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Market Statement **8 June 2021**

LIC announces agreement to divest automation business

Livestock Improvement Corporation (NZX: LIC) announces it has entered into an agreement to divest its automation business to MSD Animal Health, a division of Merck & Co., Inc., Kenilworth, N.J., USA (NYSE:MRK) for an amount of NZ\$38,100,000 and subject to a working capital adjustment.

The LIC Automation product portfolio joins Allflex Livestock Intelligence (a business unit within MSD Animal Health which has manufacturing facilities at Palmerston North New Zealand).

Completion of the transaction is subject to customary requirements and the transaction is expected to complete on or about 11 June 2021.

The transaction includes the following:

- Continued migration onto new generation Protrack systems for customers with legacy technology, as well as associated software development
- LIC to continue providing service and support to customers through transition
- Ongoing interaction between Protrack operating systems and LIC's herd management system, MINDA.
- Access to data generated by the automation technology for LIC, to continue to support the co-op's research and development activities.

LIC Board Chair Murray King says the divestment of the automation business is in line with LIC's refined strategy, and will allow the co-op to sharpen its focus and play to its strengths delivering world-leading pasture based dairy genetics and herd management for New Zealand farmers.

"We are pleased that MSD Animal Health has chosen to acquire this technology for their Allflex Livestock Intelligence Business Unit. We are confident this is the best way forward - for the technology, for our farmers who have invested in these systems and for the wider co-op shareholder base.

"MSD Animal Health has a reputation for investing heavily in research and development for animal health and welfare. The company has extensive scientific and technological capabilities that can take this technology to the next phase and deliver more value to farmers."

King says LIC has a long-standing relationship with MSD Animal Health, through its Allflex Livestock Intelligence business unit and the companies will work together to support farmer customers through the transition.

"In making the decision to sell, it was important to us that the buyer would continue to support our existing farmer customers in New Zealand and we are pleased that both parties are aligned on this. We will work together to make the handover as smooth as possible."

The LIC Automation team has been offered secondment to MSD Animal Health, to continue in their current roles.

King said the sale will conclude a longstanding, concerted effort by the co-op to attempt to grow the automation business and make it profitable, with moderate success.

Last year LIC shareholders voted down a proposal from the Board for LIC to purchase a stake in Israeli agritech company Afimilk, which had included a potential subsequent transaction for Afimilk to purchase LIC Automation. Following this, the Board agreed to reintegrate automation into LIC to try to enable the business to become cashflow positive and break even.

“We know automation delivers a lot of value on-farm, but despite significant efforts by our people, the automation business itself has seldom been profitable, partly due to the stabilisation of cow numbers in NZ dairy and limited traction in international markets.

“This divestment will allow us to focus on delivering value for our farmer shareholders - with the increased capital it will provide and, importantly, ongoing access to key data from the automation and sensor technology to support core LIC business into the future.”

MinterEllisonRuddWatts advised LIC on the transaction.

ENDS

Contact

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About LIC

LIC is a farmer-owned co-operative and world leader in pasture based dairy genetics and herd management. LIC exists to deliver superior genetics and technological innovation to help its shareholders sustainably farm a profitable animal. With origins dating back to 1909, LIC has a long history of developing and delivering world-leading innovations for the dairy industry. The co-op continues to be one of the sector's biggest private investors in research and development. Today the New Zealand-based co-op employs more than 700 permanent staff, swelling to 2000 during the spring peak dairy mating season. LIC also has offices in the United Kingdom, Ireland and Australia. All LIC profit is returned to its farmer owners/shareholders in dividends, or reinvested for new solutions, research and development. www.lic.co.nz

About LIC Automation

LIC Automation, owned by LIC, manufactures and supplies integrated herd management systems and unique milk testing sensors for the dairy industry. Automation is an important part of farm performance and herd management, to help dairy farmers improve prosperity and productivity. The innovative in-shed systems, known as Protrack, simplify complex jobs and improve decision making on-farm, to deliver improved herd management, animal health and welfare, real-time milk analysis, increased labour efficiency and profit. The proprietary technology identifies each cow in the milking herd from their ear tags to provide automated drafting, heat detection, body condition scoring and targeted feeding. The systems also enable real-time animal recording and review, individual cow alerts and live analysis through milk testing sensors that measure fat, protein, somatic cell counts, lactose, conductivity and volume while a cow is being milked. The first Protrack system was installed on a New Zealand dairy farm in 2004. Today, more than 2500 NZ dairy farms benefit from this state of the art technology. LIC Automation was formed in 2015, to amalgamate the co-op's automation solutions into a single entity. It currently employs 45 people in sales, R&D and software development roles.

About MSD Animal Health

For more than a century, Merck, a leading global biopharmaceutical company, has been inventing for life, bringing forward medicines and vaccines for many of the world's most challenging diseases. Merck Animal Health, a division of Merck & Co., Inc., Kenilworth, N.J., USA, is the global animal health business unit of Merck. Through its commitment to The Science of Healthier Animals®, Merck Animal Health offers veterinarians, farmers, pet owners and governments one of the widest ranges of veterinary pharmaceuticals, vaccines and health management solutions and services as well as an extensive suite of digitally connected identification, traceability and monitoring products. Merck Animal Health is dedicated to preserving and improving the health, well-being and performance of animals and the people who care for them. It invests extensively in dynamic and comprehensive R&D resources and a modern, global supply chain. Merck Animal Health is present in more than 50 countries, while its products are available in some 150 markets.

For more information, visit www.merck-animal-health.com or connect with us on LinkedIn, Facebook, and Twitter at @MerckAH.