



A Grower's Guide to Zespri Group Limited Shares

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NZKGI

Purpose of this guide

There's a lot of information on Canopy about Zespri Group Limited (ZGL) shares. The purpose of 'A Grower's Guide to Zespri Group Limited Shares' is to bring key parts of that information together to help growers with buying.

Disclaimer

NZKGI has taken care and prepared this information in good faith. Growers should seek professional advice for share purchases. NZKGI does not make any representation as to the accuracy of this information and disclaims any liability in respect of loss or damage arising from its use.

Share terms – the basics

Below are some definitions of key share terms used in this guide.

What is a share?

- A share represents an ownership stake in a company.
- The more profitable that company is, the more valuable the shares of the company become.
- Shares are a way to trade a stake in that company with other people (known as share trading).
- The more shares you own, the greater the portion of ownership you have.
- Shares can carry voting rights.

What is a shareholder?

A shareholder is an owner of shares in a company.

What is the share market?

The share market is just like any other marketplace. Buyers and sellers work out a price for something by bidding for it.

The share market is mostly online. Buyers and sellers come together in a virtual marketplace to trade shares.

What is a broker?

A broker is a licensed individual or a company who are the middleman in on-market share trading. Brokers earn a brokerage or commission on trades.

Why invest in shares?

Shares are considered one of the best long-term investments in the financial marketplace. Share prices can go up and down so investing in shares is not without risk. Shares can generate good returns in the long run. Shares may provide shareholders with:

Capital growth

Shares offer the possibility that their price will rise, and shareholders sell them for more than what they paid for them.

Dividend income

Dividends are cash distributions from a company to its shareholders i.e. a share of the after-tax profit of a company. Dividends paid are based on the number of shares held by them on a particular date (called the 'record date').

Dividends are typically paid every six months as 'interim' and 'final' dividends. Dividends can vary from year to year. Companies are not obliged to pay out dividends.

Zespri dividends are typically paid in August and December.

What is LaS and DaS?

Loyalty as Shares (LaS) and Dividend as Shares (DaS) are Zespri incentives:

- Growers receive loyalty payments that can be received in shares rather than cash (LaS).
- Dividends paid to growers from ZGL shares can be reinvested back in to shares rather than cash (DaS).

What is dry shareholding?

Shares become 'dry' when a shareholder is no longer producing kiwifruit. For example, a shareholder sells their orchard but keeps the shares. Dry shares will cease receiving dividends voting rights. See ZGL shareholding rules below.

What is 'USX'?

USX (Unlisted Securities Exchange) is an online NZ share trading platform for small to medium sized companies. It provides a means for existing and new shareholders to buy and/or sell shares in listed companies.

What is a share register?

A share registry records the number of shares, changes in shareholdings, any changes in share ownership, issues shareholder statements and manages dividend payments. The Zespri share registry is Computershare.

ZGL shareholding rules

There are several rules for ZGL shareholding as follows:

Share cap

- Growers can hold up to 6 shares per tray of production (calculated by taking the average of the best 2 of the last 5 seasons).
- Greenfield orchard growers can hold up to 1.5 shares per tray of deemed production.
- Overshared shareholders will be required to sell their overshared portion within 3 years of becoming overshared.
- Orchard lessees can take up the balance of shares not taken up by the landowner. If the combined shareholding of the landowner and lessee exceeds the 6:1 share cap, the lessee is required to sell their shares (this is known as the Landowner Priority rule).

Dividend cap for non-producer shareholders

Dry shareholders will cease receiving dividend payments after three years.

Voting cap

Shareholders can vote at the Annual Meeting. Votes are capped at one vote per share, or one vote per tray of production, whichever is the lesser. Where both landowner and lessee own shares, the landowner will have priority.

Dry shareholders are not entitled to any votes.

Buying ZGL shares

ZGL shares can be purchased on-market, off-market or through LaS and DaS.

On-market

On-market trading occurs when either a buyer or seller have a willingness to transact but are required to enter the share market to find a willing counterparty. On-market requires a share broker to trade on the open market.

Zespri uses USX share trading platform. You must use an approved USX broker. A list of approved brokers is available on the [USX website Brokers – USX](#)

On-market procedure

1. Register and open an account with an approved USX broker.
You will need to provide proof of identity, address and bank account. You will also need to provide any relevant trust or company information as well as the Kiwifruit Property Identification Number (KPIN). See identification requirements below.
2. The broker will conduct due diligence. This will include getting confirmation from Zespri that the buyer is a kiwifruit producer.
3. The broker will request the price you are willing to pay for the ZGS shares.
4. The broker will place your order on USX.
5. The buyer and seller are match based on the market price.
6. The buyer and seller will be notified of successful trade via a contract note. This will include the quantity of the shares purchased and the price paid for the shares (plus brokerage fees).
7. The buyer must settle the transaction within two working days.
8. The broker will notify Computershare to update the share register after settlement.

Broker due diligence

Opening a broker account is like opening a bank account. You are required to provide identification and other relevant legal documents. If original documents are not presented, the documents must be verified by a Justice of the Peace, lawyer, Notary Public, NZ chartered accountant, NZ Police officer or Member of Parliament.

The document requirements are:

Entity type		
Individual/joint	Trust or company	Estate
Identity		
<ul style="list-style-type: none"> • Passport • Bank statement issued by a NZ bank in the last 12 months • Credit / debit card named and signed • NZ birth certificate • SuperGold card • Current NZ firearms licence • Certificate of NZ or overseas citizenship • Current NZ driver's licence 	<ul style="list-style-type: none"> • Trust deed • Certificate of incorporation • Companies office extract confirming details of Directors and Shareholders <p>Individual trustees may be required to provide the proof of identity. Individual/joint identity requirements</p>	<ul style="list-style-type: none"> • Passport • Bank statement issued by a NZ bank in the last 12 months • Credit / debit card named and signed • NZ birth certificate • SuperGold card • Current NZ firearms licence • Certificate of NZ or overseas citizenship • Current NZ driver's licence
Address		

Entity type		
Individual/joint	Trust or company	Estate
<ul style="list-style-type: none"> Utilities bill issued in the last 3 months Rates bill issued in the last 3 months Bank statement issued in the last 3 months Government correspondence (e.g. IR letter) issued in the last 12 months 	Individual trustees may be required to provide the proof of address. Individual/joint address requirements	<ul style="list-style-type: none"> Utilities bill issued in the last 3 months Rates bill issued in the last 3 months Bank statement issued in the last 3 months Government correspondence (e.g. IR letter) issued in the last 12 months
Bank account		
<ul style="list-style-type: none"> A bank encoded deposit slip with pre-printed details of your bank account name and number A bank statement A verification letter or other document of confirmation provided by your bank 	<ul style="list-style-type: none"> A bank encoded deposit slip with pre-printed details of your bank account name and number A bank statement A verification letter or other document confirming the trust's bank account Verification of source of funds 	<ul style="list-style-type: none"> A bank encoded deposit slip with pre-printed details of your bank account name and number A bank statement A verification letter or other document confirming the estate's / solicitor's bank account Verification of source of funds Certified copy of probate or death certificate accompanied by will or letter of administration

Off-market

Off-market trading is when a buyer and seller have an agreement to transfer shares. Off-market transfers do not require a broker to complete the transaction.

Examples where this may occur are:

- A share transfer as part of an orchard purchase; or
- A share sale or purchase where the two parties have privately reached an agreement without having been introduced to each other in a market situation.

Off-market procedure

- Settlement occurs privately between the buyer and the seller.
- Complete the off-market share transfer form available on Canopy [Zespri-Off-Market-Share-Transfer.pdf](#)

3. Email the completed form to [Zespri](#) or [Computershare](#). Zespri will forward the form on to Computershare.
4. Computershare will provide the parties with written confirmation that the transfer has taken place.

LaS and DaS

To purchase shares through LaS and DaS, you'll need to opt-in via the Industry Portal in Canopy.

Zespri has step by step guides on how to opt in (and out) under 'Additional Resources' in [Canopy | Share alignment](#).

Latest ZGL share price and market information

Latest ZGL share price and market information is available on the [USX ZGL Trading Portal](#) – you will need a login to access the information (it's free to create one).

You can see current information such as bids and offers, the latest share price, the last 10 trades, news and announcements and stock details. It does not include any off-market trades as these only go through Computershare.

Also see the latest Zespri Annual Report for information about its financial performance. Annual reports are available on Canopy.

Zespri employee and director shares

Many Zespri employees and directors are kiwifruit growers and are eligible to purchase ZGL shares. Zespri have a policy in place to ensure that directors and employees do not profit from confidential information disclosed to them in their involvement with the company.

The policy and information on director share trading is available on [Canopy | Director share trading](#)

Keeping the share register up to date

It is important to keep the details of your shareholding up to date and aligned with your orchard production.

Change of orchard ownership entity – misaligned shares

Changing ownership of an orchard can misalign any shares owned. Changing ownership can happen when:

- a producing entity has a name or structure change
- a producing trust entity has a change in trustees
- when an orchard is sold without the shares.

If the producing entity has had a name/structure or trustee change, complete the off-market procedure above to prevent the shares from becoming dry.

Growers should seek professional advice to understand any legal or tax obligations when changing ownership.

Change of trustees for a dry shareholder

Zespri cannot approve an update of trustees when the shareholder is dry. In this a dry shareholder can:

- sell the shares on or off-market; or,
- retain the shares in the names of the existing trustees. When the shares are subsequently sold, all trustees noted on the Zespri share register will be required to sign the off-Market transfer form.

Deceased estate

Zespri require a death certificate and probate where applicable, to transfer the share ownership when a shareholder is deceased.

Lease changes

Notify Zespri of any lease changes. Lease changes may affect voting rights.

Change of address or bank account

If you change your address or bank account, ensure you update them with Zespri and Computershare to continue receiving communications and dividends. Change of address and bank account forms are available on Canopy. Email forms to [Zespri](#) or [Computershare](#).

[Address-Change-Form.pdf](#)

[Direct-Credit-Form.pdf](#)



Other relevant share terms

Imputation

Companies keep track of how much income tax they pay and can attach this as an imputation credit to the dividends they pay out. The dividends are part of each shareholder's income, but the imputation credit reduces the income tax they must pay personally. This means company profits are not taxed twice.

Imputation can vary with each dividend, depending on the tax situation of the company.

Market maker

A market maker is a broker-dealer firm that holds shares to facilitate share trading. By holding shares they ensure that there are always buyers and sellers available for trading. Market makers help to prevent large price swings and ensure that prices reflect supply and demand. This helps to keep the market stable.

Craigs Investment Partners (Craigs) is the Zespri market maker. Craigs hold no more than 0.125% of issued ZGL shares. They do not have voting rights.

Strike price

A strike price is a fixed price set by the company for a share offer (rather than the market determining the price by supply and demand).

LaS and DaS will be offered at a strike price set by the Zespri Board. The price is informed and supported by an independent valuation to ensure the price is fair.

Share buy back

A share buy back is when a company decides to purchase their own shares from investors. Buy back helps a company to manage its capital.

For Zespri, LaS and DaS will result in more shares on issue. Zespri will retain as cash the amounts which would have otherwise been paid out as loyalty or dividends. This will leave the Zespri Board with a decision to make about the appropriate level of capital and shares.

Independent valuation

An independent valuation provides an unbiased assessment of an asset's worth, often used in situations requiring a fair market value. It's typically conducted by a third-party who is not affiliated with either party involved in the transaction.

Valuation methodology

Valuation methodologies are the various approaches used to determine the worth of an asset, company, or investment.

Valuers use a number of approaches to ultimately come up with their best estimate of the company.

Valuation methodologies include:

Discounted cash flow: calculates the value of a company based on the value of its expected future cashflows.

Earnings multiple: calculates the value of a company based on a multiple of the current earnings of the company.

Enterprise value

Enterprise value is another way of saying the value of a company. Dividing the enterprise value by the number of shares on issue gives you the share price.

Minority and marketability discount

Minority and marketability discounts are valuation adjustments applied to the fair market value of an asset.

For example, partial ownership interest in a company may be worth less than its proportional share of the total business because it has limited voting power. A 51% share in the business is usually worth more than 51% of its equity value. Conversely, ownership of a 30% share in the business may be worth less than 30% of its equity value. The minority ownership limits the scope of control over critical aspects of the business.