

New Zealand equities

Investment Strategy Group
27 August 2025

Zespri

Vine to value

Key data

Code	ZGL
Current price	\$6.30
PE (+12m)	5.3x
Fwd gross yld (+12m)	18.5%
Market cap (m)	\$1,206

Zespri delivered a record crop in FY25 and exceeded its long-standing \$4.5bn sales target a year early, with global kiwifruit sales up 26% to \$5.03bn. Improved growing conditions, disciplined supply chain management, and targeted marketing lifted volumes 35% to 220.9m trays. Net profit after tax (NPAT) of \$155.2m was down 10% on FY24 due to lower licence revenue, but NPAT excluding licence rose to a record \$79.8m. ZGL is forecasting corporate NPAT for FY26 in the range of \$248m to \$258m, supported by strong demand for SunGold licences in 2025.

FY25 operational highlights

- Largest-ever annual volume increase, with market diversification enabling smooth absorption across all regions.
- Greater China managed a 42% lift in NZ supply while maintaining value; Europe and North America also delivered strong growth.
- Resolution of the Crown Garnet mice incident delivered an additional \$0.21/tray to SunGold growers.
- OGR per hectare reached record levels for Green, Organic Green and Sweet Green, with strong gains in other categories despite the larger crop.

Segment Performance

- NZ Supply: Returned to profit (\$56.4m vs \$10.2m loss FY24) due to larger crop and strong market pricing.
- Non-NZ Supply: Profit fell to \$18.2m (from \$23.6m) due to FX impacts, despite improved pool performance.
- Licence revenue: Fell to \$104.7m (from \$212.4m) reflecting smaller release of SunGold hectares.

Returns to growers

New Zealand-grown Orchard Gate Returns (OGR) per hectare hit record levels for Green (\$89,783), Organic Green (\$92,306) and Sweet Green (\$58,437). SunGold returns were strong at \$170,933 per hectare, supported by record volumes. Total NZ fruit and service payments reached \$3.1bn, with an additional \$521.5m paid to offshore Zespri Global Supply (ZGS) growers.

Operational efficiency

Tight overhead control improved cost efficiency, with employment costs up 8% to \$192.7m due to inflation and headcount. FX hedging delivered a \$110.2m gain, up from \$71.9m in FY24.

Brand leadership

ZGL became the number one fruit brand across its 15 core markets. Global campaigns, expansion of the KiwiBrothers and KiwiSister characters, and nutrition-focused marketing lifted household reach to over 100m globally.

CY25 Licence Sales

In CY2025, ZGL released a total of 417.01 hectares of SunGold kiwifruit licence across both the restricted and unrestricted pools, achieving an estimated \$217m in revenue (excluding GST) for FY26. The restricted pool (157.44 ha) cleared at \$454,000/ha, while the unrestricted pool (259.57 ha) achieved \$561,000/ha, a sharp rise from \$424,000/ha last year. Demand was strong, with the unrestricted auction oversubscribed by more than 230 hectares at the opening round and requiring 12 bidding rounds to clear, while the restricted pool took 10 rounds.

LaS/DaS Results and Outlook

ZGL's 2025 Loyalty as Shares (LaS) and Dividends as Shares (DaS) offers added 327 new grower shareholders, lifting grower ownership from 48% to 61% and exceeding first-year targets. LaS saw 638 entities participate, issuing 2.48m shares, while DaS issued 5.83m shares to 277 shareholders, taking total shares on issue to 191.6m (including 4.2m Class B).

Participation included both undershared and larger shareholders, with some well-held growers increasing holdings. Future refinements may include tighter eligibility rules to focus on those with the lowest ownership. Zespri has signalled its intent to consult further with the industry on additional alignment measures through 2025–26, aiming to achieve:

- ≥75% of NZ growers as shareholders by 2030.
- ≥60% of growers holding 0.5–2.0 shares per tray of production by 2030.

Share Buyback

ZGL has announced a buy-back of up to 4.2m shares at \$5.90 per share, open to New Zealand-resident shareholders from 25 August to 19 September 2025, with settlement on 30 September. The purpose is to offset dilution from the July share issue, return surplus capital, and allow holders to adjust their stake in line with production. Participation is voluntary, but shareholders must sell at least 25% of their holding (Tax Threshold) to achieve tax-free treatment and, if not selling all shares, retain a minimum of 1,000 shares. The Zespri Board has discretion to increase the number of shares being repurchased in the buy-back to just over 8m shares, subject to IRD conditions. Alternatively, scaling may apply if oversubscribed, with no participant reduced below the Tax Threshold or 1,000 shares. The Board considers the offer price fair, reflecting market trading, dividend history, the recent issue price, and independent valuation.

Predicted future dilution

The 2025 LaS and DaS offers resulted in the issuance of 8.31m new shares, representing potential dilution of approximately 4.5% if no buyback occurs. ZGL's planned buyback of up to 4.2m shares would partially offset this, reducing net dilution to around 2.2% if fully subscribed.

E2 PVR opposition

ZGL has opposed a Plant Variety Rights application for a gold cultivar known as E2, which it believes is G3 or not sufficiently distinct. The risk is loss of SunGold exclusivity if E2 is granted, allowing parallel propagation and adding enforcement costs and pricing pressure. If Zespri succeeds, the application is refused or narrowed. The process typically takes about nine months, though a hearing or appeal could extend it to 12–18 months.

Financial information (\$nzd)

	FY21a	FY22a	FY23a	FY24a	FY25a	FY26f	FY21-26 CAGR
	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	
NZ Kiwifruit	3,185	3,356	3,239	3,256	4,270	4,458	7.0%
Non-NZ Kiwifruit	474	539	519	654	655	723	8.8%
Sale of PVR licences	307	437	308	217	110	217	-6.7%
PVR Royalty income	39	45	47	50	63	65	10.5%
Other Revenue	14	17	18	9	41	17	3.3%
Revenue	4,019	4,394	4,131	4,187	5,138	5,479	6.39%
Growth %	18.7%	9.3%	-6.0%	1.3%	22.7%	6.6%	n/a
Cost of Goods sold	-3,180	-3,562	-3,468	-3,605	-4,533	-4,607	7.7%
Gross Profit	840	832	663	582	604	872	0.76%
Growth %	36.0%	-0.9%	-20.2%	-12.3%	3.9%	44.2%	n/a
Selling General & Admin Exp.	-324	-351	-380	-377	-440	-458	7.2%
Other Expenses	-85	20	31	14	39	-84	-0.4%
EBIT	430	501	315	218	204	330	-5.17%
Net Interest Income	1	3	12	24	20	19	70.3%
Other Non-Operating Exp.	-45	2	4	12	-8	-2	n/m
Net Profit before Tax	387	505	331	253	216	347	-2.16%
Income Tax	110	144	93	80	60	97	-2.4%
Net Profit	277	362	239	173	156	250	-2.06%
Growth %	48.4%	30.5%	-34.0%	-27.4%	-10.5%	49.1%	n/a
Earnings per share	1.51	1.97	1.30	0.95	0.85	1.23	-3.5%
Free cash flow	359	410	106	110	102	486	6.2%
Dividend per share	1.33	1.78	1.17	0.85	0.77	1.11	-3.1%
Net debt (cash)	-385	-414	-398	-416	-515	-530	6.7%
Key metrics	2021	2022	2023	2024	2025	2026	FY21-26 Change
Gross Margin	20.9%	18.9%	16.1%	13.9%	11.8%	15.9%	-500 bps
EBIT Margin	10.7%	11.4%	7.6%	5.2%	4.0%	6.0%	-470 bps
Free cash flow margin	8.9%	9.3%	2.6%	2.6%	2.0%	8.9%	0 bps
EPS growth	48.4%	30.5%	-34.0%	-27.4%	-10.5%	45.8%	+0.7 pp
Dividend payout ratio	88%	90%	90%	90%	90%	90%	+2.0 pp
Return on Equity	114.4%	125.8%	74.0%	51.5%	42.7%	88.3%	-26.2 pp
Net Debt/EBITDA	-0.9x	-0.8x	-1.2x	-1.8x	-2.4x	-1.5x	-0.6x

Source: Zespri, Craigs Investment Partners



This analysis and accompanying research note were prepared by David Harris, a Research Analyst in Craigs' Investment Strategy Group, specialising in Australian equities and New Zealand agricultural investments. David is a CFA Charterholder with over 14 years of experience in financial services. Prior to joining Craigs, he spent more than a decade at S&P Global in Sydney and Hong Kong, and most recently held the role of Head of Sales and Relationship Management, APAC Mid-Market.

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