

# New Zealand equities

Investment Strategy Group  
29 May 2026

## Zespri

### Growth takes root

Zespri delivered a strong FY26 result, with volumes now normalised and profitability improving following the FY25 recovery. Higher fruit volumes drove record grower payments, while licence income also lifted, with the May 2026 vine sale providing visibility on further earnings growth into FY27. Overall, the result reinforces the strength of Zespri's model, with disciplined supply management and brand positioning continuing to support attractive returns. Separately, Zespri's grower alignment initiatives continue to evolve. The Loyalty as Shares (LaS) and Dividends as Shares (DaS) schemes are now entering their second year, with tighter eligibility settings in 2026 targeting undershared growers and helping manage dilution.

#### Key data

Code	ZGL
Current price	\$9.40
PE (+12m)	5.9x
Fwd gross yld (+12m)	14.3%
Market cap (m)	\$1,781

#### Key messages

- **Volumes have normalised**, shifting earnings back to a more typical mix of operating performance and licence income.
- **Licence earnings step up in FY26**, with the stronger May 2026 auction pointing to further upside in FY27.
- **SunGold licence demand remains strong**, reinforcing confidence in orchard economics, while Red80 licence pricing is encouraging but still early.
- **LaS/DaS changes improve alignment**, with tighter eligibility better targeting undershared growers.
- **Proposed PVR changes represent upside optionality**, but should not be incorporated into base case assumptions at this stage.

#### FY26 preliminary results

Metric	FY26	FY25
Global operating revenue	\$6.13bn	\$5.14bn (incl. licence)
Total trays sold	248.1m	220.9m
NZ supply (trays)	215.8m	194.6m (record at time)
Non-NZ supply revenue	\$875.9m	\$652.4m
Net profit (NPAT)	\$280.1m	\$155.2m
Grower payments	\$3.5bn	\$3.1bn

- Global operating revenue: \$6.13bn (includes licence revenue)

- Trays sold: 248.1m
- New Zealand supply: 215.8m trays (record)
- Non-New Zealand supply: \$875.9m revenue from 32.3m trays
- Grower payments: \$3.5bn (up from \$3.1bn in FY25)
- Net profit: \$280.1m.

FY25 marked a clear operational recovery, with volumes and grower payments rebounding despite softer licence revenue. FY26 builds on that base, with further volume growth and a step-up in licence income from the 2025 vine sale driving higher earnings.

### May 2026 vine sales – supporting FY27 earnings

Zespri's May 2026 licence auctions were strong across both SunGold and the Red category, reinforcing the importance of vine sales as a key earnings driver.

#### Gold3 (SunGold)

- 416.78 hectares allocated
- Closing price: \$684,000 per hectare (ex GST)
- First round oversubscribed by 298 hectares
- Up from \$561,000 per hectare in 2025

The outcome reflects continued confidence in SunGold orchard economics and Zespri's ability to maintain demand ahead of supply. Strong pricing and oversubscription support the sustainability of licence earnings in the medium term.

#### Red80 (part of the RubyRed portfolio)

Zespri is introducing Red80 alongside its existing red cultivar (Red19), moving towards a multi-cultivar portfolio approach for RubyRed. The newer cultivar is positioned to complement the existing variety by extending the harvest and sales window and improving storage characteristics.

- Restricted pool: 49.20 hectares at \$70,000 per hectare (ex GST)
- Unrestricted pool: 50.73 hectares at \$457,000 per hectare (ex GST)

Early pricing is encouraging and supports the strategic rationale for a broader red portfolio, particularly where it improves harvest spread and storage characteristics. However, volumes are still small, meaning the earnings contribution remains uncertain and will need to be proven as scale increases.

Total revenue from the May 2026 licence release is estimated at ~\$311m (ex GST), up from ~\$217m (ex GST) last year. This will be recognised in FY27, supporting a further step-up in earnings.

### FY27 outlook

- **Licence revenue:** The May 2026 auctions point to stronger licence income in FY27, following the step-up already seen in FY26.
- **Crop conditions:** Early indicators such as winter chill, pruning outcomes and packhouse performance will be key to volume and quality outcomes.
- **Red category execution:** The Red80 rollout is still at an early stage, with success dependent on scaling demand and maintaining licence pricing, which underpins future licence revenue.
- **LaS/DaS participation:** Tighter eligibility settings should improve targeting towards undershared growers, supporting alignment without materially increasing dilution.

## Grower alignment – LaS and DaS (2026)

Zespri continues to focus on improving alignment between growers and shareholders, with LaS and DaS now in their second year.

- **LaS (Loyalty as Shares):** Growers can elect to receive their June loyalty payment in shares.
- **DaS (Dividends as Shares):** Shareholders can reinvest part or all of their July dividend into shares.

### 2026 changes

Eligibility has been tightened, with participation capped to growers holding one share or less per tray of production. This better targets undershared growers and helps manage dilution from ongoing share issuance.

### Strike price

The indicative strike price range is \$7.25 to \$7.75 per share, with the final price to be confirmed in June.

### Dividend context

The July 2026 dividend is expected to include both the FY26 final and FY27 interim components and is assumed at \$1.74 per ordinary share (approximately \$1.72 across all shares), subject to Board confirmation.

Overall, the 2026 changes are directionally positive, improving alignment while maintaining flexibility for participants.

## Plant Variety Rights (PVR) - potential upside

Proposed legislative changes could extend PVR protection periods for trees and vines to 30 years. This would extend the economic life of key cultivars, supporting licence pricing and investment incentives.

Potential extensions include:

- Gold3 protection extended by approximately seven years
- Red19 extended to March 2050
- Red80 expected to benefit once granted

While the implications are potentially meaningful, the legislative process remains ongoing. As such, this should be treated as upside optionality rather than incorporated into base case assumptions.

## Summary

FY26 confirms Zespri's operational recovery, with volumes now normalised and profitability improving. Licence income has stepped up, and the May 2026 vine sale provides clear visibility on further earnings growth into FY27.

The LaS and DaS initiatives continue to improve grower alignment, with tighter eligibility settings in 2026 better targeting undershared growers and helping manage dilution.

Looking forward, the key medium-term driver remains the sustainability of premium pricing and Zespri's ability to manage supply growth through disciplined licence releases. This sits alongside its ability to protect and extend the value of its IP, including potential changes to PVR legislation.



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