



Me Today Limited Notice of Special Meeting

9, June 2021

Dear shareholders,

Proposed acquisition of King Honey and associated funding arrangements

Introduction

On 31 May 2021, Me Today Limited (the **Company** or **Me Today**) announced that its subsidiary Me Today Manuka Honey Limited (the **Purchaser**) had entered into a conditional agreement to buy an additional business, King Honey Limited (**King Honey**).

The agreed purchase price is \$36 million, to be satisfied by a payment of \$21 million in cash, \$10 million of new shares in the Company and the issue by the Purchaser of a subordinated 3 year note for \$5 million.

In addition, the Company plans to raise \$15.75 million additional capital from third party investors, (**Capital Raise**). On 2 June 2021, Me Today advised NZX that it had conditionally placed \$10 million of the Capital Raise with financial market participants and other wholesale investors. The Company intends to make a retail offer to existing shareholders and other members of the public in New Zealand soon after publication of this notice of meeting. Further details on how to participate in that offer will be advised to NZX by market announcement and directly to eligible shareholders shortly. The cash component of the purchase price is intended to be funded by part of the Capital Raise proceeds and bank debt.

Accompanying materials

Accompanying this letter is a Notice of Special Meeting of shareholders of the Company, for a meeting to be held at Events on Khyber, Level 2, 155 Khyber Pass Road, Grafton, Auckland 1023 on Friday 25 June 2021, commencing at 12pm.

In addition, the Company's board of directors commissioned an *Independent Report in respect of the Acquisition of King Honey Limited* from Simmons Corporate Finance dated June 2021. A copy of that report also accompanies this letter for shareholders to review in conjunction with their consideration of the notice of meeting.

Board recommendation

The board unanimously recommends shareholders vote to approve all resolutions set out in the notice of meeting.

The acquisition is expected to drive further growth in the group by expanding into a complementary product line, is fully aligned with the existing health, lifestyle and wellbeing focus and values of the Company, and the board commends it to you for your consideration and support.

Yours sincerely



Grant Baker
Chairman

Notice of special meeting of shareholders

Notice is given that a Special Meeting of Shareholders of Me Today Limited (the **Company**) will be held at Events on Khyber, Level 2, 155 Khyber Pass Road, Grafton, Auckland 1023 on Friday 25 June 2021 commencing at 12pm.

The Explanatory Notes which accompany this Notice of Meeting set out the details of the transactions which are the subject of the resolutions and the approval required for each resolution under the NZX Listing Rules (the **Listing Rules**).

Business of the meeting

1. Acquisition of King Honey – Ordinary Resolution – Listing Rule 5.1.1

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“To approve the acquisition of King Honey Limited by the Company’s subsidiary, Me Today Manuka Honey Limited (the **Purchaser**), for a total purchase price of \$36 million to be satisfied by payment of \$21 million cash, an issue of \$10 million in new shares in the Company, and the issue by the Purchaser of a 3 year subordinated note for \$5 million, as described further in the explanatory notes to the notice of meeting.”*

Implementation of this resolution is conditional upon all of resolutions 1 to 3 being approved by the shareholders of the Company.

2. Issue of shares to King Honey vendors – Ordinary Resolution – Listing Rule 4.1.1

If resolution 1 is passed, to consider, and if thought fit, pass the following resolution as an ordinary resolution of the Company:

“To approve the issue of 113,636,364 fully paid ordinary shares to Terrence Wayne Jarvis and Jarvis Burnes Trustee Limited as trustees of the TW Jarvis Family Trust at an issue price of 8.8 cents each in part satisfaction of the purchase price for the King Honey acquisition, with such shares to rank equally with existing shares in the Company, as described further in the explanatory notes to the notice of meeting.”

Implementation of this resolution is conditional upon all of resolutions 1 to 3 being approved by the shareholders of the Company.

3. Issue of Capital Raise shares to investors – Ordinary Resolution – Listing Rule 4.1.1

If resolution 2 is passed, to consider, and if thought fit, pass the following resolution as an ordinary resolution of the Company:

“To approve the issue of 178,977,273 fully paid ordinary shares to subscribers in the capital raising being undertaken in conjunction with the King Honey acquisition at an issue price of 8.8 cents each, with such shares to rank equally with existing shares in the Company and provided that MTL Securities Limited and its directors are not eligible to participate, as described further in the explanatory notes to the notice of meeting.”

Implementation of this resolution is conditional upon all of resolutions 1 to 3 being approved by the shareholders of the Company.

NOTES

1. Explanatory Notes

A general overview of the King Honey acquisition and explanatory notes for resolutions 1 to 3 are set out in the following pages. Additional information about the King Honey acquisition and the associated approvals are set out in the *Independent Report in respect of the Acquisition of King Honey Limited* from Simmons Corporate Finance dated June 2021 that accompanies this document.

2. Proxies

All shareholders of the Company entitled to attend and vote at the meeting are entitled to appoint a proxy to attend and vote for them instead. A proxy need not be a shareholder of the Company.

The Chairman of the meeting or any other director can be a proxy for a shareholder if a shareholder wishes to appoint the Chairman or director as their proxy through the proxy form. The Chairman and the directors intend to vote any undirected proxies in favour of all of the resolutions.

A proxy form is enclosed. To be effective, appointments of a proxy should be lodged at least 48 hours before the meeting is due to begin (i.e. before 12pm on Wednesday 23 June 2021), in accordance with the instructions in the notes to the accompanying proxy form.

3. Voting Restriction

As at the date of this notice, Terrence Wayne Jarvis and Jarvis Burnes Trustee Limited as trustees of the TW Jarvis Family Trust (the **Vendors**) are not shareholders of the Company. In any event, the Vendors and any Associated Person (as that term is defined in the Listing Rules) of them, are not entitled to vote on resolution 2.

Any wholesale investor that is a party to a subscription agreement with the Company in the Capital Raise, or their Associated Person(s) (as defined in the Listing Rules), is not permitted to vote on resolution 3.

Persons subject to a voting restriction may not be appointed as a discretionary proxy (but can be appointed as a non-discretionary proxy and expressly directed how to vote if appointed by a person who is not disqualified from voting).

All persons registered on the Company's register of shareholders as the holders of shares as at 5pm on Wednesday 23 June 2021 shall, subject only to the preceding restrictions, be entitled to vote at the Meeting in person or by proxy.

4. Conditional nature of resolutions 1 – 3

Implementation of resolutions 1 to 3 are conditional upon all of resolutions 1 to 3 being approved by the shareholders of the Company.

By Order of the Board of Directors

Stephen Sinclair
Company Secretary

Explanatory notes

Introduction

The special meeting of shareholders of Me Today Limited (the **Company**) is being called for the purpose of considering resolutions to approve the proposed acquisition by the Company's subsidiary, Me Today Manuka Honey Limited (the **Purchaser**), of King Honey Limited (**King Honey**) from Terrence Wayne Jarvis and Jarvis Burnes Trustee Limited as trustees of the TW Jarvis Family Trust (the **Vendors**) and associated matters.

Overview of proposed King Honey acquisition

Summary of transactions

On 31 May 2021, the Company announced that the Purchaser had entered into a conditional agreement to buy King Honey.

The agreed purchase price is \$36 million, to be satisfied by a payment of \$21 million in cash, \$10 million of new shares in the Company and the issue by the Purchaser of a subordinated 3 year note for \$5 million.

In addition, the Company plans to raise \$15.75 million additional capital from third party investors (**Capital Raise**).

The cash component of the purchase price is intended to be funded by part of the Capital Raise proceeds, and bank debt.

King Honey business overview

King Honey is one of New Zealand's premium Mānuka honey producers. King Honey began operations in 2016 with a vision to bring highly skilled beekeepers together to develop a fully integrated Mānuka honey brand. Until 2018, King Honey primarily accumulated high quality honey with limited third party brand exports to China and Europe.

In 2018, King Honey developed and launched the BEE+ brand (including website, packaging and printing) for use with its honey products. Since 2018, as discussed in more detail below, King Honey has continued to source premium Mānuka honey from its own hives, produces premium bottled honey at its own plant and currently arranges for the sale and distribution of its premium products under the BEE+ and Superlife brands.

King Honey has the capacity to produce more than 350 tonnes of honey from over 18,000 hives, and 3,600 queen bee rearing hives, placed across the North Island and the Marlborough region. King Honey has licences and other commercial arrangements to locate hives on land of over 100 landowners covering around 900 hive sites.

King Honey has five leased apiary facilities located in Kaitaia, Kerikeri, Turangi, Marlborough and Masterton. These facilities are used for staff operations, storage of equipment, and maintenance of hives and components year-round (e.g. pallets and boxes).

All beekeeping operations are overseen by employed NZ Apiary Managers. There are 5 regional managers and 45 highly skilled employed beekeepers in total.

King Honey has two queen bee rearing operations, located in Kerikeri and Marlborough, employing 13 staff. These operations are on leased property.

Once extracted, honey is located in drums and given a batch and drum number. Each drum is tested by King Honey's own laboratory called Agritest for compliance with industry and regulatory standards, who also undertake testing for other dairy farmers and beekeepers.

Agritest was developed in 2019 as the company saw the need for a specialised honey testing laboratory that tests for key indicators such as MGO (a compound in Mānuka honey), DHA (a chemical compound which slowly converts to MGO over time) and UMF (Unique Mānuka Factor –which describes the antibacterial property of Mānuka honey). UMF ratings generally range from 5 to 20; the higher the UMF factor, the higher the price.

King Honey has a processing plant, bottling and storage facility, located in Taupo, with 27 operating staff. The plant has capacity to bottle more than 60 tonnes of product per month. King Honey owns the production equipment and the buildings are leased.

King Honey has a leased head office located in Auckland with 3 sales, and 4 finance staff. The premises are currently leased on commercial terms from the vendor on a rolling monthly basis. Me Today will look to terminate this lease and relocate staff to new offices.

The BEE+ and Superlife Mānuka honey brands are sold domestically in NZ, in China, the US and other international markets. In addition to these brands King Honey provides contract manufacturing services for other independent honey brands utilising its Taupo production facility. The business currently operates two brands – the established BEE+ brand, and the Superlife brand which was launched in 2020. The BEE+ brand is owned by a joint venture company called Bee Plus Brands (China) Limited (**BPB**), 15% of which is owned by King Honey with the remaining 85% owned by Access Brand Management Pty Limited (**ABM**) – an Australian operated, Chinese owned, brand development, marketing and distribution company.

King Honey wholly-owns the Superlife brand. Superlife branded honey is sold online from <https://superlifemanuka.co.nz/>. Me Today intends to launch online sales of Superlife branded products in North America upon acquisition.

Management arrangements

King Honey has a strong management team overseeing the 75 people employed nationwide. Terry Jarvis is the current CEO. After completion, it is intended that Terry Jarvis will transition away from the day-to-day running of the business. King Honey's existing management team will report to Me Today director Stephen Sinclair, who will take on the role as general manager of King Honey, with Terry available for consultation. Terry Jarvis's interests retain a significant shareholding, ensuring that Terry remains committed to the future success of the business.

Land Access

King Honey holds licences (or has other commercial arrangements) with over 100 landowners covering approximately 900 hive sites. King Honey has targeted Mānuka dense areas by mapping large parts of the North Island by utilising GPS and aerial mapping techniques through partnering with an aviation company.

King Honey and ABM

King Honey and ABM have a long term arm's length distribution agreement with ABM's owner, Houpu Limited (**Houpu**), relating to the BEE+ branded product which enables the product to be distributed by Houpu through ABM exclusively in China through a substantial network. The distribution agreement is on normal commercial terms.

As noted above, the BEE+ brand created by King Honey is now owned by BPB (of which 85% is owned by ABM and 15% by King Honey). The BEE+ brand was transferred by King Honey to BPB as part of a negotiated expansion of the distribution agreement arrangements with Houpu in May 2019. In practice management of the BEE+ brand is undertaken by ABM. King Honey performs the new product development function under oversight from ABM for the BEE+ brand. King Honey does not earn revenue or a royalty from the brand rather it receives a margin under the distribution agreement.

ABM is a multi-level marketing company representing a number of well-known brands. It was established in Australia and has offices in Sydney, Melbourne and Auckland. Its head office is now in Hangzhou with over 1,000 employees. It employs over 100 people in Australia.

BEE+ is the only honey brand represented by ABM. Since the partnership commenced in May 2019, ABM has purchased NZD\$21 million worth of product. ABM sales accounted for 70% of King Honey's revenue in the 2021 financial year. In addition to premium bottled honey product, King Honey has developed lozenges, snap packs supplements and high UMF new products to be branded BEE+ for distribution through ABM's network. Under the terms of the distribution agreement ABM cannot source Mānuka Honey from suppliers other than King Honey.

King Honey is generally free to sell other branded honey products elsewhere. As discussed below, Me Today plans to develop Me Today branded premium honey products.

Rationale for the acquisition

Me Today will expand its existing lifestyle, health and wellness businesses by acquiring King Honey, a complementary business operating in an adjacent segment. The rationale for the transaction includes:

- **Access to new markets:**
 - King Honey is already established in key target markets
 - The acquisition supports Me Today's international growth ambitions
- **Increased customer base and cross-sell opportunities:**
 - Overlap in target customer audience
 - Access to a new customer base
 - Enhancement of offering to existing customers which provides cross-selling opportunities
- **Growth through core range and new product development:**
 - Provides capability to launch honey products with the Me Today brand (e.g. Vitamin C infused with Mānuka Honey)
 - Use of Me Today's tried and tested new product development programme to extend and tailor the King Honey Product range (see discussion below)
- **Strong strategic and premium brand alignment:**
 - King Honey is an established company in an adjacent category within the health and wellness space
 - Operational since 2016
 - Vertically integrated operations and production
- **Robust financial profile:**
 - Revenue: \$16.5 million (FY21)
 - FY21 EBITDA \$3.8 million: (an increase of \$1.5 million in the past 12 months)
 - Higher growth forecast for FY22
- **Realise revenue and cost synergies:**
 - Ability to leverage both businesses distribution networks and production channels
 - Increased buying power packaging materials

Me Today utilises an internal tried and tested approach to new product development. The 6 steps to this approach are: Idea, Research, Formulation, Test, Launch, and Continual Testing. Me Today engages with internal experts as well as liaising closely with its contract manufacturing partners to bring to life each new product. Additionally, the business also engages external regulatory consultants where appropriate. Me Today has utilised this approach since inception with 8 supplements and 12 skincare products launched in the first 12 months, and since then has also launched a further 9 supplements, 4 vitamin serums, 2 oils and natural sunscreen.

Key terms of the acquisition

On 31 May 2021, the Purchaser (as buyer), the Company (as guarantor), the Vendors (as seller) and Terry Jarvis (as covenantor) entered into an Agreement for Sale and Purchase of Shares in King Honey Limited (the **Acquisition Agreement**).

Completion of the Acquisition Agreement is conditional upon:

- Shareholder approval of the acquisition and allotment of shares to the Vendors (which are being sought at the special meeting of shareholders);
- Completion of the Capital Raise; and
- The Company and the Vendors receiving consent from certain third parties on terms satisfactory to the Purchaser (acting reasonably).

The Company is aiming for satisfaction of all conditions promptly following the special Meeting, and to then complete the acquisition on 30 June 2021.

The consideration payable under the Acquisition Agreement is as described in the "**Summary of Transaction**" above and in more detail under the heading "Funding of the acquisition" immediately below.

The Company engaged PwC and Chapman Tripp to perform financial and legal due diligence, respectively. The consideration was negotiated with the Vendors having considered the future earnings potential, and represents a multiple of approximately 6.8 times budgeted FY22 EBITDA.

Section 5 of the accompanying *Independent Report in respect of the Acquisition of King Honey Limited* from Simmons Corporate Finance dated June 2021 (**Independent Report**) contains an independent valuation of King Honey. Simmons Corporate Finance assess the value of King Honey's equity (on a debt free / cash free basis) to be in the range of \$35.4 million to \$40.5 million as at the present date.

A significant element of the consideration is being satisfied by the issue of shares in the Company subject to transfer restrictions, which aligns the interests of the Vendors with those of the Company and its shareholders.

The Acquisition Agreement contains customary commercially negotiated warranties and certain specific indemnities to address matters identified in due diligence investigations undertaken by the Company and its advisers while negotiating the acquisition.

Terry Jarvis has agreed to a restraint of trade and provided non-solicitation undertakings for a period of 7 years from completion on usual arm's length terms.

Funding of the acquisition

The \$21 million cash component of the purchase price is intended to be funded by \$12.5 million of the Capital Raise proceeds, \$8.5 million of bank debt, and the remaining purchase price will be satisfied by an issue of \$10 million of shares in the Company to the Vendors and the issue of a \$5 million subordinated note by the Purchaser to the Vendors.

The approximately \$3.25 million balance of the Capital Raise proceeds will be applied to transaction costs and for use in the existing Me Today business.

Capital Raise

In conjunction with the acquisition, the Company plans to raise \$15.75 million additional capital from third party investors by the issue of 178,977,273 new shares at an issue price of 8.8 cents per new share (**Capital Raise**).

The Company has mandated investment bank CM Partners to arrange the Capital Raise. Following announcement of the acquisition, CM Partners sought binding commitments from third party subscribers to participate in the Capital Raise. On 2 June 2021, Me Today advised NZX that it had conditionally placed \$10 million of the Capital Raise with financial market participants and other wholesale investors.

In addition the Company intends to offer \$5.75 million of the Capital Raise to existing shareholders and other members of the public in New Zealand soon after publication of this notice of meeting through a general retail offer, incorporating a share purchase plan to existing shareholders. Further details on how to participate in the retail offer will be advised to NZX by market announcement and directly to eligible shareholders shortly. The retail part of the Capital Raise will not close prior to the shareholder meeting.

In the event of oversubscriptions in the retail offer, the Company reserves the right to place additional capital under listing rule 4.5.1 (15% Placements) and/or to scale any oversubscriptions in the retail offer with a preference in favour of existing shareholders.

The shareholder approval sought covers both the shares proposed to be issued to the committed wholesale investors and to retail investors (including through the shareholder purchase plan).

The Company's majority shareholder, MTL Securities Limited and its directors (who are also directors of the Company) and their Associated Persons (as defined in the listing rules), are not eligible to participate in the Capital Raise. The reason for this is that Me Today wishes to broaden the Company's shareholder base, does not wish to seek related party transaction approval at the shareholders' meeting, and MTL Securities Limited wishes to be able to vote in favour of the resolutions (if MTL Securities Limited was eligible to participate in the Capital Raise, because of its association with directors Grant Baker, Stephen Sinclair and Michael Kerr, it would not be permitted to vote on resolution 3).

Bank debt

The Company has received confirmation from Bank of New Zealand that it has committed to provide a bank facility for the Purchaser to borrow \$8.5 million in connection with the acquisition.

The committed facility has a term of 5 years and is on commercial terms. The Company and its subsidiaries (including the Purchaser) will grant Bank of New Zealand first ranking security over their assets to support the facility.

In addition to the new \$8.5 million BNZ acquisition facilities, Bank of New Zealand provide overdraft facilities to Me Today and the Company incurs trade creditors in the normal course of business.

Vendors share issue

In addition, the Purchaser and the Company have agreed, subject to shareholder approval, for the Company to issue 113,636,364 new shares in the Company at an issue price of 8.8 cents per share (raising \$10 million new equity in total), in part satisfaction of the purchase price. The new shares will be issued on the same terms, and rank equally with, the existing shares in the Company.

The Vendors have agreed that 50% of the new shares issued will be subject to transfer restrictions for one year, and 50% subject to transfer restrictions for two years, following completion of the acquisition. These transfer restrictions are subject to exceptions if the Company gives its written consent or to enable the Vendors to accept a takeover offer or to participate in a scheme of arrangement in relation to the Company's shares.

Subordinated Note

The remaining \$5 million consideration payable for the acquisition will be satisfied by the Purchaser issuing the Vendors a subordinated note (the **Subordinated Note**).

The Subordinated Note will carry interest at 4% per annum, payable annually in arrears, and have a term for repayment of 3 years following completion of the acquisition. The terms of the Subordinated Note do not provide for conversion into equity (it is repayable in cash).

The Purchaser has agreed to grant the Vendors second ranking security (behind Bank of New Zealand) and to procure King Honey to guarantee the Note from completion.

Financial impact of the acquisition

Overview

Sections 3.5 and 3.6 of the Independent Report sets out a summary of the recent financial performance and financial position of Me Today. Sections 4.6 and 4.7 of the Independent Report sets out similar information for King Honey.

The table below summarises the pro forma financial performance and financial position of the combined businesses assuming the King Honey acquisition as at 31 March 2021 as if the King Honey acquisition and the Capital Raise had been completed, and the Bank of New Zealand acquisition finance had been drawn.

	Me Today (Audited) \$000	King Honey (Unaudited) \$000	Impact of Acquisition & Funding \$000	Combined (Pro Forma) \$000
Revenue	1,143	16,515	N/A	17,658
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(2,891)	3,868	N/A	977
Net profit / (loss) for the year	(2,860)	2,289	N/A	(571)
Total assets	6,714	26,411	14,199	47,324
Total liabilities	(822)	(2,110)	(13,500)	(16,432)
Net assets/equity	5,892	24,301	699	30,892

Note: As is common with closely held companies, to date King Honey's financial statements have not been prepared in accordance with New Zealand generally accepted accounting practice and recognises inventory at cost rather than valuing honey inventory at fair value as required under NZ IAS 41 *Agriculture*. Further detail on the impact of IFRS is discussed in the Appendix to this notice of meeting.

The King Honey financial information shown above is extracted from management accounts – these are not publicly available. Following acquisition, the Company will differ from the unaudited and pro forma financial information above as the King Honey assets and liabilities will need to be accounted for on a fair value basis and IFRS adjustments will need to be made (see the Appendix to this notice of meeting).

At completion, it is expected that King Honey will have in excess of \$16 million in working capital. This includes inventory at cost comprising approximately 540 tonnes of premium Mānuka honey. The network of hives has capacity to produce in excess of 350 tonnes of honey annually.

On 31 March 2021, Me Today advised the market that it expected forecast revenue for the financial year ended 31 March 2022 to exceed \$3 million. King Honey's budgeted revenue for the 31 March 2022 financial year is around \$21.5 million.

While the existing Me Today business is continuing to grow and further develop its brand and market presence, the existing business is expected to continue to incur an EBITDA loss in the 31 March 2022 financial year of around \$3.3m.

King Honey is budgeted to derive EBITDA of around \$5.26 million for the 31 March 2022 financial year.

Further commentary on the financial performance of the King Honey business is set out in section 4.8 of the Independent Report.

The King Honey budgeted revenue and EBITDA should also be considered with the risk factors arising from the acquisition discussed below.

Principal assumptions to King Honey FY22 budget

The principal assumptions to the King Honey budgeted FY22 financial information discussed above are as follows.

Revenue

Revenue is assumed to increase 30% from \$16.5 million to \$21.5 million. The key components of this revenue increase are:

- China sales to increase by 16% through brand growth and new product development
- BEE+ brand launch into USA through ABM
- Superlife expansion into online, USA and other international markets

Gross Margin

Gross Margin is expected to be broadly in line with FY21, being 44.6% versus 46.2% and utilising honey from the FY20 season.

Expenses

Expenses are assumed to increase by \$1.22 million from \$3.54 million to \$4.76 million. The main factors are:

- | | |
|--|--------|
| ■ Increase investment in marketing | \$350k |
| ■ Covid wage subsidy not recurring in FY22 | \$600k |
| ■ Other variable costs | \$270k |

Inventory valuation

The Inventory valuation assumes inventory is valued at cost and not revalued upwards to wholesale market price, as required under the NZIFRS standards. More detail on the impact of IFRS is described in the Appendix to this notice.

Particular risks of the acquisition and mitigation steps

Particular risks of the King Honey business include the following factors and mitigation steps:

- Mānuka Honey production is dependent on weather conditions, with warm temperatures and minimal wind being ideal. Adverse weather could reduce the yield and harvest volumes of honey in a season. King Honey mitigates this risk by maintaining inventories of honey beyond the current seasonal production, and by locating hives in a range of different regions.
- King Honey is heavily reliant on its largest customer ABM, who distributes its products in China. ABM sales accounted for 70% of King Honey's revenue in the 2021 financial year. The concentration of sales through ABM provides King Honey with significant benefits because of the extensive scope of the ABM network, but means King Honey is heavily reliant on ABM to promote and increase the awareness of the BEE+ brand. King Honey has sought to mitigate this risk by aligning interests through the joint venture ownership of the BEE+ brand through BPB, is able to sell other branded product through alternative channels, such as sales of Superlife online, and seeks to maintain a good working relationship with ABM.
- King Honey needs to be able to identify and react to new trends in the health and wellness sector and achieve successful brand cut through against its competitors. Me Today and its executive directors have had success in building brands and marketing its own products and will be able to take those learnings into further development of King Honey products and mitigate this risk given previous experience and appropriate expert assistance.

- The Mānuka Honey sector in New Zealand and internationally is highly competitive. As King Honey continues to expand, it will encounter new competition and there can be no assurance competition will not have a material adverse effect on the business and its financial results. However, King Honey has a point of difference through aligning itself with the extensive ABM network, and also has alternative products and sales channels.
- The value of King Honey's brands may be adversely affected if King Honey is unable to obtain and enforce trade mark and intellectual property rights for its brands. Third parties might seek to oppose trade mark applications or independently develop their own new products in competition with new products developed by King Honey. King Honey and BPB already have a range of registered trademarks or pending applications in New Zealand or other jurisdictions, and as with Me Today, plan to retain expert advice to assist protecting its trademarks and other intellectual property.
- King Honey may fail to successfully execute its strategy in overseas markets or its products may not resonate with consumers in foreign markets. While expansion into new markets can be difficult, King Honey has positioned itself from competitors by focusing on premium products, and will be able to draw upon the Me Today experience of new product development to further diversify its product set.
- The sale, marketing and production of Mānuka Honey products may be subject to new regulations. Me Today faces this risk in its existing business and seeks expert advice to assist with regulatory compliance.
- King Honey's operations are reliant on certain key personnel. Me Today has plans in place for an orderly transition as Terry Jarvis steps back from the day-to-day running of the business.
- It is not possible to assess with any certainty the implications of the COVID-19 pandemic on King Honey or the economy as a whole. COVID-19 has to date reduced the sale of BEE+ branded product through tourist and gift stores in New Zealand and the ability to increase that revenue base is dependent on further re-opening of the borders. Internationally, any significant increase in the spread of the pandemic could slow expansion into additional markets.

In addition, pages 40-44 of the Me Today Listing Profile dated 13 March 2020, set out risks affecting the existing Me Today businesses which remain applicable. A copy of the Listing Profile is at:

<http://nzx-prod-s7fsd7f98s.s3-website-ap-southeast-2.amazonaws.com/attachments/CSM/349864/318680.pdf>.

Capital structure following the King Honey acquisition and Capital Raise

The Company has 412,278,428 fully paid ordinary shares on issue as at 8 June 2021.

The following table summarises the existing shareholding structure of the Company, and describes the expected shareholding structure after the issue of shares to the King Honey Vendors and under the Capital Raise.

	Existing shareholding structure	%	Shareholding structure after acquisition and \$15.75m Capital Raise	%
MTL Securities Limited	222,000,000	53.85%	222,000,000	31.49%
Other existing Me Today shareholders	190,278,428	46.15%	190,278,428	26.99%
King Honey Vendors	NIL		113,636,364	16.12%
Investors subscribing in Capital Raise	N/A		178,977,273	25.39%
Total	412,278,428		704,892,065	

The King Honey acquisition will result in the existing shareholders' shareholdings in the Company being diluted by 41.5% overall. This is because the allotment to the Vendors will dilute existing shareholders' shareholdings by 21.6%, and the Capital Raise will further dilute existing shareholders' (already diluted) shareholdings by 25.4%.

Section 2.8 of the Independent Report comments that while the dilutionary impact is significant, Simmons Corporate Finance is of the view that the existing shareholders' main focus should be on whether there is any dilutionary impact on the value of their respective shareholdings rather than on their level of voting rights and concludes that the issue price and terms of issue of the shares to the vendors and through the Capital Raise are fair to existing shareholders from a financial point of view and therefore, the King Honey acquisition does not dilute the economic value of their respective shareholdings.

Additional information relating to the resolutions

Nature of resolutions

The resolutions to be considered at the meeting include three ordinary resolutions. An ordinary resolution is a resolution passed by a simple majority of votes of shareholders of the Company, entitled to vote and voting.

Resolution 1

Resolution 1 is required by Listing Rule 5.1.1(b), as the proposed King Honey acquisition price exceeds more than 50% of the Company's Average Market Capitalisation (approximately \$35 million at the time of entry into the Acquisition Agreement). The Company considers the acquisition is a natural extension of its existing lifestyle, health and wellness businesses, and so does not amount to a significant change in the nature of the Company's business.

No voting restrictions apply to resolution 1.

Resolution 2

Resolution 2 is required by Listing Rule 4.1.1 which generally requires share issues to be approved by shareholders unless an exception applies under the Listing Rules.

The Vendors (and their Associated Persons) (as defined in the Listing Rules) are not permitted to vote on this resolution.

Resolution 3

Resolution 3 is required by Listing Rule 4.1.1 which generally requires share issues to be approved by shareholders unless an exception applies under the Listing Rules.

Any wholesale investor that is a party to a subscription agreement with the Company in the Capital Raise or their Associated Person(s) (as defined in the Listing Rules) that is a shareholder of the Company is not permitted to vote on resolution 3.

Cross-conditionality of resolutions

The resolutions to be considered at the meeting include three ordinary resolutions.

An ordinary resolution is a resolution passed by a simple majority of votes of shareholders of the Company, entitled to vote and voting.

Implementation of resolutions 1 to 3 are conditional upon all of resolutions 1 to 3 being approved by the shareholders of the Company.

Consequences of Resolutions 1 to 3 not being approved

In the event that all of resolutions 1 to 3 are not approved, then:

- The Company will continue operating with its current business activities; and
- The King Honey acquisition and associated funding arrangements will not proceed. No break fees are payable if the acquisition or funding does not proceed.

NZ RegCo no objection

This notice of meeting has been reviewed by NZ RegCo. NZ RegCo has confirmed that it has no objection to this notice of meeting. However, NZ RegCo does not take responsibility for any statement in this notice of meeting or any other document.

Appendix: Impact of acquisition accounting and IAS41 on King Honey financial information

As noted above, to date King Honey's financial statements have not been prepared in accordance with New Zealand generally accepted accounting practice. In particular, the King Honey financial information shown in the pro forma financial information set out above is presented on a more conservative basis than provided for in NZ IAS 41 *Agriculture* standard for the following reasons.

Inventory valuation

Under NZ IAS 41, upon harvest of the honey from the hives, King Honey's inventory is currently valued at cost which is lower than market price.

Agricultural Assets - Bee Hives

Under IAS 41, the queens, bees and broods are required to be measured at their fair value less cost to sell. The hives are required to be measured under NZ IAS 16 PPE, and recognised at cost less accumulated depreciation. After applying these standards, a value for the hives will then be determined. Hives are currently recorded at cost so any adjustment will likely result in an increase of the asset value.

Property Plant and Equipment

King Honey currently depreciates its asset using tax depreciation rates. NZIFRS 3 requires assets under a business combination to be assessed at fair value. These assets of King Honey will need to be assessed to determine fair value and an adjustment made accordingly.

Leased Assets

The leased assets of King Honey will be required to be assessed under NZIFRS 16 and capitalised as a right of use asset with a corresponding lease liability.