



5 October 2022

Binding Share Purchase Agreement Secured for Transformational and Earnings Accretive Acquisition

Highlights:

- **Binding share purchase agreement secured to acquire 100% of issued capital in the Nine Ocean Group**
- **Strong earnings accretive proposition, with proposed deal terms offering compelling value for NZS shareholders**
- **Multiple business synergies identified including immediate and substantial cost reduction opportunities**
- **Nine Ocean is a leading seafood fishing and seafood product wholesale/export business headquartered in Cairns, Queensland**
- **Nine Ocean has an established market presence across Australia, considerable warehouse capacity, established supply chains and established revenue channels**
- **Nine Ocean had sales revenue of \$1.64M in FY22 and NPAT margin of 37.75% (NPAT +15% YoY)¹**
- **Robust transaction terms with revenue growth milestones on deferred consideration shares: \$3.1M at the end of 12 months and \$6.2M for 12 months to end of 24 months**
- **Nine Ocean's existing sales pipeline is underserved. NZCS intend to deploy growth capital and acquire additional fishing fleet with a view to scale Nine Ocean's existing operations**
- **The group has excellent environmental, social and governance (ESG) credentials through Australian Fisheries Management Authority (AFMA) regulation and local community engagement**
- **Unique opportunity to establish an Australian base and Trans-Tasman footprint with high-end seafood products, storage, processing and domestic/export sales**
- **Leverage Australia/New Zealand market position as noted supply jurisdictions for premium food products, targeting large Asian consumer markets**
- **100% Share based consideration demonstrates confidence in the NZCS operation from the vendors.**

¹ Based on unaudited management accounts of Meridian Equity Pty Ltd as trustee of the Meridian Equity Unit Trust for the financial year ended 30 June 2022.

PRINCIPAL AND REGISTERED OFFICE

Suite 5 CPC
145 Stirling Highway
Nedlands, WA
Australia, 6009

ABN: 16 124 251 396

OPERATIONS

7 Bolt Place
Christchurch Airport
Christchurch 8053
New Zealand

CONTACT

E info@nzcs.co
P +61 8 9389 3170

ASX CODE: NZS

www.nzcs.co



Leading secondary producer of nutraceutical, seafood products and premium marine ingredients **New Zealand Coastal Seafoods Limited (ASX:NZS and NZSOB)** ('NZCS', the 'Company') is pleased to advise it has entered into a binding share purchase agreement with PXY Pty Ltd and Nine Ocean Fishery Pty Ltd (together 'Nine Ocean') and Investment Advisers Alliance Pty Limited, a founding shareholder of Nine Ocean to offer to acquire 100% of the issued share capital of the Nine Ocean Group (the 'transaction'). It is a condition precedent of the transaction that the Company also enters into a share purchase agreement to acquire 100% of the issued share capital of Meridian Equity Pty Ltd, a related entity of Nine Ocean, for nil consideration.

Nine Ocean is a leading seafood fishing and wholesale export business headquartered in Cairns, Queensland with operations in the Torres Strait.

The proposed transaction will provide NZCS with a number of strategic benefits, including an Australian based operation with established revenue channels, advanced supply chain and logistics networks, processing optimisation opportunities and additional warehousing capacity. The Company is confident that the synergies between the two operations and the capital it will bring to Nine Oceans will drive increasing growth and assist in further scaling Nine Ocean's operations in the near term.

About Nine Ocean:

Established in 2017, Nine Ocean is a seafood fishing and wholesale/export company, with a core strategic focus on responsible sourcing. Headquartered in Cairns, Nine Ocean sources its seafood products from the Torres Strait and operates a purpose-built export standard processing facility in Cairns.

Through sustainable management practices, Nine Ocean cultivates a variety of high-end seafood products, with a particular focus on tropical rock lobster and sea cucumber. Nine Ocean owns a series of unique fishing licences in the Torres Strait and Coral Sea Fishing Zones.

Nine Ocean products are wild and traceable, the fishery has been assessed and verified for sustainability, taking into account impacts on the wild fish population and the broader coastal ecosystem where Nine Ocean conducts its fishing operations.

Nine Ocean is a direct supplier of premium fresh and frozen seafood products to outlets across Australia, and also serves the Asia-Pacific markets via an airport-to-airport shipping capability.

The company's processing facility in Cairns includes live tanks, frozen/chilled storage and drying equipment for live, frozen/chilled and dried seafood products. For international markets, Nine Ocean provides a full set of accredited export documents to assist global clients with customs/import requirements.

The group has a strong ESG focus. All of Nine Ocean's operations adhere to Australian Fisheries Management Authority (AFMA) guidelines as well as relevant Protected Zone Joint Authority (PZJA) based rules and policies. Nine Ocean is also focused on local community engagement and supplies a range of administrative services and equipment to the community. The company

PRINCIPAL AND REGISTERED OFFICE

Suite 5 CPC
145 Stirling Highway
Nedlands, WA
Australia, 6009

ABN: 16 124 251 396

OPERATIONS

7 Bolt Place
Christchurch Airport
Christchurch 8053
New Zealand

CONTACT

E info@nzcs.co
P +61 8 9389 3170

ASX CODE: NZS

www.nzcs.co



then purchases any suitable catch at competitive market prices ensuring money flows into the local economy.

Strategic and Operational Synergies:

The transaction offers NZCS a unique opportunity to consolidate its regional market footprint as a premium seafood supplier, sourcing high quality products from coastal regions of Australia and New Zealand.

With its diversified seafood business and well-established revenue channels, Nine Ocean's operations will be immediately earnings accretive to the combined group. Nine Ocean's existing distribution channels and expertise for sales into China will significantly complement and bolster the sales operations of NZCS's existing business.

Further, NZCS access to capital to deploy to Nine Ocean, provides the opportunity to further scale its operations. To expedite growth, both parties have agreed to seek to acquire additional seagoing fishing capacity with the capabilities to remain at sea for several days which Nine Ocean can use to increase its overall catch and drive additional revenues.

The Company's current Board and management team, in particularly CEO Mr Andrew Peti and Non-Executive Director Mr Nathan Maxwell-McGinn, have extensive experience across the industry and will deploy this skillset to assist in integrating Nine Ocean and scaling operations.

Through its North Queensland location, Nine Ocean also gives NZCS a unique distribution hub to serve lucrative Asian markets situated in close geographical proximity. Leveraging the joint strengths of the Company and its acquisition target, the combined group will be positioned to capitalise on its position as a premium quality seafood supplier, serving high-end products sourced through sustainable fishing management practices, to domestic and international markets.

The NZCS Board and management team also take the view that the proposed sale price represents good value for NZS shareholders, with the opportunity to acquire an established Australian seafood business at a compelling earnings multiple, with further cost and distribution synergies to be enjoyed by the combined group. The 100% share based consideration demonstrates strong support for the existing NZCS operations from the vendors.

Upon completion of the potential transaction, NZCS will progress a number of cost optimisation initiatives, including focused efforts to reduce Nine Ocean's administration expenditure, potential shared processing and complementary supply chain opportunities. NZCS has already identified a number of optimisation opportunities to reduce costs for both parties, include utilising its existing factories to process and or trade Nine Ocean's sea cucumber, finfish and other frozen products of interest.

NZCS also plans to advance additional ESG focused initiatives upon completion of the transaction, including optimising the group's processing and supply chain capacity for waste, potential reduction in pollution and increased sustainability.

PRINCIPAL AND REGISTERED OFFICE

Suite 5 CPC
145 Stirling Highway
Nedlands, WA
Australia, 6009

ABN: 16 124 251 396

OPERATIONS

7 Bolt Place
Christchurch Airport
Christchurch 8053
New Zealand

CONTACT

E info@nzcs.co
P +61 8 9389 3170

ASX CODE: NZS

www.nzcs.co



In view of those operational and financial benefits, the acquisition of Nine Ocean will be a complementary expansion of its existing business and operations, in accordance with the group's stated business model and strategy to grow its footprint as a leading producer of premium seafood products, marine ingredients and nutraceutical products.

Compelling transaction terms with revenue growth milestones:

Based on the share purchase agreement, the consideration terms comprise:

- a) an issue of 527,005,031 fully paid ordinary shares in the Company (**Shares**) and 206,751,257 options to acquire Shares with an exercise price of \$0.01 and an expiry date of three years from the date of issue (**Options**) (**Initial Consideration Securities**) to the shareholders of Nine Ocean at completion of the transaction; and
- b) the following deferred consideration to be paid to the shareholders of Nine Ocean as follows:
 - (i) an issue of 150,000,000 Shares where the total revenue of Nine Ocean within 12 months from completion is greater than \$3,100,000 (**Tranche 1 Deferred Consideration Shares**); and
 - (ii) an issue of 225,000,000 Shares where the total revenue of Nine Ocean within 12 months from completion or within the 12 month period which commences on the date which is 12 months from completion and ends 24 months from completion is greater than \$6,200,000 (**Tranche 2 Deferred Consideration Shares**).

Management commentary:

New Zealand Coastal Seafoods CEO, Andrew Peti, said: *"The proposed acquisition of Nine Ocean marks a unique opportunity to further establish NZCS as a leading producer of premium seafood products across Australia and New Zealand.*

"Nine Ocean's business model operates in strong alignment with NZCS' current strategy, further leveraging its position as a preferred supplier of ethically sourced, high-quality seafood products, particularly for large Asian consumer markets. During our initial due diligence, the Company has identified a number of synergies and opportunities to drive growth. We also plan to commit capital and the existing management team's experience to scale Nine Ocean's operations for the benefit of NZCS.

"In addition, the proposed transaction terms offer compelling value for NZCS shareholders, with the opportunity to acquire a leading domestic seafood company at an attractive multiple of FY21 and FY22 unaudited revenues. Taking those factors into account, the NZCS management team views the proposed transaction as a transformational acquisition for the business, with the capacity to add materially to long-term revenue and net profits."

PRINCIPAL AND REGISTERED OFFICE

Suite 5 CPC
145 Stirling Highway
Nedlands, WA
Australia, 6009

ABN: 16 124 251 396

OPERATIONS

7 Bolt Place
Christchurch Airport
Christchurch 8053
New Zealand

CONTACT

E info@nzcs.co
P +61 8 9389 3170

ASX CODE: NZS

www.nzcs.co



Summary of the Share Purchase Agreement

Pursuant to the share purchase agreement, the Company has agreed to acquire 100% of the share capital of Nine Ocean subject to the satisfaction or waiver of conditions precedent. A summary of the key terms of the transaction is set out below. The share purchase agreement also contains warranties and indemnities granted by and to the Company, among other terms considered for a transaction of this nature.

a) Consideration

Subject to satisfaction or waiver of conditions precedent to the share purchase agreement (summarised in section b) below), in consideration for acquiring 100% of Nine Ocean's shares, the Company has agreed to issue the Initial Consideration Securities and Deferred Consideration Shares described above. Such number of Initial Consideration Shares which is equal to 19.9% of the issued share capital of the Company at the time of settlement of the transaction will be subject to voluntary escrow for a period of 12 months from the date of issue. Subject to compliance with the Corporations Act 2001 (Cth) (**Corporations Act**), the Deferred Consideration Shares will also be subject to voluntary escrow for a period of 12 months from the date of issue.

b) Conditions Precedent

Settlement of the transaction is subject to and conditional on the following conditions precedent (**Conditions Precedent**) being satisfied or waived:

- (i) **Meridian Share Purchase Agreement:** the Company entering into share purchase agreements to acquire the entire issued share capital of Meridian Equity Pty Ltd for nil consideration which such acquisition to settle post settlement of the transaction;
- (ii) **Due Diligence:** the Company completing and being satisfied, in its sole discretion, with the outcome of its due diligence on the Nine Ocean Group companies and business, including Meridian;
- (iii) **Nine Ocean Shareholder Acceptances:** all Nine Ocean shareholders accepting the Company's offer to acquire their Nine Ocean shares;
- (iv) **Shareholder Approvals:** the Company obtaining all necessary shareholder approvals to complete the transaction as required by the Corporations Act, the ASX Listing Rules, the Company's constitution and any other applicable laws and regulations, including without limitation:
 - approval for the issue of the Initial Consideration Securities and Deferred Consideration Shares under ASX Listing Rule 7.1; and
 - approval for the appointment of Peter Chai as a Director of the Company;

PRINCIPAL AND REGISTERED OFFICE

Suite 5 CPC
145 Stirling Highway
Nedlands, WA
Australia, 6009

ABN: 16 124 251 396

OPERATIONS

7 Bolt Place
Christchurch Airport
Christchurch 8053
New Zealand

CONTACT

E info@nzcs.co
P +61 8 9389 3170

ASX CODE: NZS

www.nzcs.co



- (v) **Governmental, Regulatory and Third Party Approvals:** the parties obtaining all other necessary governmental, regulatory and third party approvals, consents and waivers as required by the Corporations Act, the ASX Listing Rules and any other applicable laws and regulations to allow the parties to lawfully complete the transaction;
 - (vi) **ASX Waiver:** ASX granting the Company a waiver from ASX Listing Rule 7.3.4 to allow the Deferred Consideration Shares to be issued to the Nine Ocean shareholders later than three months after the date of shareholder approval; and
 - (vii) **No Material Adverse Effect or Change:** no event, matter or circumstance occurring between the date of execution of the share purchase agreement and the date that all of the other Conditions Precedent are satisfied or waived which has, or is reasonably expected to have, a material adverse effect or change on Nine Ocean or Meridian Equity Pty Ltd.
- c) **Board Composition:** subject to shareholder approval, Peter Chai of Nine Ocean will be appointed as a Director of the Company at completion of the transaction.

Authority

This announcement has been authorised for release by the Board of New Zealand Coastal Seafoods Limited.

Further information:

Aldo Miccio
Executive Director, New Zealand Coastal Seafoods Limited.
Email: investors@nzcs.co Tel. +61 421 497 138

Henry Jordan
Six Degrees Investor Relations
Email: henry.jordan@sdir.com.au Tel. +61 431 271 538

PRINCIPAL AND REGISTERED OFFICE

Suite 5 CPC
145 Stirling Highway
Nedlands, WA
Australia, 6009

ABN: 16 124 251 396

OPERATIONS

7 Bolt Place
Christchurch Airport
Christchurch 8053
New Zealand

CONTACT

E info@nzcs.co
P +61 8 9389 3170

ASX CODE: NZS

www.nzcs.co



About New Zealand Coastal Seafoods

New Zealand Coastal Seafoods (NZCS) is a New Zealand based, ASX listed, producer of premium seafood products and nutraceutical marine ingredients. Through the development of Nutraceutical products, NZCS has recognised significant opportunities in this high growth market, with the global Nutraceutical market estimated at US \$230.9 billion in 2018.¹

Harnessing the countries reputation for pure, pristine waters and fisheries provenance, NZCS utilise raw ingredients sourced from New Zealand's sustainably managed fisheries, employing a nose-to-tail philosophy to create a range of high-value products.

The Company's mission is to share the sought-after flavours of sustainably-sourced, nutritious, healthy and organic goodness of New Zealand's seafood, through expanding global distributors, wholesalers and consumer channels.

¹ <https://www.bccresearch.com/market-research/food-and-beverage/nutraceuticals-global-markets.html>

PRINCIPAL AND REGISTERED OFFICE

Suite 5 CPC
145 Stirling Highway
Nedlands, WA
Australia, 6009

ABN: 16 124 251 396

OPERATIONS

7 Bolt Place
Christchurch Airport
Christchurch 8053
New Zealand

CONTACT

E info@nzcs.co
P +61 8 9389 3170

ASX CODE: NZS

www.nzcs.co