CRAIGS INVESTMENT PARTNERS

New Zealand equities

Private Wealth Research
30 May 2025

Portfolio classification

Niche

Portfolio view

Add

Key data

Code	ZGL
Current price	$6.50
PE (FY25)	7.7x
Fwd gross yld (+12m)	17.7%
Market cap (m)	$1,191

Zespri

Aligning growers and shares

ZGL has delivered a strong FY25 result, exceeding expectations on both operational and financial metrics. Record fruit volumes and improved in-market pricing underpinned a sharp uplift in grower payments, while an independent valuation tied to the upcoming Loyalty as Shares (LaS) and Dividends as Shares (DaS) initiatives provides a timely reference point for assessing share value. We outline the key drivers behind the result, implications for valuation, and our interpretation of assumptions used by Northington Partners in their DCF model.

FY25 financial summary

ZGL delivered a strong result for the FY25 financial year ending 31 March 2025, exceeding both its operational and financial targets:

	FY25 31-Mar-2025	FY24 31-Mar-2024	YoY Change
Net Global Kiwifruit Sales	$5.03bn	$3.99	26%
Total Fruit & Service Payments	$3.10bn	$2.28bn	36%
Net Profit After Tax	$155.2m	$173.3m	-9%
Final Dividend (Net)	$0.77	$0.85	-9%
Total Trays Sold	220.9m	164.2m	35%

ZGL's FY25 result saw fruit and service payments reach a record $3.10bn, exceeding the February guidance of $3.0bn, driven by improved yields and strong in-market returns. Net profit after tax was $155.2m, slightly above the upper end of the forecast range ($149m–$155m), though down on the prior year due to a reduction in licence revenue. Excluding licence income, net corporate profit rose to a record $79.8m, reflecting a strong recovery in NZ supply profitability and greater operational efficiency.

FY26 season outlook

In 2024, kiwifruit regions across New Zealand experienced excellent winter chill, particularly in Gisborne, Hawke's Bay, and Northland, with some areas recording nearly double the chill hours of the previous year. This enhanced winter chill led to a strong bud break and overall healthy growth as the plants entered flowering.

SunGold picking is now complete, with solid yields and quality reported in most regions. Green picking is also nearly finished, with final volumes expected to be confirmed shortly. ZGL's current estimate for this year's crop is around 216 million trays, which is up slightly from 197 million trays last season.

Zespri LaS/DaS scheme – 2025 overview

With fewer than 50% of growers currently owning ZGL shares, one of the challenges facing ZGL is the misalignment between those supplying fruit and those holding ownership. To address this, ZGL has introduced the first tranche of initiatives aimed at strengthening grower shareholding and improving alignment across the industry.

The Loyalty as Shares (LaS) and Dividends as Shares (DaS) schemes form part of these efforts, offering growers the ability to receive loyalty payments and/or dividends in shares instead of cash.

What is LaS/DaS?

ZGL's LaS and DaS schemes are designed to help active growers:

- Become Zespri shareholders,
- Increase their shareholding toward 1 share per 1 tray of production,
- Better link capital ownership with fruit supply.

Growers can choose to reinvest their June loyalty payments (LaS) and/or their dividend (DaS) into ZGL shares at a pre-set strike price.

For the DaS scheme, growers may elect to reinvest 25%, 50%, 75%, or 100% of their upcoming dividend into ZGL shares. The remaining balance will be paid as a cash dividend on the same day, 18 July 2025.

Zespri Loyalty Payment

Any supplier who supplies all Class 1 fruit to Zespri, uses a Zespri-registered post-harvest operator, and signs the Zespri Loyalty Agreement is entitled to receive the Loyalty Payment in cash. As a result, industry-wide participation in the Loyalty Payment scheme is very high, with uptake exceeding 99%.

ZGL typically pays Loyalty Payments in two instalments. For the 2024/25 season, the base Loyalty Payment is $0.25 per tray:

- January: $0.10 per tray (cash only),
- June: $0.15 per tray (plus any additional loyalty). Only the June payment is eligible to be reinvested via the LaS scheme.

LaS/DaS scheme eligibility

To participate in LaS or DaS (i.e. reinvest June loyalty or dividend payments into shares), growers must meet additional requirements:

- Be a current supplier to Zespri (not classified as a dry shareholder),
- Be a New Zealand resident,
- Hold a valid lease with at least 12 months remaining (if leasing),
- Have available headroom under the 6 shares per tray cap, calculated using the best 2 of the last 5 seasons of production.

2025 timeline

Date	Event
21 May	Zespri releases FY2025 preliminary results and Northington valuation to support the strike price range.
22 May – 6 June	Opt-in window opens for growers to participate in LaS/DaS via Zespri's online portal.
18 June	Strike price is finalised and announced.
19–26 June	Opt-out period – growers who previously opted in can withdraw after seeing the final strike price.
4 July	Dividend record date
11 July	Shares under LaS issued
18 July	Shares under DaS issued

Concerns with the 2025 process

While the scheme is a step forward in driving grower ownership, a concern raised this year is the eligibility rule allowing any grower below the 6 shares per tray cap to participate, including already well-shared growers. This potentially risks diverting the benefit away from the scheme's intended target: under-shared or non-shareholding growers.

Given the wide eligibility criteria, it is expected that there will be strong uptake for the scheme this year, particularly from growers who already hold significant share parcels. While this will help drive overall participation, it raises the question of whether future schemes should introduce a more targeted cap to ensure the initiative is focused on lifting ownership among growers who currently lack alignment.

We expect this will be reviewed in future years, with the potential for tighter eligibility settings to better align the scheme with its long-term objectives.

Strike price and valuation support

Valuation Measure	Value Range
Enterprise Value	\$1.68bn – \$1.87bn
Equity Value per Share (ex-dividend)	\$5.67 – \$6.26
Equity Value per Share (incl. dividends)	\$6.82 – \$7.41
Midpoint of full valuation (incl. dividend)	\$7.11

The strike price is the fixed price at which shares are issued under the scheme. This year, it is supported by an independent valuation from Northington Partners, released alongside the FY2025 preliminary results on 21 May. The valuation ensures transparency and fairness, and the final strike price (set 18 June) is likely to fall within this range.

The Board-approved indicative strike price range for LaS/DaS is \$5.55–\$6.05 and the price is ex-dividend. Ex-dividend means the share no longer carries the right to receive the next dividend. This means that any shares issued under LaS/DaS will not be eligible for the upcoming July dividend.

To compare against the market:

- The current ZGL share price of \$6.50 is pre-dividend.
- After subtracting the July dividend of \$1.15, the ex-dividend market price is approximately \$5.35, which sits below the LaS/DaS strike price range.

Dividend timing

Zespri has announced a change in the timing of its dividend payment for 2025. Historically, Zespri paid its final and interim dividends in August. However, for 2025, the dividend payments are scheduled for 18 July 2025, with a record date of 4 July 2025. On the USX, the ex-dividend date is typically one business day prior, meaning investors purchasing shares on or after 3 July 2025 will not be entitled to receive the dividend.

This adjustment aligns the dividend payment with the issuance of shares under the DaS initiative. Under this scheme, eligible shareholders who opt in will receive shares instead of a cash dividend. The shares for DaS participants will also be issued on 18 July 2025, coinciding with the dividend payment date.

ZGL typically pays two dividends per year:

- FY2024/25 Interim Dividend: $0.56 paid in August 2024.
- FY2024/25 Final Dividend: $0.21, declared in June 2025 and payable in July 2025.
- Total FY25 net dividend: $0.77 per share.

For FY2025/26, no dividends have yet been declared. However, Northington's valuation assumes a $0.94 net dividend, expected to be approved by the Board in June 2025 and paid in July 2025. This dividend is primarily supported by stronger SunGold auction results in CY2025, including increased volumes and higher licence revenue.

Class B shares

Only ordinary shares are eligible to receive ZGL dividends. If a shareholder has not supplied fruit for three consecutive seasons, their shares are reclassified as Class B, which carry no dividend entitlement.

There are currently around 5.5 million Class B shares on issue. Because ZGL's Board approves a fixed total dollar amount for dividend distribution, this amount is shared only among eligible (ordinary) shares. As a result, the per-share dividend for ordinary shareholders increases when more shares are classified as Class B.

For example, while the base dividend pool implies a payment of $1.15 per share, excluding the 5.5 million Class B shares lifts the effective dividend per eligible share to $1.19. This uplift reflects the smaller pool of qualifying shareholders sharing in the same total payout.

Northington valuation assumptions

- SunGold licence volume: Northington assumes SunGold licences will be sold until FY2034. This extends two years beyond Craigs' base case (2032).
- SunGold licence price: Northington assumes an average economic licence price of approximately $360k/ha for SunGold vines over FY2027 to FY2034. This is below our estimated range of $432k–$742.5k/ha, which is based on a 5–6 year economic payback period. In our model, we apply an annual price decline from FY28 onwards to reflect the approaching expiry of the SunGold PVR in 2039. As a result, our forecast generates higher licence revenue in FY27–30 but lower revenue beyond 2030 compared to Northington's DCF. While the total value of vine sales is broadly similar between the two approaches, our assumptions front-load the revenue more heavily into the earlier years.
- Northington assigns no terminal value to new cultivar development beyond FY2040. ZGL has invested over $250m in innovation over the past decade and currently spends approximately $25m per year on R&D. Through its long-standing partnership with Plant & Food Research and the creation of the

Kiwifruit Breeding Centre in 2021, ZGL is actively developing new cultivars focused on improving taste, health attributes, and environmental resilience. While the exact number of plant varieties in its programme is not publicly disclosed, the scale and duration of this collaboration suggest a robust pipeline of future releases. In our view, this ongoing innovation effort supports the case for assigning some value beyond FY2040 in the terminal value calculation.

Strike price and market context

The current market price of $6.50 is below the Board-approved strike range of $6.70 to $7.20 (inclusive of dividend). Given the opt-out option and current pricing, we'd expect the strike price to be set towards the bottom of the range to encourage maximum participation.

Zespri shares trade in an imperfect and lightly-traded market, where trading costs and limited liquidity further blur the comparison between the strike price and the market price. While private sales data is unavailable, recent USX trading volumes suggest stronger demand than supply.

This outlook must also account for the roughly 5.5 million Class B shares on issue. With the shares going ex-dividend on 3 July, holders of Class B shares will see their value drop by around $1.15 per share, as they are not entitled to receive the July dividend.

Importantly, growers retain the flexibility to withdraw their application after the final strike price is confirmed on 18 June. This opt-out feature is a key benefit of the 2025 offer and gives participants a chance to reassess their decision with full information.

Overall, ZGL shares continue to offer exposure to a low PE, high-yielding business.

Should I opt into the LaS/Das?

We are generally supportive of the LaS/DaS initiative, though there are several individual factors growers should consider before participating. For more detailed analysis and guidance, Craigs Investment Partners clients are encouraged to speak with their adviser. If you're not currently a client, you can contact Craigs to learn more about how we can assist.

Key considerations for growers

- Long-term exposure to a high yield, low PE agribusiness.
- Participation helps align capital with supply.
- Shares are illiquid, so LaS/DaS offers a straightforward way to acquire shares without relying on the secondary market.
- As a shareholder, you benefit from ZGL's profit including Non-NZ supply and future cultivar development.
- Class B overhang may cause near-term volatility post-dividend.
- Opt-out feature provides flexibility once final pricing is known.

Managing dilution – share buyback

One of the key considerations with the LaS and DaS schemes is the dilutive impact from issuing new shares. With a high level of grower participation expected, the total number of shares on issue will increase as dividends and loyalty payments are reinvested into equity. While this results in some dilution for existing shareholders, it is not necessarily negative.

If ZGL's long-term intention is to align the total shares on issue with the number of trays supplied, then some dilution is consistent with this objective. For context, there are currently 183.3 million shares on issue, yet ZGL expects NZ to supply over 200 million trays in the upcoming season.

To help manage the pace of dilution, ZGL's Board has approved an on-market share buyback programme, which will be used to repurchase shares and offset a portion of the issuance under LaS/DaS. This serves two purposes:

- Reduces the net dilution to existing shareholders, and
- Provides liquidity in an otherwise lightly traded market.

The buyback will be executed at the Board's discretion and scaled in line with participation levels. Over time, this balanced approach allows ZGL to broaden ownership among growers while keeping the total share base aligned with its strategic targets.

This analysis and accompanying research note were prepared by David Harris, a Research Analyst in Craigs' Private Wealth Research team, specialising in Australian equities and New Zealand agricultural investments. David is a CFA Charterholder with over 15 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.