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Market statement

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LIC Board proposes simpler, fairer share structure

The Board of Livestock Improvement Corporation Limited (NZX: LIC) (**LIC**) has released its proposal to simplify LIC's share structure by bringing the farmer-owned co-operative's existing two classes of shares together into a single class.

Share simplification proposal key points:

1. From two classes of shares to one
2. Fundamentals of co-operative protected
3. All shareholders will have a vote and receive dividends based on profitability
4. Share standard will increase
5. All shares will be listed and subject to market pricing

LIC currently has two classes of shares – co-operative control shares and investment shares, which are listed on the NZX Alternative Market (NZAX).

Board Chair, Murray King, said the Board is pleased to recommend the new share structure to shareholders following a comprehensive review of LIC's share structure that began in 2016 in response to concerns around the growing disparity between LIC's two share classes.

The proposed new structure will:

- Protect the co-operative principles that are fundamental to LIC
- Ensure a fairer system that treats all shareholders equally
- Give LIC capital flexibility in the future
- Support LIC's strategy (Vision, Purpose, Strategic Themes and Values)
- Deliver a simpler share structure with less hassle for shareholders and LIC

"Under the current share structure, co-operative shareholders have greater voting rights but have limited exposure to the financial benefits of our recent transformation programme and future growth opportunities. Conversely, investment shareholders, whilst having a right to a greater share of the economic value created by LIC for its shareholders, have limited ability to control the strategy or direction that LIC takes to optimise that value.

"This creates potentially serious conflicts between the two existing classes of shares. The Board believes these conflicts will worsen over time and that now is the time to address these conflicts given they will otherwise lead to issues for the on-going management and governance of LIC.

"The proposal will reduce this conflict, preserve LIC's co-operative principles and allow us to focus on a strategy designed to benefit all shareholders equally.

"Share simplification is in the best interests of both classes of shareholders and LIC. While the impacts of moving to a single share structure differ for shareholders depending on their current investment mix, we believe that the overall benefits outweigh the negative effects," he said.

King said the Board of LIC along with the Shareholder Council recommend a Yes vote. The Independent Adviser believes that, on balance, the proposal is in the best interests of both classes of shareholders and LIC.

“It is unusual for a company to have two classes of shares. Moving to a single class of shares is about future proofing LIC and ensuring a resilient and adaptable co-op for generations to come.

“For our co-op to stay strong, it is important that these changes happen. That’s why the Board has made it an important part of its strategic roadmap for LIC, and spent the last 18 months working to find a solution that is fair and as simple as possible.

“We urge shareholders to read the information coming to their mailboxes soon, and support the proposal by voting yes.

“Two classes of shares with unequal rights are not suitable for this modern, progressive co-op.”

The changes will only happen if approved by co-operative shareholders and investment shareholders, each to a level of 75% or more of the votes received.

A description of how, and the relative values at which, the share simplification would be implemented and the advice from the Independent Adviser that supports the proposal is set out in the attached Introduction to LIC’s Share Simplification Booklet and the Notice of Meeting. These contain important information.

Information about the proposal is available on LIC’s website and detailed information packs will be mailed to all shareholders next week. The information packs outline the proposal, how it would be implemented and provide an exact breakdown of how each LIC shareholding would change under the proposed share simplification process.

The proposal is now subject to a shareholder vote which can be done online, by post, in person or by proxy at a Special Meeting at LIC’s head office in Newstead, Hamilton on 14 March 2018. Voting papers and Notice of Meeting details are contained in the information packs.

More information about the proposed changes is available at www.lic.co.nz/vote.

ENDS

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About LIC

LIC is a farmer-owned co-operative that provides a range of services and solutions to improve the productivity and prosperity of farmers. This includes dairy genetics, information technology, herd testing, DNA parentage verification and farm advisory services through FarmWise. Subsidiary business LIC Automation also provides integrated automation systems and unique milk testing sensors that present real-time data while a cow is being milked. With origins dating back to 1909, LIC has a long history of world-leading innovations for the dairy industry.

Today the New Zealand-based co-operative employs more than 700 permanent staff, swelling to 2000 during the 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 re-investment for new solutions, research and development. www.lic.co.nz