

# Annual Shareholder Meeting

16 April 2021

# Agenda

Welcome to Seeka's 2021 meeting

- 1** Directors
- 2** Proxies and voting instructions
- 3** Chair's introduction and financial statements
- 4** Chief executive's report
- 5** Meeting resolutions



Packing the 2021 kiwiberry crop

# Directors



**Marty Brick**



**John Burke**



**Cecilia Tarrant**



**Ratahi Cross**



**Amiel (Mel) Diaz**



**Ashley Waugh**

Chair audit and risk committee



**Fred Hutchings**

Chair

# Proxies

Chair	10,528,257
Te Horipo Karaitiana	1,714,410
New Zealand Shareholders' Association	1,072,852
Michael Franks	10,143
<hr/>	
Total	13,325,662
<hr/>	

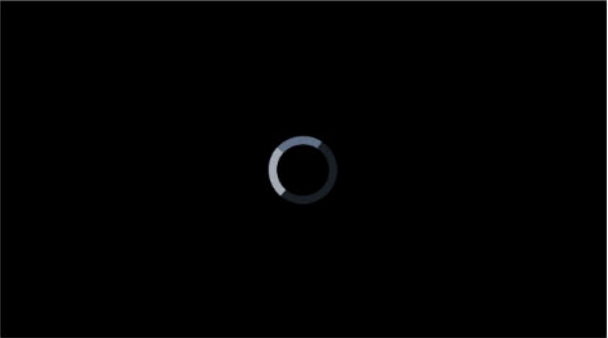
# Online voting and asking questions

Virtual Meeting  
POWERED BY LINK MARKET SERVICES

HELP NUMBER  
0800 200 220

Ask a Question

Get a Voting Card



The voting box



Question box

+

Get a Voting Card

?

Ask a Question

Downloads

- Notice of meeting
- Annual report
- Previous questions



The background of the slide is a blue-tinted photograph of a vineyard. Rows of grapevines are visible, supported by a trellis system of vertical posts and horizontal wires. The vines have large, dark leaves and some clusters of grapes are visible. The overall scene is captured from a low angle, looking down a row of vines.

# Chair's Introduction Fred Hutchings

# Despite challenges We delivered for our stakeholders

- 1 Record earnings
- 2 Maintained dividend
- 3 Reduced debt
- 4 Restructured Australia with orchard sales and leaseback
- 5 Carefully refined and delivered on our strategy
- 6 Commenced our journey to be a more sustainable business, and to understanding the potential impacts of climate change

# Covid-19 and drought impacted performance

Planned early and prepared our business to operate in a Covid-19 environment

## Seeka was an essential business in NZ and Australia

- All fruit successfully picked and packed during lockdowns
- No wage subsidy received

## \$5.3m estimated impact of Covid-19

- \$3.1m of direct costs
- \$2.2m of productivity losses and constraints

## \$5m estimated impact of drought on Hayward volumes



Despite these challenges, our earnings are up!



# Financial highlights

Year ended 31 December 2020 – audited

**\$251.5m Revenue – up 6%**

**\$42.9m EBITDA – up 24%**

**\$16.3m Net profit before tax – up 65%**

– Guidance range \$15m ~ \$17m

**\$15.2m Net profit after tax – up 120%**

– Benefited from \$5.6m deferred tax changes

NZD millions	2020	2019	Growth
Revenue	251.5	236.9	6%
Cost of sales	198.8	189.4	5%
Gross profit	52.7	47.5	11%
EBITDA	42.9	34.5	24%
Net profit before tax	16.3	9.9	65%
Net profit after tax	15.2	6.9	120%

# Earnings per share and dividends

**52 cents earnings per share**

**22 cents per share dividend paid or declared**

**\$5.20 net tangible assets per share**

## Earnings and net tangible assets per share

NZD	2020	2019
Earnings per share <sup>1</sup>	\$ 0.52	\$ 0.23
Net tangible assets per share	\$ 5.20	\$ 4.55

1. As required by NZ IAS 33, 2,748,877 shares held by Seeka Trustee Limited for the Grower Loyalty and Employee Share Schemes are excluded from EPS calculations. If included, the EPS would be \$0.47 (2019: \$0.22).

# Bank debt back in target range

**\$77.9m net bank debt at 31 December 2020**

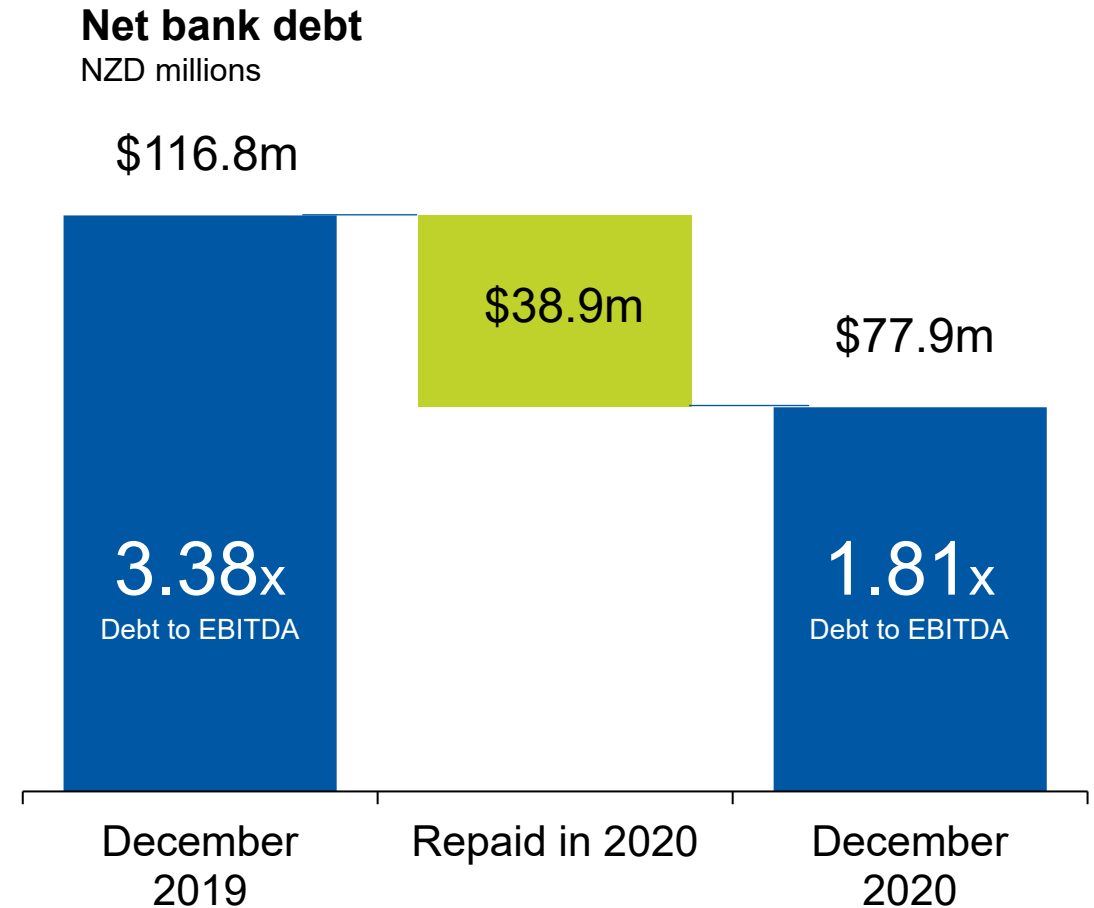
– \$38.9m repaid in 2020

**\$28.2m sale of Australian kiwifruit orchard**

– \$6.2m gain

**\$10.7m sale of Northland orchard**

– \$2.8m gain



# Progressing our growth strategy

## **OPAC acquisition consistent with Seeka's strategy**

- Integrated orcharding and post harvest operation in Ōpōtiki
- Grows our foundation kiwifruit business

## **Connects Seeka to the East Coast and Gisborne**

## **Forecast to deliver material efficiencies and synergies**

## **Seeking shareholder approval at today's meeting**

- Will provide further details when explaining resolution 5



## Directors' fees

**Propose an \$80k increase to \$530k per annum**

**Withdrew resolution to increase director fees prior to 2020 ASM**

– Response to Covid-19

**Resolution reinstated for consideration today**

– Will provide further details when explaining resolution 3

A blue-tinted photograph of an avocado harvest scene. In the foreground, a wooden crate is filled with ripe avocados. In the background, a person is visible on a ladder, likely harvesting the fruit from a tree. The scene is set outdoors with trees and a fence visible.

# Chief Executive's Report Michael Franks

# Safety

Need to improve our safety performance – during harvest, and after harvest

## 3 serious harm incidents in 2020

- 2 in post harvest involving forklifts
- 1 in orchard operations when loading a tractor

2021 health and safety targets	Targets
Total recordable injury frequency	Less than 4.5
<b>Serious Injuries</b> When someone becomes permanently disabled or requires immediate in-patient hospitalisation	0
<b>Inspirational People</b> Every division holding and recording a H&S meeting between March and December	90%

## Key focus areas



Forklifts, traffic, people



Machine guarding



Injury and incident management



Information and data management



Communication



Legal compliance

# The components of your Seeka business

A New Zealand company feeding the world

### Orcharding, NZ

Growing kiwifruit, avocado and kiwiberry

- Lease and manage orchards
- Orchard development
- Largest kiwifruit grower

### Post harvest, NZ

Picking, packing, coolstoring and dispatch

- 8 modern facilities
- Delicious Nutritious Food Company
- Innovation and maintenance teams

### Retail services, NZ

Marketing produce in NZ and Australia

- Adding value
- Marketing and produce distribution
- Wholesale business

### Seeka Australia

Own and lease orchards and own post harvest facilities

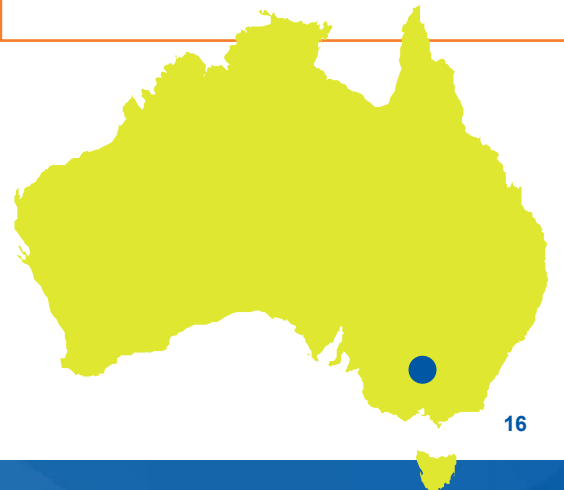
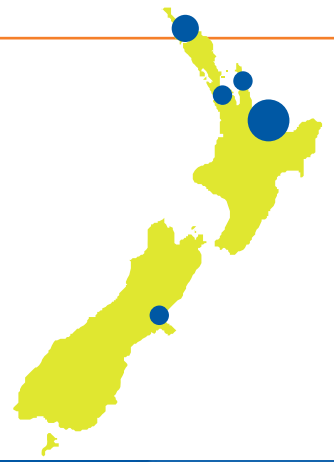
- Kiwifruit, nashi, European pears
- Largest kiwifruit grower
- Fully integrated orchard to market

**8%**  
APPROX of export kiwifruit are grown by Seeka

**20%**  
APPROX of export kiwifruit are packed by Seeka

**Kiwi crush** Innovative services and products from our value chain

**Growing and retailing our Australian fruit direct to the markets**





# Orchard operations

Growing kiwifruit, avocado and kiwiberry – led by Kevin Halliday

## \$75.7m Revenue – up 5%

- Lift in volumes and fruit returns

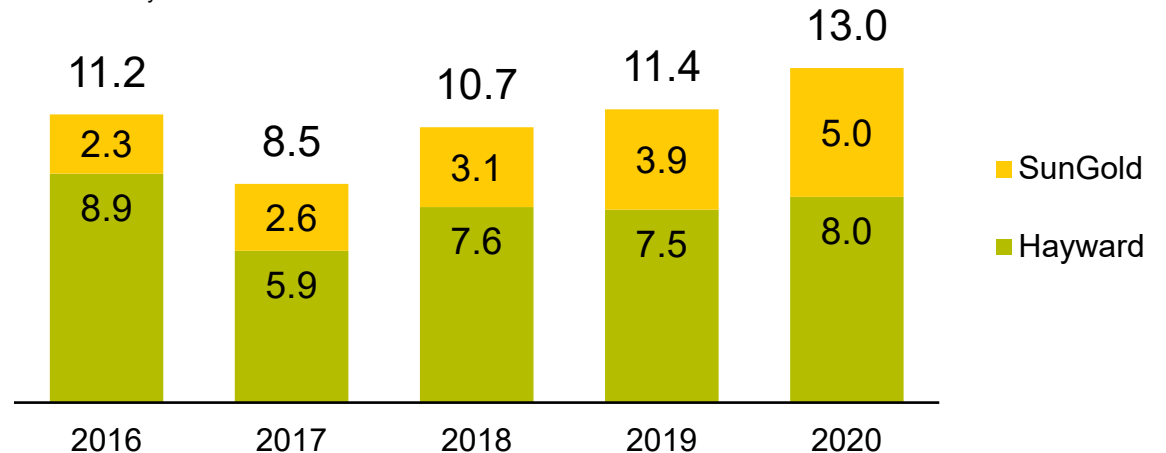
## Developing orchards on long-term leased land

- Securing supply
- Partnering with iwi and the Provincial Growth Fund

### Financial performance – Orchard operations

NZD millions	2020	2019	Growth
Revenue	75.7	72.4	5%
EBITDA	5.4	5.0	9%
EBIT	3.5	3.7	( 5%)
Segment assets	63.4	54.2	17%

### NZ kiwifruit grown Millions of trays



Performance is driving growth  
in Seeka's orchard operations

# Post harvest operations

Harvesting, packing, coolstoring, dispatching and processing – led by Kevin Halliday

## \$140.1m Revenue

Drought impacted Hayward volumes

- \$5m estimated impact

## Covid-19 drove up costs

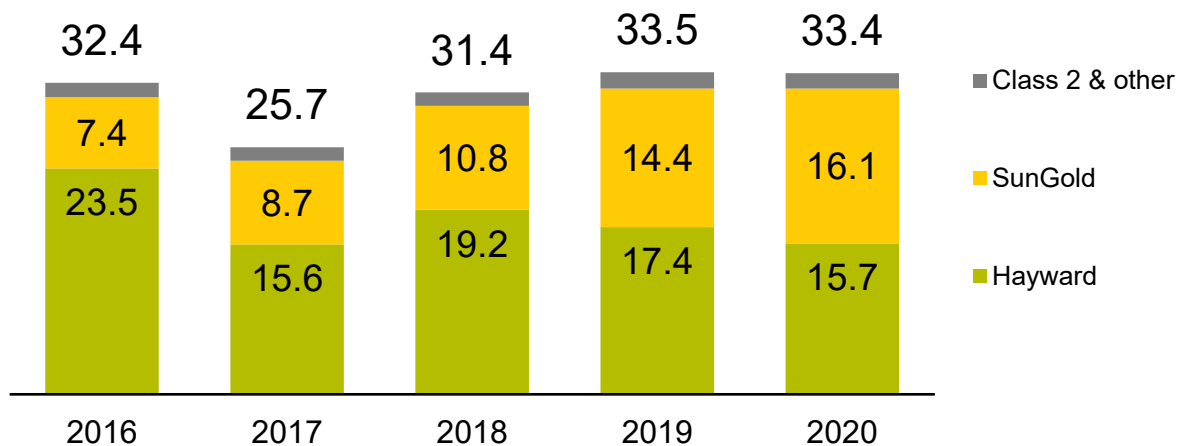
- Distancing protocols
- Higher labour costs and labour shortage
- \$5.3m estimated impact

Capacity to handle 2021 and 2022 volumes

Financial performance - Post harvest operations

NZD millions	2020	2019	Growth
Revenue	140.1	140.1	-
EBITDA	41.9	41.0	2%
EBIT	29.8	29.4	1%
Segment assets	232.7	222.9	4%

NZ kiwifruit handled  
Millions of trays



# Retail services operations

Retail services and marketing, including Kiwi Crush – led by Verena Cunningham

**\$21.8m Revenue – up 77%**

**\$3.0m EBITDA – up 80%**

**Business revitalised**

– Vibrant leadership and great customer relations

**Business continues to grow**

## Financial performance - Retail services operations

NZD millions	2020	2019	Growth
Revenue	21.8	12.3	77%
EBITDA	3.0	1.7	80%
EBIT	2.2	1.1	94%
Segment assets	12.4	11.2	10%



Retail services growing strongly

# Australian operations

Growing, packing and retailing kiwifruit, nashi and European pears – led by Rob Towgood

## \$13.1m Revenue – up 13%

Hot, dry growing conditions impacted yields

- Improved fruit returns
- Sold first crop of Ricó pears

## \$7.4m EBITDA

- \$1.2m operational – up from \$0.6m loss in 2019
- Gain on sale and leaseback of 3 kiwifruit orchards

## Developing new orchards

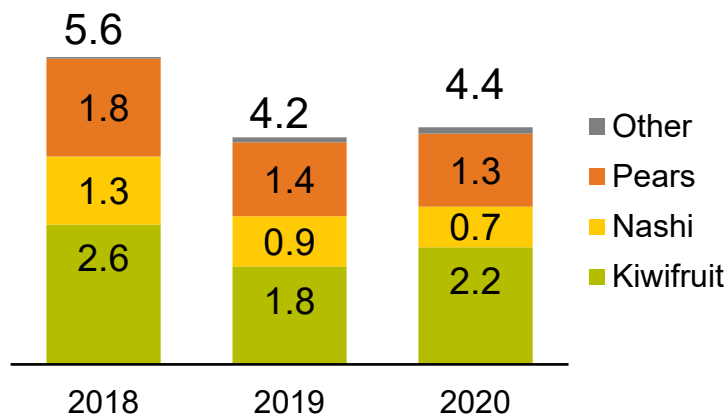
- Kiwifruit, Ricó pears and new nashi varieties

Australia positioned for growth

### Financial performance - Australia operations

NZD millions	2020	2019	Growth
Revenue	13.1	11.6	13%
EBITDA	7.4	(0.6)	
EBIT	6.3	(2.1)	
Segment assets	47.2	52.2	( 9%)

Fruit handled  
Thousands of tonnes





# Trends in financial performance

EBITDA reflects cash generated

## \$18.1m increase in EBITDA in five years

- 14% cumulative annual growth rate since 2018

## 2020 downsides

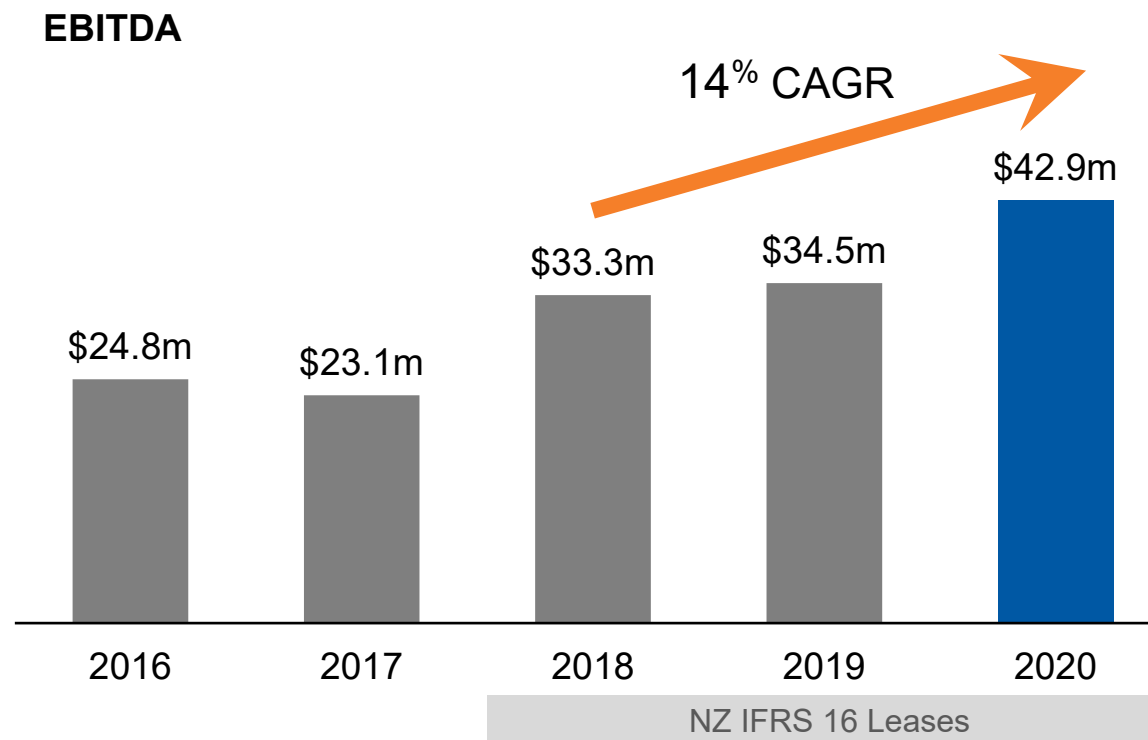
- Covid-19 direct costs
- Covid-19 productivity losses
- Lower Hayward yields and volumes

## 2020 upsides

- Asset sales gains
- Deferred tax gain

## EBITDA below expectations

- Focus on lifting core business
- Post harvest charges reset for harvest 2020



Business reset to operate in a Covid-19 world

# OPAC acquisition

Premium kiwifruit business located in Ōpōtiki

## Kiwifruit orcharding and post harvest business

### Modern post harvest infrastructure in Ōpōtiki

- Large capacity build completed 2019
- New MAF RODA packline, new coolstores, new offices
- Infrastructure currently under utilised

### Servicing Ōpōtiki, Te Kaha and Gisborne regions

- Major growth areas

### Long association with Seeka

- Many OPAC shareholders and supplying growers are already Seeka shareholders
- Similar ownership structure – 44 shareholders



# Benefits of acquiring OPAC

Growing our foundation kiwifruit business

## Increases our market share to 25% - up from 20%

- Apply our purchasing power to lower input costs

## New supply from the East Cape, Ōpōtiki and Gisborne plus a modern post harvest facility

- Seeka will be servicing all main North Island kiwifruit regions

## Strong position to work collaboratively with Zespri

- Simplifies the supply chain

## Generate material synergy savings

- Estimated \$2.5m to \$3.0m savings per year – when implemented



Once fully integrated, the synergies are forecast to increase earnings per share

# Seeka is focused on sustainability

Environmental, social and governance

## Positioning our business to operate in a changing climate

- Setting targets and reporting our progress

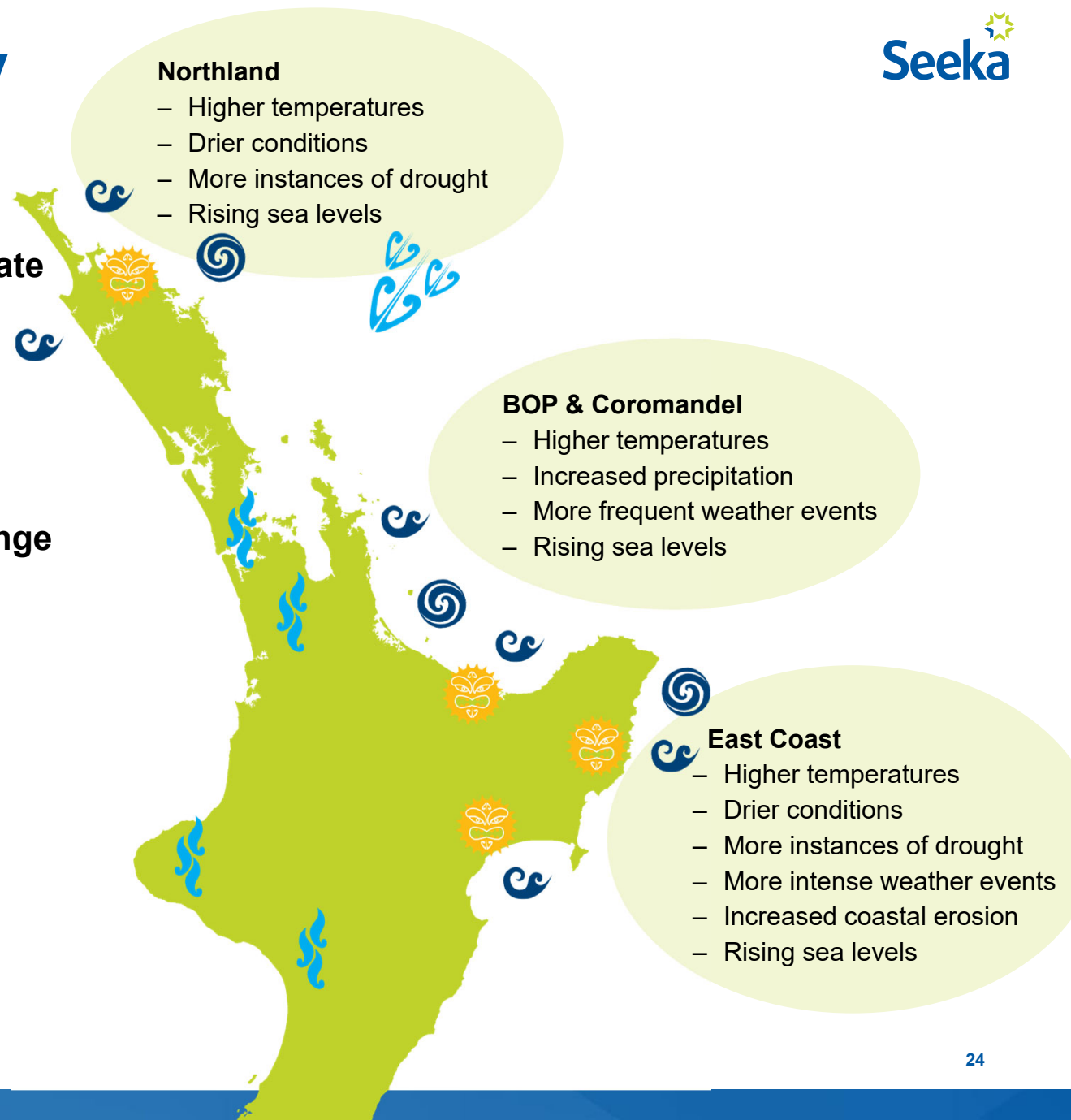
## Created a Board Sustainability Committee

## Working to understand the likely effects of climate change

- Risk and opportunity analysis

## Targeting initiatives to “Grow a Better Future”

- Measuring our emissions
- Minimising our environmental footprint
- Carbon reduction initiatives: Hybrid vehicles, Worm farm, Solar energy, LED lighting, Waste audits, Regenerative horticulture





A blue-tinted photograph of a forklift operator sitting on a forklift, lifting a pallet loaded with several stacked boxes. The scene is set outdoors on a paved surface. The text "Meeting Resolutions" and "Fred Hutchings" is overlaid in white on the center of the image.

# Meeting Resolutions

## Fred Hutchings

# Resolution 1. Director election – Peter Ratahi Cross

To consider, and if thought fit, pass the following as an ordinary resolution:



***To re-elect Peter Ratahi Cross as a Director.”***

- Peter Ratahi Cross retires by rotation and is standing for re-election
- Board supports and recommends Peter Ratahi Cross for re-election

***Ratahi Cross to address the meeting***

***3 minutes to address the meeting***

## Resolution 2. Director election – Ashley Waugh

To consider, and if thought fit, pass the following as an ordinary resolution:



***“To re-elect Ashley Waugh as a Director.”***

- Ashley Waugh retires by rotation and is standing for re-election
- Board supports and recommends Ashley Waugh for re-election

***Ashley Waugh to address the meeting***

***3 minutes to address the meeting***

## Resolution 3. Directors' Remuneration

To consider, and if thought fit, pass the following as an ordinary resolution:

***“That the pool of funds available for the remuneration of Directors be increased by an amount of \$80,000 per annum, from a maximum of \$450,000 per annum to a maximum of \$530,000 in each financial year payable to all Directors taken together, effective 1 January 2021.”***

# Resolution 3

## Explanatory summary - Policy

### **Policy is to set an annual pool at the market mid range point**

- Reviewed every 2 years
- Seek professional advice
- Last increase was to \$450,000 per annum approved by shareholders April 2018

### **Board withdrew a resolution to increase director remuneration prior to 2020 ASM in response to Covid-19**

- Business focused on continuity and delivering an essential service to our stakeholders

### **Seeka has continued to grow across all key metrics in the 3 years since the last increase (FY17 to FY20)**

- 53% increase in market capitalization
- 35% increase in revenue
- 50% increase in total assets

# Resolution 3

## Explanatory summary – Strategic Pay report and Board recommendation

### Consultants Strategic Pay reviewed Seeka director remuneration January 2020

- Benchmarked against their database of more than 200 NZ private sector businesses
- Key metrics of FY19 market capitalisation, revenue, assets and market sector

<b>Strategic Pay key metrics</b>	Seeka FY19	Survey range	Survey sample	Director fees	Chair fees
Market capitalisation	\$ 148m	\$ 75m - \$ 225m	14	\$70,000	\$125,000
Revenue	\$ 237m	\$ 190m - \$ 290m	13	\$80,000	\$145,000
Assets	\$ 368m	\$ 300m - \$ 500m	13	\$63,560	\$117,000
Industry	Agribusiness	N/A	8	\$50,000	\$102,500
Private sector companies		N/A	200	\$60,460	-
Seeka Board proposal April 2021				\$62,500	\$125,000



# Resolution 3

## Explanatory summary – Proposed pool allocation

<b>Proposed pool allocation</b>	Number	Current pool	2021 proposal	Increase
Annual pool of director fees - <i>as determined by Resolution 3</i>		\$ 450,000	\$ 530,000	17.8%
Individual allocations - <i>as determined by the Board</i>				
Chair <sup>1</sup>	1	\$ 100,000	\$ 125,000	25.0%
Chair Audit and Risk Committee	1	\$ 67,500	\$ 77,500	14.8%
Directors – Non Executive	5	\$ 56,500	\$ 62,500	10.6%
New Director – Succession Planning <sup>2</sup>		-	\$ 15,000	
<b>Total allocation</b>	<b>7</b>	<b>\$ 450,000</b>	<b>\$ 530,000</b>	<b>17.8%</b>

1. Chair fee increase inline with Strategic Pay advice that Chair fee is typically twice base director fee.
2. Provisional fee for the Board to appoint a new director prior to the 2022 ASM, and at the ASM the Board will revert to 7 directors.

## Resolution 4. Appointment and Remuneration of Auditors

To consider, and if thought fit, pass the following as an ordinary resolution:

***"To record the re-appointment of PwC (PricewaterhouseCoopers) as auditor of the Company, and to authorise the Directors to fix the remuneration and expenses of the auditor for the coming year."***

- PwC automatically reappointed as auditors under the Companies Act 1993
- Resolution authorises the Board to fix PwC's fees and expenses for 2021

## Resolution 5. Approval of Issue of new Ordinary Shares in relation to acquisition of OPAC by Amalgamation

To consider, and if thought fit, pass the following as an ordinary resolution:

***"That Seeka issue up to 7,042,574 new fully paid ordinary shares of Seeka, at the issue price, and for the consideration, described in the explanatory note pursuant to the Amalgamation Proposal described in the explanatory note and accompanying the Notice of Meeting."***

# Resolution 5

## Acquisition structure

### **\$59m acquisition – agreed fair value**

- \$33.94m of net assets, *plus*
- \$25.06m of net bank debt

### **Seeka will issue new shares in exchange for OPAC shares**

- 1.4833 Seeka Shares for every OPAC share

### **Maximum of 7,042,574 new Seeka shares to be issued**

- Equals the \$33.94m fair value of OPAC's net assets





### **On acquisition Seeka will assume OPAC's net bank debt**

- \$25.06m



# Resolution 5

## Conditions and milestones

<b>25 March</b>	Acquisition announced		
<b>13 April</b>	OPAC shareholders must approve the acquisition ( 95% approval )		<b>Approved</b>
<b>16 April</b>	Seeka shareholders must approve the issue of new shares		<b>Today's vote</b>
<b>By 4 May</b>	OPAC growers must agree to supply Seeka in 2022 and 2023 ( at least 80% of 2021 volumes secured for 2022 and 2023 )		<b>In progress</b>
<b>4 May</b>	Acquisition completed once all conditions meet		<b>Shares issued</b>

# Resolution 5

## Explanatory summary

### **Acquisition is consistent with Seeka's strategy**

- Grows our foundation kiwifruit business
- Seeka Group expected to generate more than \$300m in revenue

### **Once integrated, synergies forecast to increase earnings per share**

- Estimating \$2.5m to \$3.0m of material synergy savings

**This acquisition is fully recommended and supported by both Seeka and OPAC's Boards of Directors**



# Questions

## **At the Meeting**

–Votes will now be collected

## **Online**

–If you have not already done so,  
can shareholders now please cast your vote

An aerial photograph of a large building complex, possibly a school or government building, with a large satellite dish in the foreground. The image is overlaid with a blue tint. The text "General Business" is centered in white.

# General Business



# My thanks

## **Directors**

For diligent attention to the company

## **Management and staff**

For an excellent year in a most-testing situation

## **Growers and contractors**

For ongoing support

## **Customers and consumers**

For buying our produce

## **Shareholders**

For continuing interest in your company

Online shareholders have 5 minutes left to cast your vote

Meeting attendees please join us for refreshments



Seeka Kerikeri packline



[seeka.co.nz](http://seeka.co.nz)