



Market Announcement

22 August 2025

Fonterra agrees sale of Consumer and associated businesses

- Fonterra has agreed to sell its Consumer and associated businesses to Lactalis for \$3.845 billion NZD
- Sale is subject to certain conditions, including Fonterra farmer shareholder approval, separation of the businesses and receipt of regulatory approvals
- Farmer shareholder vote to occur in late October or early November with Notice of Meeting to be issued in October
- Fonterra targeting a tax free capital return of \$2.00 dollars per share
- Sale includes long-term agreement for Fonterra to sell milk and ingredients to Lactalis
- Subject to the satisfaction of conditions, the sale is expected to complete in the first half of 2026
- Fonterra's FY25 earnings guidance of 65-75 cents per share remains unchanged

Fonterra Co-operative Group Ltd today announced it has agreed the sale of its global Consumer and associated businesses to Lactalis for \$3.845 billion, subject to certain customary financial adjustments and conditions including approval by farmer shareholders, separating the businesses being sold from Fonterra, and receipt of certain final regulatory approvals.

The sale comprises Fonterra's global Consumer business (excluding Greater China) and Consumer brands; the integrated Foodservice and Ingredients businesses in Oceania and Sri Lanka; and the Middle East and Africa Foodservice business.

In addition to the base enterprise value of \$3.845 billion, there is potential for a further \$375 million increase from the inclusion of the Bega licences held by Fonterra's Australian business, which if progressed would take the headline enterprise value of the transaction up to \$4.220 billion.

The Co-op is targeting a tax free capital return of \$2.00 dollars per share, which is approximately \$3.2 billion, following completion of the sale.

As part of the sale agreement, Fonterra will continue to supply milk and other products to the divested businesses, meaning New Zealand farmers' milk will still be found in iconic dairy brands including Anchor and Mainland.

Fonterra Chairman Peter McBride says over the last 15 months, the Board has thoroughly tested the terms and value of both a trade sale and initial public offering (IPO) as divestment options.

"Following a highly competitive sale process with multiple interested bidders, the Fonterra Board is confident a sale to Lactalis is the highest value option for the Co-op, including over the long-term.

"Alongside a strong valuation for the businesses being divested, the sale allows for a full divestment of the assets by Fonterra, and a faster return of capital to the Co-op's owners, when compared with an IPO.

“This, coupled with the firm belief we have in Fonterra’s long-term strategy, gives the Board the confidence to unanimously recommend this divestment to shareholders for approval,” says Mr McBride.

Fonterra CEO Miles Hurrell says the sale agreement represents a great outcome for the Co-op. “As the world’s largest dairy company, Lactalis has the scale required to take these brands and businesses to the next level. Fonterra farmers will continue to benefit from their success, with Lactalis to become one of our most significant Ingredients customers.

“At the same time, a divestment of these businesses will allow Fonterra to deliver further value for farmer shareholders and New Zealand by focusing on our world leading Ingredients and Foodservice businesses, through which we sell innovative products to more than 100 countries around the world, from our home base here in New Zealand,” says Mr Hurrell.

Lactalis CEO Emmanuel Besnier says “with this acquisition, we significantly strengthen our strategy across Oceania, Southeast Asia and the Middle East. Combining the Fonterra consumer business operations and market leading brands with our existing footprint in Australia and Asia will allow Lactalis to further grow its position in key markets. I’m delighted to become a key partner to Fonterra over the long term as well as I’m looking forward to welcoming new teams to the Lactalis family.”

Terms of sale agreement

The divestment comprises the sale of shares in Mainland Group Holdings Limited, a New Zealand incorporated holding company that is currently owned by Fonterra.

The inclusion of the Bega licences held by Fonterra’s Australian business would be confirmed once a dispute with Bega Cheese Limited is resolved. If for some reason the Bega licences are not included in the sale, Fonterra expects to receive a fair value payment from Bega for the licences which would need to be determined at the time.

Under the terms relating to the sale, Fonterra will continue to supply raw milk, dairy ingredients and products to the divested businesses under long-term supply agreements.

Alongside shareholder approval, the divestment is conditional on final regulatory approvals being received from the Overseas Investment Office in New Zealand, the Foreign Investment Review Board in Australia, as well as relevant competition regulators and foreign direct investment regulators in certain countries including Kuwait, New Caledonia and Saudi Arabia.

In July 2025, the Australian Competition & Consumer Commission announced it would not oppose the proposed acquisition by Lactalis in Australia.

The divestment is also conditional on separation of the businesses from Fonterra and no material adverse change arising before completion.

Subject to satisfaction of all conditions, the transaction is expected to complete in the first half of the 2026 calendar year.

Shareholder vote and capital return process

Fonterra will now seek farmer shareholder approval to divest the businesses by ordinary resolution at a Special Meeting to be held in late October or early November.

The Notice of Meeting will be issued in early October and will contain information on the impact of the divestment on Fonterra’s financial shape as well as the proposed capital return.

Payment of the capital return would be subject to a separate shareholder vote following completion of the sale and receipt of proceeds in New Zealand. The amount of the capital return would be confirmed ahead of the capital return shareholder vote.

Fonterra's outlook

Mr McBride says “the Board’s decision to pursue a divestment followed a strategic review, through which we examined the context we operate in, our strengths, and how as a Co-op we create value for farmers.

“By far, we do this best through our Ingredients and Foodservice businesses, which collectively generate the majority of our returns to shareholders through both the Farmgate Milk Price and dividends.”

Mr Hurrell says “the targets and policy settings Fonterra released alongside its strategy in September 2024, including an average Return on Capital of 10-12%, remain achievable if the divestment progresses.

“Fonterra’s previously announced FY25 earnings guidance of 65-75 cents per share remains unchanged and our FY26 earnings guidance will be announced as part of the FY25 Annual Results in September 2025.

“The Co-op expects its FY26 earnings per share to be presented on a continuing operations basis and exclude the performance of the Consumer and associated businesses during the pre-completion period.”

With the Special Meeting to occur in late October or early November, Fonterra has deferred its Annual Meeting from November 2025 to December 2025. A date for the Annual Meeting will be announced in due course.

Advisers

Fonterra received financial advice from Jarden, Craigs Investment Partners and JP Morgan; and legal advice from Russell McVeagh and Herbert Smith Freehills Kramer.

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