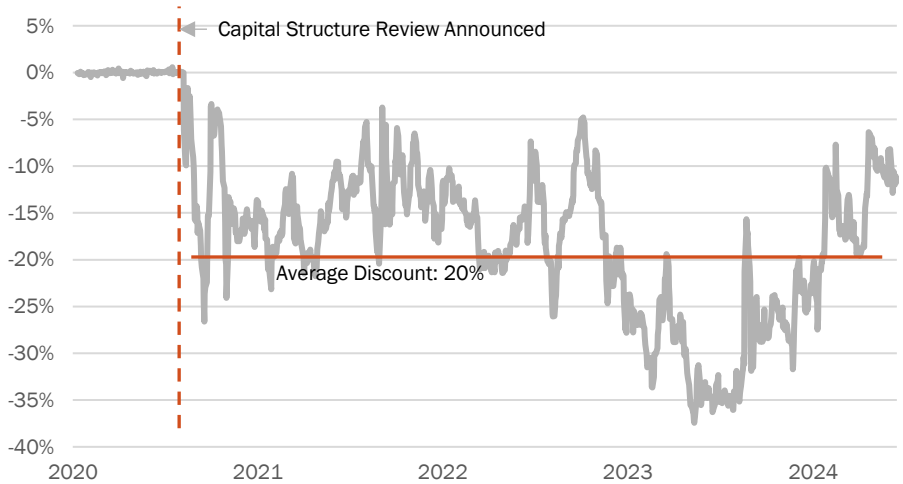
## Fonterra Marketability Discount

Prior to Fonterra's capital structure review, farmer shares (FCG) were interchangeable for investor shares (FSF) supporting close alignment between the prices in both markets. However, in 2020 Fonterra announced a review of its capital structure which included limiting the FCG market to a farmer-only market and capping the size of the investor market. The new capital structure was adopted in April 2023.

Given FCG ownership is limited to Fonterra farmer suppliers, the price relative to the FSF market provides a directly observable measure of the effective discount attributable to FCG shares due to their ownership and marketability restrictions. Figure 14 highlights the Fonterra marketability discount has averaged ~20% since the restrictions were implemented, but has generally ranged from 10% to 35% over the last 4 years. The discount has recently narrowed to ~10%, in our view as a result of a favourable dairy market (high milk payout etc) and growing buyer demand.

All else equal, we would expect Zespri's marketability discount to be higher than that for Fonterra. This view reflects that Fonterra is larger (with a far higher number of shareholders), share ownership is compulsory for suppliers and Fonterra is required to support open entry. These factors should underpin higher natural trading activity. The investor market (owned by a broad range of NZ and international investors) also supports better price discovery in the farmers' market.

Figure 14: Fonterra Observed Marketability Discount Since Change to Capital Structure (FCG Price Discount Relative to FSF Price)



## Net Cash Adjustments

We have applied a total net cash adjustment of \$98m (or \$0.54 per share) to account for Zespri's net cash position following the May 2025 SunGold auction results and allowing for dividends.

### Assessed Net Cash

Zespri has traditionally funded its operations with limited use of debt. This reflects its position as an effective agent for growers. While Zespri has capacity to utilise debt (and occasionally relies on seasonal working capital facilities), the commercial decision to primarily equity fund the business is reasonable and reflects the unique position and risk profile of the Company.

Zespri's net cash position as of 31 March 2025 was \$493m (\$542m cash net of \$49m of debt and lease liabilities). However we consider that a significant portion of this represents cash required to fund its overseas operations (including minimum funds to be held by Zespri to satisfy distributors' requirements), as well as cash that will be used to fund its immediate working capital requirements. We therefore believe that adjustments should be made to the 31 March 2025 net cash position to reflect cash that is 'restricted' or is needed to fund Zespri's seasonal working capital requirements. After making these adjustments, we assess Zespri's 31 March 2025 cash position as \$150m.

We have also adjusted the 31 March 2025 net cash position for the following to arrive at an equivalent net cash position for valuation purposes as of 30 June 2025:

- The post-tax proceeds from the recently completed SunGold auction licence release. We have made this adjustment because the auction results are known with certainty and the majority of gross proceeds are expected by July 2025. Therefore, our FY2026 DCF cash flow forecasts reflect all of Zespri's earnings except the post-tax proceeds from the SunGold auction.
- Assumed FY2025 final and FY2026 interim dividends of \$0.20 and \$0.95 per Class A share respectively (representing total payments of \$211m). We have made this adjustment because the shares issued under the LaS and DaS scheme are issued ex-dividend (i.e. the LaS and DaS shares are not entitled to receive these dividend payments).

Table 11 illustrates our current assessment of net cash for valuation purposes.

**Table 11: Assessed Zespri Net Cash Adjustments (\$m)**

<b>Assessed 31. March Net Cash</b>	<b>\$150</b>
<i>plus May 2025 SunGold Licence Auction Proceeds (net of Tax)</i>	\$159
<i>less assumed FY2025 Final Dividend and FY2026 Interim Dividend</i>	(\$211)
<b>Total Assessed Net Cash For Valuation Purposes</b>	<b>\$98</b>



## Minority Equity Value

After allowing for the control and marketability discounts and our assessment of net cash, we assess a value for a minority parcel of Zespri shares in a range of \$5.67 – \$6.26 per share (equivalent to \$6.82 - \$7.41 prior to dividends).

### Equity Value

As summarised in Table 12, after applying our combined minority and marketability discount (collective impact of \$739m to \$824m) and incorporating our assessed net cash adjustments (\$98m), we assess an equity value range of \$1,038 - \$1,147m. This equates to a range of \$5.67 - \$6.26 per Zespri share after assumed dividends. This range reflects Zespri's key value sensitivities (see further detail on the following page) and a standard margin of error with the range representing +/- 5% to the mid-point.

While the minority and marketability discount is substantial, we believe this outcome reasonably reflects the economic cost of ownership restrictions which limit transferability and liquidity as well as the limited influence minority shareholders have over the strategy or key policies of Zespri.

### Component Value

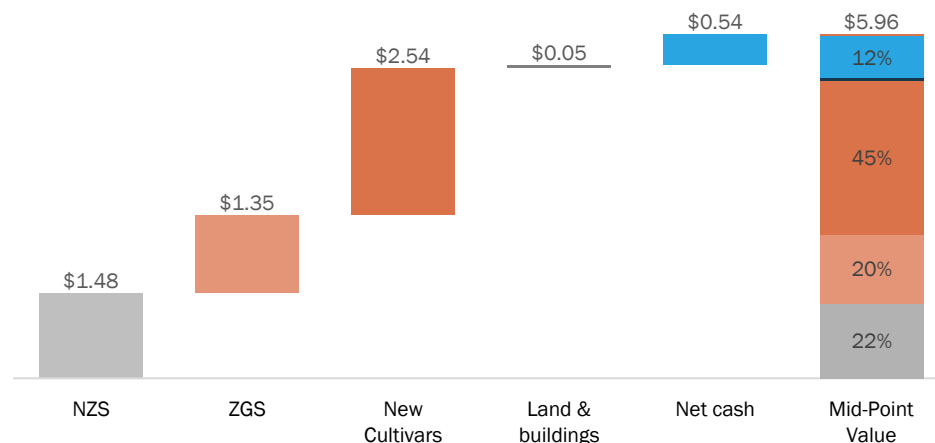
Figure 15 demonstrates that Zespri's New Cultivar segment makes up approximately 45% of our overall value (~50% of the Company when excluding cash). NZS (22%) and ZGS (20%) are relatively smaller contributors to the overall value. Net cash for valuation purposes, comprises the remaining 12% (\$0.54) of value.

Prior to the ex-dividend date at the close of trading 2 July 2025, our value range is equivalent to \$6.82 - \$7.41 per Zespri share (being our ex-dividend value adjusted for an assumed dividend value of \$1.15 across all Zespri shares<sup>1</sup>).

**Table 12: Assessed Minority Equity Value (\$m)**

\$m	Low	High
100% Equity Value Prior to Net Cash	\$1,679	\$1,874
less Minority Discount (30%)	(\$504)	(\$562)
<b>Value of Minority Parcel Before Marketability Discount</b>	<b>\$1,175</b>	<b>\$1,312</b>
less Marketability Discount (20%)	(\$235)	(\$262)
<b>Minority Equity Value before Net Cash</b>	<b>\$940</b>	<b>\$1,049</b>
Add Assessed Net Cash for Valuation Purposes	\$98	\$98
<b>Net Zespri Minority Equity Value</b>	<b>\$1,038</b>	<b>\$1,147</b>
Value Per Share (Ex-Dividends)	\$5.67	\$6.26

**Figure 15: Zespri Mid-Point Equity Value by Segment**



<sup>1</sup> While the assumed dividend is \$1.19 per Class A share, because Class B dry shareholders will not receive the dividend, the equivalent distribution is \$1.15 per share across all shares (including Class B shares which are not entitled to dividends).

## Value Sensitivities

Our DCF valuation is sensitive to key input assumptions, particularly forecast fruit sales, NZS/ZGS margins, New Cultivar licence release and pricing and DCF discount rate.

### Valuation Range

Figure 17 highlights our DCF value sensitivity to individual input assumptions. As expected, this highlights that our value is most sensitive to top-line revenue forecasts (volume and pricing), EBIT margins, the combined impact of New Cultivar pricing and hectare release, terminal value (NZS and ZGS) and WACC. These assumptions reflect the value impact of specific assumption in isolation and not the potential cumulative impact (e.g. reduced revenues may also result in lower margins if Zespri is unable to sufficiently reduce overhead or loyalty premiums for instance). Given the inherent margin of error in our value and the value sensitivities, we consider our value range for Zespri of \$0.60 per share (+/-5% range) as summarised in Figure 16 is reasonable.

Figure 16: LaS/DaS Valuation Range (\$m)



Figure 17: Share Price Sensitivity (\$)

Sensitivity Variable	Comments	Value Range (per Zespri share)	
<b>Net Sales (+ / - 2%)</b>	+ / - 2% sales value for NZS and ZGS across all forecast years to reflect volume/price risk	\$5.78	\$6.14
<b>Licence release area (+ / - 5%)</b>	SunGold licence release areas + / - 5% for an approximate range of 400 – 445 ha to FY2034.	\$5.84	\$6.09
<b>Licence auction price (+ / - 5%)</b>	NPL SunGold price path + / - 5%.	\$5.84	\$6.09
<b>NZS EBIT Margin (+ / - 0.1%)</b>	Range of NZS EBIT margin from FY2027 of 1.0% - 1.2%.	\$5.84	\$6.09
<b>Terminal Value EBIT Multiple (+ / - 1.0x)</b>	Range of EBIT Multiple used to calculate terminal value of 4.0x – 6.0x	\$5.86	\$6.06
<b>WACC (+ / - 0.25%)</b>	Based on WACC range of 10.75% - 11.25%	\$5.88	\$6.04

## Comparable Company Value Benchmarking

After allowing for the value attributable to New Cultivars, the implied valuation multiples for the residual Zespri business (ie. NZS and ZGS) are comparable to available peer evidence.

In order to benchmark our DCF value range, we have compared the earnings multiples implied by our assessed value to the trading multiples for a range of listed New Zealand companies that operate in the primary sector. We believe these companies are most comparable to Zespri in terms of exposure to the horticulture / agriculture sectors, with broadly similar risk profiles and growth opportunities.

However, due to the unique earnings profile and value contribution of New Cultivars (ie. significant value but with limited life), we have backed out the earnings and DCF value attributed to this part of the business (~\$466m mid-point with a minority and marketability discount applied) to compare the implied multiples of Zespri's underlying business to the comparable companies. We consider this provides a better comparison because none of the peers have similar investment characteristics to Zespri's significant licence revenue.

Table 13 summarises the implied EV/FY2025 EBIT, price/earnings and dividend yield of Zespri including and excluding the New Cultivars segment. This highlights that the implied multiples for the total group are relatively low (mid-point EBIT multiple and P/E multiple of 4.8x and 7.3x respectively). This is not unexpected given New Cultivars makes up approximately 45% of our value but has forecast earnings declining towards \$0 by FY2040. Excluding New Cultivars, the mid-point EV/EBIT and P/E multiples increase to 6.9x and 11.3x respectively.

Figure 18 sets out the EV/EBIT multiples (based on forecast FY2025 earnings) for the selected set of comparable companies (further details are provided in Appendix II). While all the comparable companies exhibit at least some similar investment characteristics to Zespri none represent perfect comparators. Scales, Seeka and Delegat should exhibit similar growth (export-led horticulture in kiwifruit, apples and wine respectively) but have different risk profiles while none of the comparables have an earnings profile like Zespri's New Cultivar segment. Fonterra and NZ King Salmon are the only other NZX-listed primary companies of relevance but in our view have lower comparability to Zespri. In relation to the available evidence, we note the following:

- All else equal and even if we could identify more suitable comparable companies to Zespri, we would expect Zespri's multiple to be lower due to its marketability restrictions (ownership limitations and low liquidity). Adjusted for the marketability restrictions, we estimate Zespri's EV/EBIT multiple excluding New Cultivars would be over 8.0x if the restrictions did not exist; and
- Our discount rate for Zespri is likely to be higher than the implied discount rates (IRR) for the majority of the peers due to Zespri's capital structure and the equity premium we have applied to reflect Zespri's unique risks (particularly SPE risk and licence sale uncertainty). This will also explain why the implied multiple for NZS/ZGS is lower than the peer median.

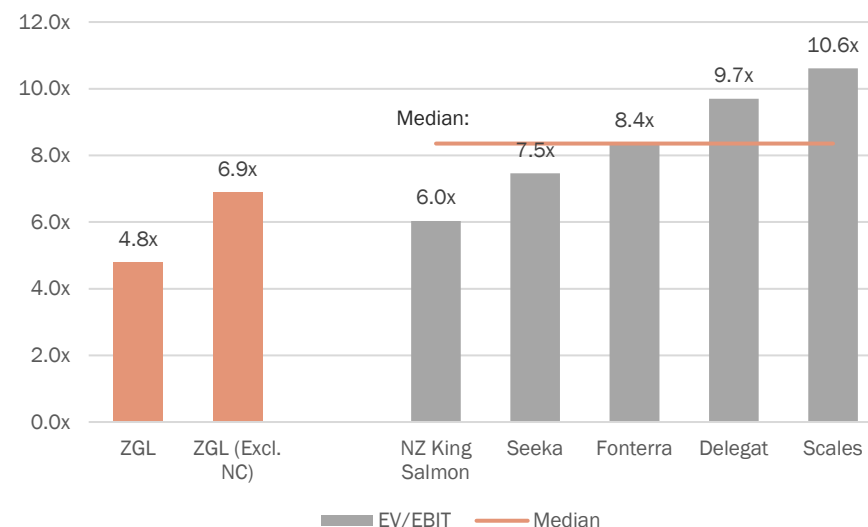
While imperfect, we consider that the implied multiples for Zespri are supported by comparable company multiples, particularly for Zespri's underlying NZS and ZGS business.

**Table 13: Implied Earnings Multiples**

	Including New Cultivar Value / Income		Excluding New Cultivar Value / Income	
	Low	High	Low	High
<b>Enterprise Value</b>	940	1,049	474	583
<b>Implied Multiple of FY2025 EBIT (EV/EBIT)</b>	4.5x	5.0x	6.2x	7.6x
<b>Equity Value</b>	1,038	1,147	572	682
<b>Implied Multiple of FY2025 Earnings (P/E)</b>	6.9x	7.6x	10.3x	12.2x
<b>Cash Dividend Yield<sup>1</sup></b>	13.6%	12.3%	NA	NA

<sup>1</sup> Based on FY2025 dividends of \$0.77 per share (\$0.56 interim and assumed \$0.21 final dividend).

**Figure 18: EV / FY2025 EBIT Multiples for Comparable Listed Companies**



Source: CapitalIQ as of April 2025. ZGL multiples based on mid-point of range, comparable company financials calendarised to March year-end excluding Fonterra and Seeka

# Appendices

# Appendix I: Disclaimer & Disclosures

## Declarations

This report is dated 21 May 2025 and has been prepared by Northington Partners at the request of Zespri Group Limited for the purposes set out on page 5. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

This report is provided for the benefit of Zespri Group Limited and its shareholders, and Northington Partners consents to the distribution of this report to those people.

## Qualifications

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D, Jonathan Burke, B.Com, and Ryan Barnes, B.Com. Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as a wide range of commercial and governance issues.

## Disclaimer and Restrictions on the Scope of our Work

In preparing this report, Northington Partners has relied on information provided by Zespri Group Limited. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its Directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

Furthermore, our assessment is reliant on a number of key assumptions that have been outlined in this report. Should any of these assumptions not be accurate, our assessment and our conclusions could be materially affected.

## Indemnity

Zespri Group Limited has agreed to indemnify Northington Partners (to the maximum extent permitted by law) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report; except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

Zespri Group Limited has also agreed to promptly fund Northington Partners for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by Northington Partners of the relevant invoices.

## Appendix II: Comparable Company Benchmarking & Descriptions

Company	Country	Primary Activity	Market Cap (NZ\$m)	EV (NZ\$m)	LTM EV / EBIT	NTM EV / EBIT	LTM P/E	NTM P/E
Scales Corporation	NZ	Horticulture (Apples) and Pet Food	617	684	10.3x	8.3x	17.7x	14.1x
Seeka	NZ	Post-harvest Kiwifruit	163	364	7.8x	na <sup>1</sup>	25.2x	na <sup>1</sup>
Fonterra Co-operative Group	NZ	Dairy Products	7,443	13,263	8.4x	9.0x	6.5x	8.4x
New Zealand King Salmon	NZ	Salmon Production	116	78	6.7x	8.6x	9.7x	15.3x
Delegat Group Limited	NZ	Wine Production	440	889	9.8x	8.5x	9.1x	7.1x
<b>Average</b>					<b>8.6x</b>	<b>8.6x</b>	<b>13.6x</b>	<b>11.2x</b>
<b>Median</b>					<b>8.4x</b>	<b>8.5x</b>	<b>9.7x</b>	<b>11.3x</b>

Source: CapitalIQ, \*Multiples are calendarised to March financial year end excluding Seeka and Fonterra

1. Forecasts not available

<b>Scales Corporation Limited</b>	Scales Corporation Limited engages in agribusiness activities in New Zealand. The company operates through Horticulture, Food Ingredients, and Storage & Logistics segments. The Horticulture segment is involved in growing, packaging, marketing, and exporting apples under Mr Apple brand name. The Food Ingredients segment processes and markets pet food ingredients for the pet food industry. This segment also manufactures and sells apple, kiwifruit, and pear juice concentrates. The Storage & Logistics segment provides supply chain services for exporters, importers, and FMCG businesses. The company was founded in 1897 and is based in Christchurch, New Zealand.
<b>Seeka Limited</b>	Seeka Limited, together with its subsidiaries, provides orchard lease and management, and post-harvest services to the horticulture industry primarily in New Zealand. The Orchard Operations segment offers on-orchard management services to orchard owners who produce kiwifruit, avocado, and kiwiberry crops. The Post-Harvest Operations segment provides post-harvest services to these industries that include crops from the company's orchard management and lease operations, as well as crops from independent orchard owners. Seeka Limited was incorporated in 1987 and is headquartered in Te Puke, New Zealand.
<b>Fonterra Co-operative Group Limited</b>	Fonterra Co-operative Group Limited, together with its subsidiaries, collects, manufactures, and sells milk and milk-derived products. The company offers whole and skim milk powders, cream, yoghurt, butter, and cheese products. It also engages in the ingredients, consumer goods and foodservice businesses. In addition, the company operates Farm Source stores. Fonterra Co-operative Group Limited provides its products primarily under the Anchor, Anmum, Anlene, NZMP, Farm Source, De Winkel, Fresh 'n Fruity, Kapiti, Mainland, Mammoth, Perfect Italiano, Primo, and Nutiani brands. The company has operations in New Zealand, China, Australia, Indonesia, Malaysia, and internationally. Fonterra Co-operative Group Limited was incorporated in 2001 and is based in Auckland, New Zealand.
<b>New Zealand King Salmon Investments Limited</b>	New Zealand King Salmon Investments Limited, together with its subsidiaries, engages in the farming, processing, and sale of salmon products in New Zealand, North America, Australia, Japan, Europe, and internationally. It offers whole fish, fillets, raw portions, cold smoked, wood roasted, salmon and potato cakes, caviar, oil, kibble, and pet treats, as well as ready to cook options. The company sells its products under the Ōra King, Regal, Southern Ocean, Omega Plus, and New Zealand King Salmon brands to chefs, consumers, retailers, and wholesalers. The company was incorporated in 2008 and is headquartered in Nelson, New Zealand.
<b>Delegat Group Limited</b>	Delegat Group Limited, together with its subsidiaries, engages in the production, distribution, and sale of wine. The company markets and sells its products primarily under the Oyster Bay, Barossa Valley Estate, and Delegat brands to retailers and distributors in the United States and Canada, the United Kingdom, Ireland, rest of Europe, Australia, New Zealand, China, and the Asia Pacific. It also provides brand marketing services. The company was formerly known as Delegat's Group Limited and changed its name to Delegat Group Limited in July 2014. The company was founded in 1947 and is based in Auckland, New Zealand. Delegat Group Limited is a subsidiary of Delegat Shares Protection Trust.

Source: CapitalIQ, Northington Partners.



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