Industry Expert Interview - Part 4

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: Wednesday, 13 May 2026

Duration: 42 minutes

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

Anonymisation: None - interviewee consented to attributed transcript

Note (I.B.): Unscheduled fourth session with R. Calthorpe at his suggestion. Part 3 closed with three confirmatory follow-ups; before booking those, Vivian asked us to push harder on value-chain margins, retailer buying-power dynamics, and private-label exposure. This session covers that ground end-to-end: unit economics at each step from farm gate to shelf, who captures margin where, how Foodstuffs and Woolworths NZ buy fundamentally differently, and what private-label arrangements actually mean for the McKenna business's reported gross margin. R.C. has 12 minutes hard-stop at the end for an unrelated call.

[00:00:18]

I.B.: Rob - thanks for fitting us in again on short notice. Vivian flagged that we haven't pressure-tested the value-chain margins, retailer buying-power, or private-label exposure. Can we run through margin per dozen at each stage of the value chain, then go retailer by retailer?

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Calthorpe: Yes. Let's start producer-side because that's where most of the misunderstanding sits. People think a producer at Aurora's scale captures the retail-shelf price. They don't, anywhere close.

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Calthorpe: Walk it through stage by stage. Take a standard dozen of free-range eggs that retails at NZ$8.50 in a Pak'nSave or Countdown today. The producer is selling that dozen to the retailer at a wholesale gate price of around NZ$5.20 to NZ$5.60 - call it NZ$5.40 mid-point. Out of that NZ$5.40, the producer's all-in cost is about NZ$4.55 to NZ$4.75 - feed is roughly 60% of that, then labour, packaging, transport, depreciation, overheads. So the producer is making maybe 65 to 85 cents of EBITDA per dozen on free-range. That is a 12 to 16% EBITDA margin on the gate price - which is pretty much where Aurora's reported 12.8% sits.

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I.B.: And the retailer's take?

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Calthorpe: On a NZ$5.40 gate to NZ$8.50 shelf - the retailer captures NZ$3.10 of gross margin per dozen, before their own shrink, labour, store overhead, distribution. Net retailer margin on free-range eggs is typically 22 to 28% of shelf - call it about NZ$2.00 of net contribution per dozen. So in absolute dollars the retailer makes more EBITDA per dozen than the producer does. About 2.5x more.

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I.B.: Even though the producer is the one with the capital tied up in barns, birds, feed mills.

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Calthorpe: Yes. Retail in NZ is structurally the highest-margin step. Producer is asset-heavy, low-margin per dozen, capital-intensive. Retailer is asset-light - they don't own the bird, they don't own the feed, they don't carry the consent risk - and they capture the largest unit profit. That is the value chain in one paragraph.

[00:04:08]

I.B.: What about barn and colony - how does the per-dozen economics shift?

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Calthorpe: Barn dozen retails around NZ$6.80 to NZ$7.20 - call it NZ$7.00. Producer gate price about NZ$4.40 to NZ$4.60. Producer EBITDA per dozen is in the 50 to 65 cent zone. Margin percentage is similar to free-range - 11 to 15% - because barn cost-of-production is also lower. Colony dozen retails around NZ$5.40 to NZ$5.80 today - call it NZ$5.60. Producer gate price NZ$3.30 to NZ$3.50. Producer EBITDA per dozen 35 to 50 cents. So colony is your thinnest absolute-dollar margin tier, even though it's the lowest cost per bird.

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I.B.: So colony is structurally the worst tier to be in on a margin-per-dozen basis as well as the deadline-risk basis.

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Calthorpe: Correct. Colony is double-jeopardy - 2027 retail-access risk plus thinner per-dozen contribution. The McKenna business has 40% of their flock there. That's why this deal is structurally riskier than the broker pitch suggests.

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I.B.: OK. Let's go upstream. Wholesalers, distributors, grading. Where does that sit in the chain?

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Calthorpe: Two things to separate. Grading and packing - that's a stage of production, not a separate intermediary. At Aurora's scale they grade and pack in-house at the two plants. So the grading margin sits inside producer EBITDA. They don't pay anyone else a grading fee. Smaller producers without their own grading line do pay a third-party grader 8 to 12% of gate price, which is a real margin layer for the small operators.

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Calthorpe: Then distribution. For retail channel - Aurora delivers direct to retailer distribution centres, no intermediary. Foodstuffs co-op picks up at the plant, Woolworths NZ uses a contracted logistics provider but the producer still bills the retailer direct. So the retail channel for a producer at Aurora's scale is producer-to-retailer with no wholesaler in the middle.

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Calthorpe: Foodservice channel is different. Aurora doesn't sell direct to a thousand cafes. They sell to foodservice wholesalers - Bidfood is the dominant one, then Gilmours - and the wholesaler delivers to the operator. The wholesaler takes a 12 to 18% margin on top of the gate price. So in foodservice, the producer-side gate price is similar - NZ$3.80 to NZ$4.20 per dozen for a barn product into foodservice - and the wholesaler stacks 12 to 18% on top, then the operator stacks their own foodservice margin to retail-equivalent levels at the menu price.

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I.B.: Margin compounding through foodservice.

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Calthorpe: Yes. And that is part of why a producer's reported EBITDA percentage is what it is - foodservice gate is lower than retail gate. Aurora's revenue mix - I think they're roughly 70 retail / 25 foodservice / 5 industrial at last public commentary - means they take a lower blended gate price than a pure-retail producer would.

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Calthorpe: Industrial is a separate animal again. Bakeries, mayonnaise manufacturers, food processors. They buy bulk - sometimes liquid egg, sometimes shell. Liquid is processed by a dedicated breaker plant - in NZ, the major liquid-egg breaker is Frenz / Independent Egg Producers' breaking line in the central North Island, plus an Australian liquid-egg import line. Producer gate for industrial shell is NZ$3.20 to NZ$3.60 per dozen - thinnest gate of any channel. Breaker takes another 10 to 15% on top. Producer EBITDA on industrial shell is 25 to 40 cents per dozen - half of free-range retail.

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I.B.: Why does anyone sell into industrial then?

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Calthorpe: Volume placement and seconds. If your grading line throws out 4-6% of birds as second-grade - cracked, off-spec, off-colour - those have to clear somewhere. Industrial is the clearance channel. So industrial isn't a strategic margin channel, it's a residual disposal channel for most producers. Aurora's 5% industrial mix is consistent with seconds-clearance, not a deliberate strategic placement.

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I.B.: OK. Retailer concentration and buying power. You said earlier that Foodstuffs and Woolworths NZ buy differently.

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Calthorpe: Fundamentally differently. This is the point I'd push hardest on. Foodstuffs is a co-operative - Foodstuffs North Island and Foodstuffs South Island, two separate co-ops with separate boards, plus Foodstuffs Own Brands Limited which manages the Pams, Pams Value, Pams Finest national private-label programme. The individual store - your local Pak'nSave, your local New World - is owner-operated, and the owner has discretion on local-supplier ranging within the national framework. So when a producer signs with Foodstuffs, they're signing with a national category buyer who handles the Pams private-label tender, but the owner-operators have shelf-space discretion on branded SKUs. It's a two-layer buying structure.

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Calthorpe: Woolworths NZ - that's Countdown, rebranded - is a single corporate retailer with a centralised distribution network. Their buying is fully national, single buyer per category, no store-level discretion to speak of. They run private label under their Woolworths house brand and Macro Free Range as the premium tier. So when you sign with Woolworths NZ you're signing one contract for all Countdown stores nationally. That gives them more leverage than Foodstuffs in any single negotiation - one decision delists you nationally.

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I.B.: And what does that mean in practice for a producer's negotiating position?

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Calthorpe: Means Woolworths NZ has the higher single-counterparty risk for any producer who supplies them. One conversation, you're in or out. Foodstuffs you've got - effectively - two national buyers (FSNI and FSSI Own Brands tenders) plus a residual store-level layer where individual owner-operators can stock you on a regional basis. So if Foodstuffs national delists your branded SKU, you might still hold shelf space in 30 to 60 individual stores at the owner-operator's discretion. With Woolworths it's binary.

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Calthorpe: On price: in my view Woolworths NZ extracts roughly 3 to 5 percentage points more producer-side margin compression than Foodstuffs, in steady-state, because of that single-buyer leverage. Producers who are 60%+ Woolworths-weighted run lower gate prices than producers who are balanced or Foodstuffs-weighted.

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I.B.: Aurora's split between the two?

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Calthorpe: Mark told me a couple of years ago they were tilted toward Foodstuffs - probably 55-60% of retail volume into Foodstuffs banners across both islands, 35-40% into Woolworths NZ Countdown stores, residual to Costco NZ and a couple of independents. Foodstuffs-tilted is the better commercial position to be in. That's a positive in the deal, but it's worth confirming the current split because it can shift when one retailer wins a private-label tender or pulls volume.

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I.B.: Private label. The broker outreach reads as if Aurora is a branded-retail producer with clean retailer relationships - quote is 'long-standing retail relationships, no material customer churn'. Push back on that for me.

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Calthorpe: That framing is a sell-side gloss. Reality is more nuanced. Aurora carries a mid-tier branded SKU - I think it's marketed as 'Sunbright Free Range' - and a barn / colony branded SKU under their secondary label. But a meaningful portion of their volume - my read is somewhere between 40 and 55% of retail volume - is going out as private label. They pack Pams Free Range eggs for Foodstuffs Own Brands. They pack Macro Free Range and Woolworths-house barn eggs for Woolworths NZ. So calling it 'long-standing retail relationships' is technically true but materially incomplete - half their retail volume is supplying someone else's brand.

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I.B.: And the margin difference between branded and private-label?

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Calthorpe: Significant. Branded retail dozen at Aurora's scale - producer gate around NZ$5.40 free-range, NZ$4.50 barn. Private-label dozen the producer's gate is roughly 12 to 18% lower for the equivalent product spec - call it NZ$4.55 to NZ$4.85 free-range, NZ$3.85 to NZ$4.10 barn. The retailer captures the difference because they own the brand, the shelf, and the consumer relationship. Private-label producer EBITDA per dozen is 30 to 45 cents on free-range, vs the 65 to 85 cents on branded. So producer margin on private-label is roughly half what it is on branded.

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I.B.: If Aurora is 40 to 55% private-label-weighted on retail, that materially compresses their blended gross margin.

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Calthorpe: Correct. If 50% of retail volume is private-label at NZ$0.40 EBITDA and 50% is branded at NZ$0.75 EBITDA, blended retail EBITDA per dozen is NZ$0.575 - which is about 23% lower than a pure-branded model would suggest. Aurora's reported 12.8% EBITDA margin is consistent with this private-label blend; pure-branded would be running at 15-17%. So the 12.8% is in line with the private-label exposure - it's not a bad number for a half-private-label operation - but a buyer who models off pure-branded comps will overshoot the achievable margin.

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I.B.: And slotting fees, listing payments, marketing co-spend?

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Calthorpe: Yes - real money. Foodstuffs Own Brands tenders typically include a slotting / listing payment up front when you win a Pams line and a co-spend obligation on category marketing. Woolworths NZ runs trade-spend programmes - end-cap features, multi-buy promotional periods - which producers fund with rebates against gate price. In aggregate I'd expect Aurora's branded SKU to carry 4 to 7% of retail revenue going back to retailers as trade spend. That comes off the gate price already in their reported numbers but it's not always broken out in management accounts. Worth asking for the trade-spend roll-up specifically.

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I.B.: And payment terms? I've heard the smaller NZ producers complain about working-capital pressure.

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Calthorpe: Standard retailer terms in NZ are 60 days from invoice for Foodstuffs and 60 to 90 days for Woolworths NZ. Foodstuffs co-op announced a small-supplier faster-payment package in early 2026 - 30-day terms for sub-NZ$1M annual suppliers - but Aurora at NZ$85M revenue is well above that threshold and runs at standard 60-day terms. Producer pays feed suppliers on 30-day terms typically, so the working-capital gap on retail revenue is roughly 30 days of revenue. On NZ$60M of retail revenue at Aurora's scale, working capital tied up in receivables is around NZ$5M. Not catastrophic but worth modelling.

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I.B.: Category captaincy? Shelf-space allocation? Anyone in Aurora's position have any leverage on that?

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Calthorpe: Practically no. Mainland Poultry has category-captain status with both retailers because they're scale - they advise on category planograms, lead range reviews, present the category at retailer reviews. Aurora doesn't have that status because they're #2. Heyden, Better Eggs and the smaller players have less. The category-captain has about 1-2 percentage points of share-of-shelf advantage just from the planogram work. So Aurora is structurally on the wrong side of category captaincy - they live with the planogram Mainland helps shape.

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I.B.: OK. Industrial. We talked margin. Is there a buying-power story there?

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Calthorpe: Less concentrated than retail. Industrial buyers in NZ - the big bakeries (Goodman Fielder, George Weston Foods NZ), the mayonnaise and dressing manufacturers, the ready-meal businesses - source on price across producers. There's no single industrial buyer with the leverage Foodstuffs or Woolworths NZ has on the retail side. So industrial is more of a price-driven spot market with annual contracts. Producer leverage is about equal to industrial-buyer leverage in that channel.

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I.B.: Foodservice?

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Calthorpe: Distributor-led. Bidfood is the largest single foodservice distributor in NZ - 24 branches nationally - and they essentially decide what egg products their operator customers can buy. Bidfood will tender annually across producers. Gilmours is the second player and is owned by Foodstuffs co-op, which creates a related-party twist. So foodservice has two dominant distributors and the producer's leverage there is moderate - lower than industrial, higher than retail. Annual tender, gate price ~3-4% lower than retail-channel gate, distributor takes their 12-18% on top.

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I.B.: Where in this whole value chain do you think Aurora plays best? And where would you say they shouldn't be playing?

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Calthorpe: They play best in branded free-range retail through Foodstuffs banners. That's their highest-margin tier and their best counterparty position. They should play less in private-label - it's high-volume but margin-thin and increases retailer concentration risk. They should be careful about colony industrial - it's the worst absolute-dollar tier and the most exposed to the 2027 deadline. Optimal mix going forward would be more branded-retail-share, less private-label volume, faster colony exit, more free-range. Easy to say from outside - hard to execute when private-label is the volume that fills your barn.

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I.B.: Implications for the deal team. What does this mean for our market overview, our market model, and our target assessment?

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Calthorpe: Three things. One - your market overview map needs to depict the value chain with margins per stage and Aurora's positioning across stages, not just a producer roster and channel split. Show that retail captures 2-2.5x the per-dozen margin producers do. Show grading and breaker-plant intermediaries where they exist. Show Foodstuffs co-op vs Woolworths NZ centralised as fundamentally different counterparty structures.

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Calthorpe: Two - your market model should split branded retail vs private-label retail at the channel level, because they have different gate prices and different EBITDA economics. Aggregating them hides the private-label margin sink. Put a sensitivity on the branded / PL split for forward years.

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Calthorpe: Three - your target assessment slide on competitive position needs to surface Aurora's private-label exposure as a margin-pressure risk and the Woolworths NZ single-counterparty leverage as a buying-power risk. Frame it as an opportunity-and-risk view, not a recommendation. Don't take the broker outreach at face value - 'long-standing retail relationships, no material customer churn' is technically true but materially incomplete because it doesn't separate branded from private-label volume, and it doesn't quantify retailer-side leverage.

[00:37:12]

I.B.: Quantification. You said Aurora is 40 to 55% private-label retail. That's a wide range. Can we tighten it?

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Calthorpe: Mid-point is what I'd model - call it 48% private-label as a working anchor. I've checked this against two retail buyers in the last week. Neither would put exact tonnages on it, but both said 'around half' for Aurora's free-range volume specifically. Barn private-label is higher - probably 55 to

65% of barn volume goes private-label because barn is more of a commodity tier. So the 48% blended is roughly right for free-range, and barn is higher. Caveat - I haven't seen Aurora's books, this is triangulation from retailer-side conversation.

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I.B.: Confirm-or-deny in confirmatory.

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Calthorpe: Yes. Top of my confirmatory follow-ups for this deal: get the audited branded vs private-label revenue split for FY24, by retailer counterparty, by production system. That single data request answers most of the value-chain margin questions. Foodstuffs Own Brands tender history would be even better - shows what they've won, what they've lost, what's up for retender in the next 24 months. Private-label tender losses are the single largest revenue-cliff risk for a half-PL producer.

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I.B.: Got it. Hard stop coming - anything else we should pull into the value-chain view?

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Calthorpe: One last thing. The seller side will frame Aurora as having pricing power because they're the #2 producer. They don't, in any meaningful way. #2 with 18% volume share against a #1 at 27% means Mainland sets the price and Aurora follows. Plus Aurora has zero category-captain status. Plus half their retail is private-label where they have no pricing power by definition. So 'pricing power' as a thesis pillar is - polite version - aspirational. I'd treat the asset as a price-taker on the volume that matters.

[00:41:48]

I.B.: Rob - that's gold. Thank you for squeezing this in. We'll send the working transcript through within 24 hours.

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Calthorpe: Anytime. Send me the value-chain map if it lands. I'm curious how you visualise the private-label angle.

[00:42:08]

I.B.: Will do. Thanks again.

[End of Part 4 - 42:14 elapsed]