Industry Expert Interview - Part 3

Interviewee: Robert (Rob) Calthorpe - Senior Industry Consultant (independent)

Background: Ex-Mainland Poultry exec (1994-2011); now advises private investors

Interviewer: Iris Beaumont (Halberd Capital Partners - Research)

Date: Monday, 11 May 2026

Duration: 38 minutes

Format: Video call (Auckland / New York); recording transcribed by I.B.

Anonymisation: None - interviewee consented to attributed transcript

Note (I.B.): Part 3 of three. Closing session. Focus per Part 2 close: top-down vs bottom-up market sizing reconciliation; quantified free-range premium trajectory FY26-FY28; final view on the family-controlled producer's end-2027 colony-to-barn timeline feasibility; bottom-line opportunities sized. R.C. received our team's draft top-down market sizing over the weekend.

[00:00:14]

I.B.: Rob, good to see you again. Three areas to close. The top-down vs bottom-up reconciliation since you've now seen our draft. The premium trajectory FY26 to FY28 quantified. And the final view on the McKenna business's colony timeline. Plus we'll size the bottom-line opportunities you flagged Friday. Sound right?

[00:00:48]

Calthorpe: Yes. I read the top-down draft over the weekend - let me start there.

[00:00:58]

I.B.: Go for it.

[00:01:04]

Calthorpe: OK. Your top-down comes in at about NZ$455 million for the NZ retail egg market. Your method - population 5.22 million, per-capita 229 eggs, average retail price, then back-out the wholesale-to-retail uplift around 30%. That's a defensible number for the retail channel specifically. I have no quarrel with the math; I think you've executed the public-data top-down properly.

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I.B.: And bottom-up gives me about NZ$540M.

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Calthorpe: Yes. I ran my own bottom-up against your numbers. Take 3.75 million national flock, 300 eggs per layer per year on average, 90% utilisation across the year for cage-free and colony, weighted blend of channel prices. I get to about NZ$535-545M producer-side. So your figure and mine line up within a couple of percent.

[00:02:42]

I.B.: So the gap to top-down is real. It's not a calculation error. Why is bottom-up bigger?

[00:02:50]

Calthorpe: This is the important point. Your top-down is sizing the retail channel. Bottom-up sizes all egg production. The gap - about 19% - is the value of egg volume that flows through channels other than retail. Foodservice, industrial, own-use, institutional, direct-to-consumer. None of that is in the retail price-times-quantity equation.

[00:03:38]

I.B.: Walk me through what's in the gap.

[00:03:42]

Calthorpe: Three categories. One - industrial demand. Bakeries, mayonnaise manufacturers, food processors, ready-meal manufacturers. They buy bulk eggs at wholesale prices that don't appear in any retail-shelf number. That's maybe 8-10% of total volume going to industrial buyers. Two - foodservice. Restaurants, cafes, hotels, hospitality groups, QSR operators. Wholesale gate price plus a foodservice distributor margin, not a retail markup. That's 12-15% of volume. Three - and this is the one most analysts miss - own-use and institutional. School breakfast programmes, prisons, hospitals, defence force catering, rural farm own-consumption. That's another 4-6% of volume that essentially never touches a retail price point.

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I.B.: So the gap is structural - not a reconciliation problem to solve, but a real feature of the market.

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Calthorpe: Exactly. Your team should not normalise the gap away. The gap is the answer to the question 'what's missing from a retail-only sizing'. Surface it. You'll look smarter than the analysts who only quote the retail figure and pretend that's the whole market.

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I.B.: How should we present it in the model?

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Calthorpe: Three sizing tabs would do it. One - top-down retail at NZ$455 million. Two - bottom-up production at about NZ$540 million. Three - reconciliation showing the difference is industrial plus foodservice plus own-use, not a math error. Sum the channel mix back to the bottom-up figure and the gap closes.

[00:07:02]

I.B.: And which is the 'right' market size to anchor on for the McKenna business's market share?

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Calthorpe: Depends what you mean by market. If you're asking 'how big is Aurora as a share of NZ retail egg revenue', anchor on top-down. If you're asking 'how big is Aurora as a share of national egg volume', anchor on bottom-up. Aurora's volume share is 18% on bottom-up. Aurora's retail-channel share would be about 22-23% - because they're more retail-concentrated than the average producer. They look bigger from the retail lens than from the all-channel lens.

[00:08:24]

I.B.: That's actually an underrated point. Anyone reading just retail-channel data thinks the McKenna business is bigger than they really are.

[00:08:34]

Calthorpe: Yes. And it works the other way for industrial-heavy producers - Heyden does more industrial than Aurora, so Heyden looks smaller in retail-share terms than they are in all-channel terms. Be careful which lens you're using.

[00:09:18]

I.B.: And - confirming - the McKenna business's flock isn't in the public producer numbers any analyst would have.

[00:09:24]

Calthorpe: Correct. Aurora is private and family-controlled. They don't disclose to MPI in a way that shows up at the producer level - they file at the aggregate-industry level only. They're not in any analyst report I've seen. So if your team is summing publicly available producer flock estimates, Aurora's 610,000 birds aren't in that sum. Aurora has to be added on top of the publicly tracked roster. Don't shrink Mainland's number to fit Aurora in. Mainland is what it is. Aurora is additive.

[00:10:24]

I.B.: We've internalised that. OK - premium trajectory. Friday you said FY26 is 18-22%. Forward path?

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Calthorpe: Right. I've stress-tested this with two retail buyers and one large foodservice distributor over the weekend. My current view of the trajectory is: FY26 averages 18% premium for free-range over barn at the wholesale gate. FY27 - as the bulk of Phase 2 barn capacity comes online ahead of the deadline - drops to 14%. FY28 - post-deadline, when barn supply has fully stood up - settles at 12%.

[00:11:42]

I.B.: So model the path 18 → 14 → 12 across FY26 to FY28.

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Calthorpe: That's where I'd land. The 18% for FY26 is at the bottom of my Friday range - I've been more conservative after the weekend conversations. The retail buyers I spoke to are negotiating barn-supply deals right now that lock in narrower premiums; that locks the compression in earlier than I'd thought.

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I.B.: What's the downside case?

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Calthorpe: Premium goes to 8-10% by FY28 if barn supply oversteps demand and you get a price war on the free-range tier. Less likely but conceivable. Upside case is the trajectory stabilises at 14-15% FY28 if some marginal barn capacity doesn't come online and supply stays tight. Either side is plausible - but the central case is 18 → 14 → 12.

[00:13:32]

I.B.: Anyone in the market still defending 30%?

[00:13:38]

Calthorpe: Brokers selling free-range producers. Optimistic management consultants pitching investments. Anyone with a vested interest in a transaction. The actual buyers - the retailers - are not paying 30% in 2026 transaction prices. The 30% premium is a Phase 1-era number. It's not current.

[00:14:22]

I.B.: OK. Implication for the McKenna business's revenue mix in our model - what fraction of their revenue is the premium-bearing portion?

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Calthorpe: Their free-range volume is 30% of total flock. Free-range carries the premium over barn. Barn and colony are roughly at the same wholesale price. So the premium-bearing volume is the 30% free-range. Apply the trajectory to that 30% to get the premium revenue contribution. Fairly simple math but it has to be applied to the right fraction.

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I.B.: Got it. Final view on the colony-to-barn timeline.

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Calthorpe: Right. So I told you Friday: 24-30 months end-to-end from start of consents to bird-in-barn, allowing 4-6 months for consents and 14-18 months for build plus 6-9 months DOC supply running in parallel with build. End-2027 is 19 months from now. So Aurora has to have lodged consents at least 6-12 months ago to make the deadline. If they started planning consents 6 months ago they could just make it. If they start now, no - they're looking at 2028 at the earliest.

[00:16:32]

I.B.: And do you know whether they've started?

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Calthorpe: I asked around discreetly over the weekend. The honest answer is I don't know. There's no consent lodged in the public RMA register that I've found - I checked Selwyn District Council and Waikato District Council, those are the catchments where the Aurora plants sit. Nothing public in either. That doesn't mean nothing has been lodged - there are pre-lodgement processes that don't appear in the public register. But it's mildly concerning.

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I.B.: So your final view?

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Calthorpe: I'll give you a probability. If they've already started and just haven't surfaced it - call it 50% they make end-2027, 50% they slip into early 2028. If they haven't started yet and are starting now - 0% they make end-2027 and they're looking at mid-to-late 2028. Mark would have been planning this for years; he's not silly. So I'd lean toward the first scenario being more likely. But your team should ask the question pointedly during confirmatory and look at the consent lodgement evidence directly.

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I.B.: And the implication if they slip into 2028?

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Calthorpe: The major retailers will not be sentimental about this. Foodstuffs and Woolworths NZ have made public commitments to be cage-free by end-2027. They'll de-list any colony egg from shelf on 1 January 2028 unless they have firm rationale to extend, which I don't see them doing. So if Aurora is still in colony at that date, that fraction of their production loses retail access immediately. They could try to push into industrial or foodservice but those channels are already supplied and aren't going to absorb 240,000-bird-equivalent of overnight surplus. So 'slip into 2028' means a quarter or two of stranded volume on those colony birds. Material EBITDA hit.

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I.B.: Quantify it for me. Worst case stranded-volume cost?

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Calthorpe: Rough math - 244,000 colony birds producing about 70 million eggs annualised. If those go from selling at retail wholesale of around NZ$0.50 per egg down to industrial outlet at maybe NZ$0.30 per egg or worse - that's a NZ$14 million revenue hit for the year, with margin going from positive to barely break-even. Probably NZ$3-4 million EBITDA hit per year of slippage. So if they slip 12 months, the impairment is real and material on a NZ$10-11 million EBITDA business.

[00:22:00]

I.B.: OK. Bottom-line opportunities - let's size them properly. Friday you mentioned feed mill at NZ$1.5M run-rate savings, automation grading at NZ$8-12M capex.

[00:22:18]

Calthorpe: Right. Let me firm them up. Feed mill - bringing the compounding in-house at Aurora's scale, savings is the margin between what they pay the third-party miller and the cost-of-grain plus their own processing cost. NZ$1.5 million annual run-rate is realistic and probably conservative. Build cost NZ$8-12 million for a modest scale mill, payback 5-7 years. The catch is you need contiguous bulk grain access - they'd need to source South Island wheat reliably for the Pukekohe site or build the mill near the South Island plant. Engineering question, not insurmountable.

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I.B.: And the grading-line automation?

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Calthorpe: Both plants need new grading lines if you want to be at industry-leading throughput. Modern fully-automated lines with vision-grading and inline candling - call it NZ$4-6 million capex per plant, so NZ$8-12 million combined. Labour reduction 30-40% on the grading-and-pack operation; defect rate improvement of maybe 1-2 percentage points on retail-grade product. Combined opex saving NZ$1-2 million annual run-rate, payback 5-7 years.

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I.B.: So combined post-close cost-out programme is something like NZ$2.5-3.5 million annual EBITDA uplift on NZ$16-24 million of capex.

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Calthorpe: That's the right zone. Plus the third lever - bring in a commercial GM, modernise the category management at retail, push for 1-2 points of share-of-shelf. Harder to size without inside data but plausibly another NZ$1-2 million of margin contribution. Total addressable post-close uplift: NZ$3.5 to NZ$5.5 million of run-rate EBITDA on a base of NZ$10-11 million today. That's a 35-50% EBITDA uplift over a 3-4 year horizon. Which is why the asset is genuinely interesting at the right entry price.

[00:27:38]

I.B.: Right entry price. Where does that land?

[00:27:44]

Calthorpe: Friday I said high-NZ$80M to low-NZ$110M EV is the fair-value zone given colony risk and premium compression. With the bottom-line uplift visible to a smart buyer, you could argue for the upper end of that range - call it NZ$100-115M EV - because the buyer gets paid for the uplift. The market commentary at NZ$130-150M assumes the uplift without paying you for executing it. That's the heart of the negotiation.

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I.B.: And on multiple terms - what does NZ$110M look like?

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Calthorpe: Just over 10x FY24 EBITDA. Or about 8x FY27 EBITDA if you believe the post-close uplift is real. Pre-uplift on FY26 forecast that's 11-12x. Which is at the top end of fair for a colony-heavy producer in this market - but not crazy. The NZ$130-150M range is 12-14x trailing, 10-11x forward. That assumes everything goes right - colony transition by deadline, premium holds, no retail concentration shock. Three things going right is not a base case.

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I.B.: OK. Anything we haven't covered that would matter?

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Calthorpe: One thing. The Foodstuffs / Woolworths cage-free commitments are public commitments to consumers, not private contracts with producers. So when those retailers de-list colony eggs, they don't owe any producer-specific exit notice or compensation. If Aurora slips, the response from the supermarket is 'we don't list non-cage-free product, you're out of the assortment'. There's no negotiation. It's a hard policy. Don't model in any kind of grace period.

[00:31:48]

I.B.: Useful. And the EPF view on the long tail - Marsden last week said some colony operators expect to exit. Does that affect the supply-demand balance?

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Calthorpe: Yes - modestly. The exit of long-tail colony operators removes some marginal supply from the market over the next 18-24 months, which tightens the residual barn-and-free-range balance and supports premiums slightly. That's already baked into my trajectory - without that effect the FY28 premium would be 9-10% rather than 12%.

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I.B.: Good. Last open question - is there anything you'd push the team to look at that we've missed?

[00:33:02]

Calthorpe: Three things. One - confirm the consent status on the colony-to-barn build. That's the single biggest deal-defining variable and you can answer it in a one-day search of Council records plus a direct question to Mark in confirmatory. Two - get the audited top-10 customer breakdown including the Foodstuffs North-vs-South split. The 60-70% concentration figure I gave you should be a confirmatory data request, not a model input. Three - look at Aurora's contract terms with Foodstuffs and Woolworths NZ. How long-dated, what notice periods, any cage-free clauses already inserted. The seller side won't volunteer that. Mark will have to disclose it.

[00:34:48]

I.B.: Top three confirmatory priorities. Got it. One I'd add from your earlier comments - consent status, customer concentration breakdown, contract terms, and the fourth I'd raise is the existence of any pre-lodgement engagement with Council planners, even if no formal consent yet. That's a leading indicator.

[00:35:32]

Calthorpe: Yes - fair. Mark would know the answer within 30 seconds. Just ask him.

[00:36:08]

I.B.: Rob - that closes us out beautifully. We'll send through the final transcripts midweek for your sign-off.

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Calthorpe: Sounds good. Send me the final deck if it lands, I'm curious how the team frames the colony exposure.

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I.B.: Will do, with attribution as agreed. Thanks again, this has been incredibly useful.

[00:36:48]

Calthorpe: Pleasure. Good luck with IC.

[End of Part 3 - 38:14 elapsed]