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Market Announcement
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PROPOSED AFIMILK STRATEGIC INVESTMENT SHAREHOLDER APPROVAL NOT RECEIVED

Following a Special Meeting held today the Board of Livestock Improvement Corporation Limited (NZX: LIC) (LIC) wishes to advise shareholders that the proposed strategic investment in Afimilk has not received the required shareholder support to proceed.

LIC announced on 19 February 2020 that it was seeking shareholder approval to acquire a 50% stake in Afimilk, which develops and commercialises dairy farm technology and farm automation systems. The acquisition, valued at \$108.7 million when announced, was conditional on a number of matters including shareholder approval.

On 23 March 2020 LIC provided an update to shareholders setting out the impact of COVID-19 on the proposed investment. LIC subsequently updated the market again on 2 April 2020 advising the exchange rate remained volatile.

LIC Chair Murray King thanked shareholders for their careful consideration of the proposal. “This was a significant, but achievable long-term strategic investment opportunity for LIC. The Board and Management team undertook a thorough and independently assessed due diligence process before recommending this investment to shareholders because it made strong commercial sense financially and strategically.

“It is vital that LIC keeps its world-leading edge in pastoral dairy farming data, while broadening access to new information to meet future needs and challenges.

“We are in a rapidly transforming industry and to protect against disruption we will need to continue to find opportunities to protect LIC’s on-going access to pastoral dairy farming data through the increased use of in-line milk meters and animal monitoring systems (such as collars).

“Ultimately, an investment of this nature needs shareholder endorsement. The Board understands and respects our shareholders’ decision, particularly given these impacts and the wider domestic and global economic uncertainty. The market and economic volatility seen since late February saw shareholder uncertainty and nervousness about embarking on an acquisition increase through the voting period.

“When we announced this proposal, no one could have foreseen the rapid and unprecedented impacts of COVID-19 that resulted in material impacts on this acquisition, arising from exchange rate volatility, difficulty in efficient transfer of governance and risk of earnings impact for the Afimilk business.”

Of the votes received, 27.56% of shares voted for the proposal. 70.30% voted against the proposal and 2.14% abstained. For the investment to proceed, it needed to be approved by 50% or more of the votes received.

“LIC has built a strong platform for growth over the past four years with solid financial results including ensuring that the co-operative has the financial headroom to achieve innovation-led growth and we will continue to assess other strategic opportunities in the future.

However, our immediate focus now is to ensure that LIC remains match-fit to play its role in supporting our shareholders as they navigate their farming businesses through the challenges of the next few months,” said Murray King.

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-invested for new solutions and research and development. www.lic.co.nz

About Afimilk

Afimilk is an Israeli company, which develops, manufactures and markets advanced systems to manage dairy farms. It has a global reputation for its innovations and ability to commercialise new products for the dairy industry. Its key products include farm management software, cow wearables, in-line milk meters and automation technology. Afimilk’s revenue for 2018 was US\$53.4 million (NZ\$83 million) from an asset base of US\$36.5 million (NZ\$56.7 million).

In the financial year ending 31 December 2019, Afimilk’s revenue was US\$57.4 million (NZ\$89.1 million), with an EBITDA of US\$14.2 million (NZ\$22.1 million) from its core operations. These numbers reflect unaudited management accounts as, at the time of preparation, audited accounts for the 2019 financial year were unavailable.

Afimilk sells through a dealership model with access to 250 dealers in over 50 countries. Target customers are those with a large farming production and multi farm owners who operate a barn style farming model.

Afimilk’s current shareholders are Kibbutz Afikim and Fortissimo.

Fortissimo is a private equity firm based in Israel, which invests primarily in technology and industrial companies. As a private equity firm, its strategy has been to develop Afimilk with the intention of providing a return to its investors at an appropriate time.

Kibbutz Afikim is one of the largest kibbutzim in Israel. “Kibbutzim” is a type of collective economic grouping, not dissimilar to a co-operative. Afikim recognises the importance of a partnership approach with LIC, requiring an equal shareholding, and so it has agreed to sell its stake in 19.23% of the Afimilk shares to LIC to achieve that.

LIC was proposing to acquire 50% of the shares in Afimilk from its current shareholders (30.77% from Fortissimo and 19.23% from Kibbutz Afikim).