Halberd Capital Partners Internal - Aurora eggs preliminary DD brief

From: V. Holst (Sector Partner - Consumer & Agri)

To: Aurora deal team

Project: Project Albatross

Date: 4 May 2026

Background

Sell-side outreach received from Tasman Mercantile (N. Chen) on 20 April. Aurora Eggs - NZ shell-egg producer, family-controlled (3rd-generation McKenna), second-largest by NZ volume (~17-19% share, behind Mainland Poultry). Headline financials per broker: NZ$84.6M revenue, NZ$10.8M FY24 EBITDA (12.8% margin), 2 sites, ~610k layer hens, 40-30-30 colony / barn / free-range mix.

Why we're looking at this

Pursue this only if the unit economics hold up post colony-risk haircut. Aurora's principal commercial pressure is the Phase 2 retailer-driven cage-free deadline (end-2027) against ~40% colony exposure. Path to compliance is the deal-defining diligence question.

Must-test hypotheses (we falsify or confirm in the prelim work)

1. Free-range premium 30%+ durable forward - broker says yes; the global cage-free transition data and recent NZ retailer pricing conversations suggest compression is happening. Push for transaction-price evidence, not shelf data.

2. Aurora colony-to-barn complete by end-2027 - broker says clear path; capex magnitude, DOC supply lead times, planning consent timing all push back. Pressure-test the bridge: have they lodged consents? When does build start?

3. Aurora #2 by NZ volume (~17-19% share), behind Mainland and ahead of Heyden - public reports don't show them; expert calls anchor positioning. Treat them as additive to the public roster (Mainland, Heyden, Better Eggs, Zeagold, Henergy) - don't shrink real producers' shares to fit Aurora in.

Valuation guardrails

Broker asking 12-14x FY24 EBITDA = NZ$130-150M EV. Expect colony-risk haircut: model 8-10x = NZ$80-110M fair value range. Comp set: Cal-Maine (US, ~50x scale, haircut accordingly) + AU/NZ poultry adjacency (Inghams broiler - adjust for product mix) + Navis Capital → Mainland Poultry / Zeagold (April 2017 - only true NZ-scale precedent).

#1 confirmatory-DD priority

Customer concentration. Insider read: top 3 retailers ~70% of Aurora revenue (heavy on Foodstuffs + Woolworths NZ). Get audited top-10 in confirmatory.

Reminders

- Treat Aurora as additive to public producer roster.
- MPI 33/33/34 production-mix figure is from 2022 - Phase 2 has shifted things; cross-check against current commentary.
- NO recommendations at this stage. Findings + risks + open questions only. The IC decides.

- V.H.