



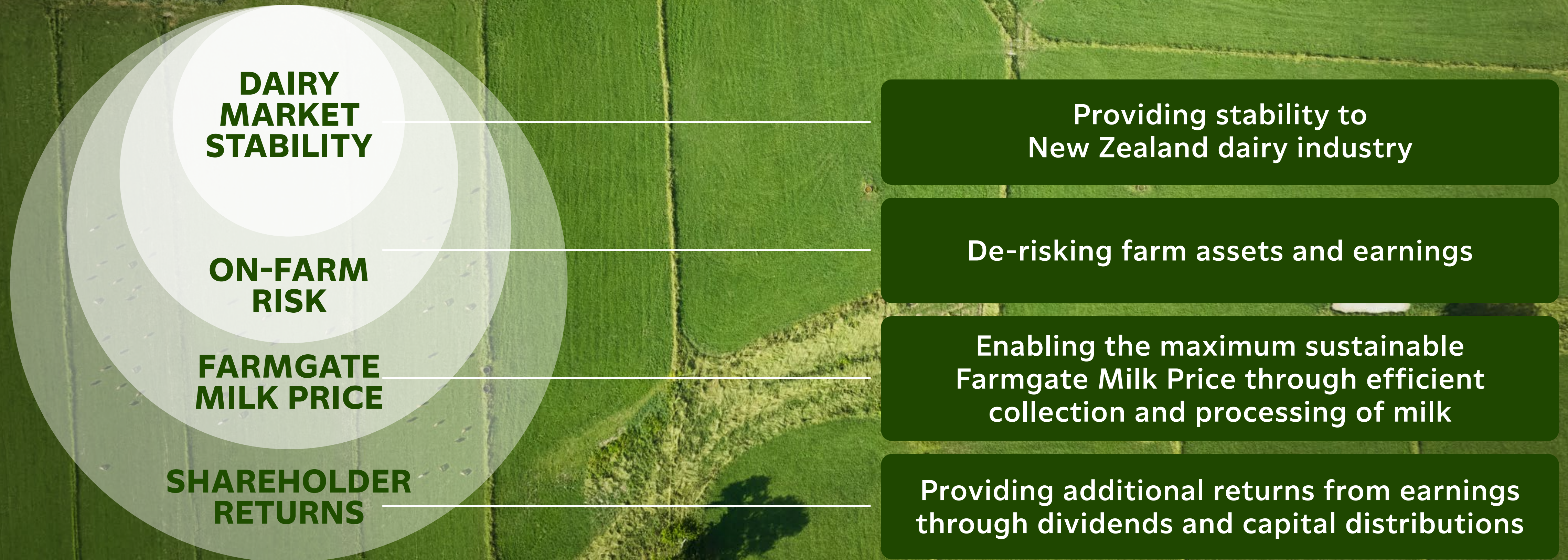
Dairy for life



# Our strategy



# How we create end-to-end value for farmers





# A strategy fit for the future

Our context is changing so we're changing too

## The world we've come from

Defining features of the past

- Global co-operation and trade
- Rise of Asia and China
- Energy abundance
- Cheap capital

## Fonterra set up to benefit

- Co-op with scope and scale
- Trade agreements, Asia adjacent
- NZ dairy comparative advantage
- Consolidation and growth

## Where we're heading

Defining features of the future

- Nationalism and protectionism
- Game-changing tech
- Asia and China at scale, aging populations
- Global climate commitments
- Capital costs high

## Implications for NZ dairy

- Geopolitical instability, trade advantages
- Competition for milk higher
- Sustainability imperative
- Farming more expensive, capital costs high
- Opportunities from volatility





## OUR PURPOSE

Our Co-operative, empowering people, to create goodness for generations. You, me, us together. Tātou, tātou.

## OUR VISION

The source of the world's most valued dairy

## OUR CHOICES

Deliver  
strongest  
farmer  
offering

Unleash our  
Ingredients  
engine

Keep  
momentum in  
Foodservice

Invest in  
operations for  
the future

Build on our  
sustainability  
position

Innovate to  
drive our  
advantage

## OUTCOMES

Strong  
Shareholder returns

Stable  
balance sheet

Enduring  
Co-op



# A clear plan to deliver outcomes for shareholders



## **Deliver strongest farmer offering**

Work alongside farmers to help drive on-farm productivity and profitability.



## **Unleash our Ingredients engine**

Deepen our position as a world-leading provider of sophisticated dairy ingredients, to grow both the Farmgate Milk Price and earnings.



## **Keep momentum in Foodservice**

Expand our successful Foodservice business in and beyond China to grow earnings.



## **Invest in operations for the future**

An efficient manufacturing and supply chain network that allows us to flexibly allocate milk to the highest returning product and sales channel.



## **Build on our sustainability position**

Further improve the Co-op's sustainability credentials, as we work towards our ambition to be net zero by 2050.



## **Innovate to drive our advantage**

Use science and technology to solve the Co-op's challenges and build on our competitive advantages.



# A more focused Co-op, with global B2B reach



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Fonterra

More than

8,000

farmer shareholders

~16,000

employees

29

offices globally

24

manufacturing sites in NZ

2

manufacturing sites offshore

1

R&D facility

6

application centres

~16

billion litres of milk

Exporting to over

100

countries



Ingredients  
100+ products



Foodservice  
50+ products

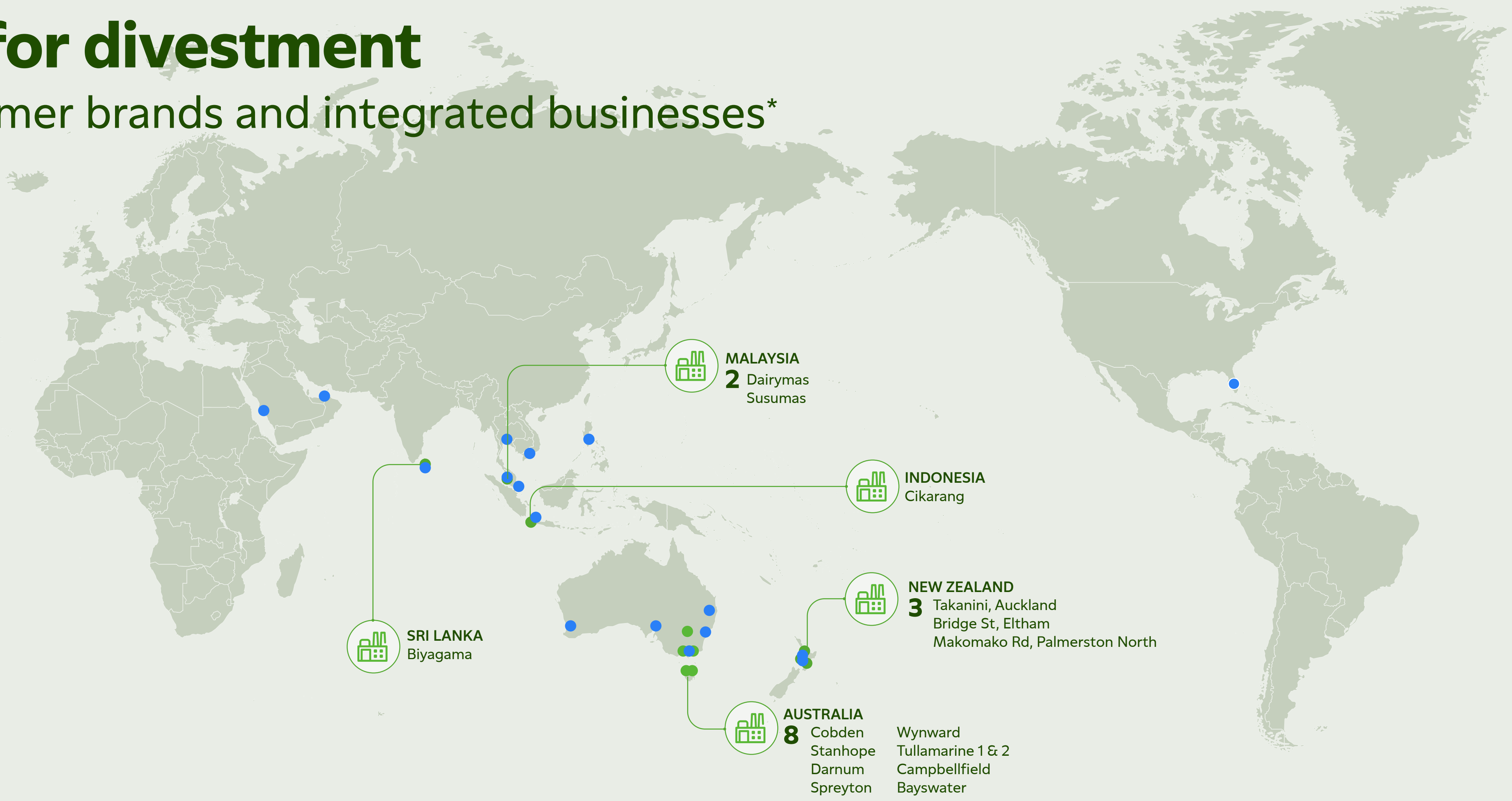
- Offices
- Manufacturing sites
- R&D facility
- Major trade routes
- Example applications



# In scope for divestment

## Global Consumer brands and integrated businesses\*

- ~4,000 employees
- 17 offices globally
- 3 manufacturing sites in NZ
- 12 manufacturing sites offshore
- ~1.4 billion litres of milk
- 20+ countries where product is sold



Consumer  
20+ Brands

- Offices
- Manufacturing sites

Numbers are based on FY24 full year actuals.

\*Consumer brands plus integrated businesses includes Fonterra's global consumer business & brands (excluding Greater China) and components of its business-to-business Foodservice and Ingredients channels (and associated manufacturing assets) in Australia (Consumer, Foodservice & Ingredients), New Zealand (Consumer & Foodservice), Sri Lanka (Consumer & Foodservice), and export regions of the Pacific Islands & Caribbean which operate through Oceania FBNZ (Consumer, Foodservice & Ingredients).



# Why divest our Consumer and integrated businesses

## Why divest

Our Ingredients and Foodservice businesses generate both the Farmgate Milk Price and earnings.

We estimate an acceptable return on capital (ROC) for dairy farmers would be around 10%.

Our high-performing Ingredients and Foodservice businesses deliver ROCs above this, while our Consumer business does not.

Focusing on our Ingredients and Foodservice businesses would allow us to be more efficient and grow returns for farmers.

## Next steps

Currently testing both a trade sale and initial public offering (IPO) as divestment options.

Following this, we will seek shareholder approval to divest through a vote.

We continue to target a significant capital return to shareholders and unit holders following divestment.

Fonterra would continue to supply raw milk and ingredients to the Consumer business through a supply agreement.





# A strong Co-op, creating value

OUTCOMES	TARGETS & POLICY SETTINGS		FY19-24 AVERAGE
Strong Shareholder returns	Return on capital <sup>1</sup>	10-12%	8.2%
	Dividend policy	60-80%	62%
	Capital distributions	Guided by Resource Allocation Framework	
Stable balance sheet	Gearing ratio	30-40%	38%
	Debt to EBITDA	2-3X	2.7X
Enduring Co-op	Capital investment requirements	~\$1+ billion per annum in Essential, Sustainability, Growth	\$660m
	Emissions reduction by 2030 <sup>2</sup>	Absolute Scope 1 & 2 GHG emissions	50.4%
		Scope 1 and Scope 3 FLAG GHG emissions from dairy <sup>3</sup>	30.0%

<sup>1</sup> Average Return on Capital FY24-30

<sup>2</sup> From an FY18 base year

<sup>3</sup> per tonne of fat-and-protein-corrected milk





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# Thank You