



## Market Announcement

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25 September 2024

### Fonterra continues momentum in FY24, announces special dividend

- Profit after tax: NZ \$1,168 million
- Continuing operations EBIT\*: NZ \$1,560 million
- Continuing operations earnings\* per share: 70 cents per share
- Return on capital: 11.3%
- Total dividend: 55 cents per share, comprising:
  - 15 cent interim and 25 cent final dividend
  - 15 cent special dividend
- Full year milk collections: 1,471 million kgMS
- Final 2023/24 season Farmgate Milk Price: NZ\$7.83 per kgMS

Fonterra Co-operative Group Ltd has today reported strong FY24 full year financial results, including a final 2023/24 season Farmgate Milk Price of \$7.83 per kgMS and a total dividend of 55 cents per share. CEO Miles Hurrell says the payout reflects both Fonterra's continued strong earnings performance and the long-term resilience of the Co-op.

"We've maintained the positive momentum seen in FY23 and delivered earnings at the top end of our forecast range.

"Our total dividend of 55 cents per share is the second largest since Fonterra was formed. It includes a 15 cent interim dividend and a 25 cent final dividend driven by strong FY24 earnings.

"In addition, our capital management efficiency and ongoing balance sheet strength have enabled us to return an extra 15 cents per share to farmer shareholders and unit holders through a special dividend.

"The final Farmgate Milk Price for the 2023/24 season finished at \$7.83 per kgMS. This, combined with the 55 cents per share dividend, provides a total cash payout to a fully shared up farmer of \$8.38 per kgMS.

"Our Co-op is in good shape, and I'm pleased to have delivered another year of solid returns to farmer shareholders and unit holders.

"Looking ahead, we're well placed to consider the next phase of our strategy to grow long-term value for the Co-op," says Mr Hurrell.

### Business performance

The Co-op reported a return on capital for FY24 of 11.3%, above the target range for FY24. Earnings (EBIT) from continuing operations were \$1,560 million and continue to be well above previous years, albeit down on FY23 which benefitted from elevated price relativities.

Fonterra's profit after tax from continuing operations was \$1,168 million, equivalent to 70 cents per share. "Our FY24 earnings were driven by higher margins and increased sales volumes in our Foodservice and Consumer channels. Our Ingredients channel also continued to deliver strong returns, although down when compared to the record result seen in FY23," says Mr Hurrell.

Sales volumes from continuing operations were down 1% to 3,470 kMT and gross margins were maintained at 17%.

“We remain focused on making progress against our two efficiency metrics while also investing in the areas that will improve long-term performance and the resilience of the Co-op.

“Our core operations manufacturing costs per kgMS reduced year-on-year by 2% to \$2.58 per kgMS, reflecting both operational improvements and improved input costs.

“Across the year we also achieved savings in our operating expenses which largely offset the impacts of inflation. However, our cash operating expenses per kgMS are up mainly due to our investment in IT and digital transformation projects.

“Our balance sheet position remains strong, providing optionality and flexibility for the future and resilience against volatility.

“We have net debt of \$2.6 billion, \$600 million lower than last year, due to strong underlying operating performance.

Our gearing ratio of 24% reflects our lower net debt position and higher equity from strong earnings,” says Mr Hurrell.

### **Co-op strategy**

This year, Fonterra completed a strategic review that reinforced the role of its Foodservice and Ingredients channels and confirmed its strengths in partnering with customers to produce world-class, innovative dairy.

As a result of this work, in May the Co-op announced that it is exploring divestment options for its global Consumer business, as well as Fonterra Oceania and Sri Lanka.

“Over the last few months, we have appointed advisors to assist with assessing divestment options for our Consumer businesses and this work is ongoing,” says Mr Hurrell.

“As we can see from today’s result, the businesses in scope for potential divestment are performing well. We remain committed to a pathway that would maximise value of these businesses for our farmer shareholders and unit holders.

“Alongside this, we have revised our strategy to have a sharper focus on the Co-op’s strengths and where we can best create value.

“We will be sharing this revised strategy, as well as the outcomes shareholders and unit holders can expect from the Co-op, next week,” says Mr Hurrell.

*\*Excludes earnings from discontinued operations. In FY24 discontinued operations were DPA Brazil and in FY23 discontinued operations were DPA Brazil, Soprole and China Farms.*

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## About Fonterra

*Fonterra is a co-operative owned and supplied by [thousands of farming families](#) across Aotearoa New Zealand. Through the spirit of co-operation and a can-do attitude, Fonterra's farmers and employees share the goodness of [our milk](#) through innovative [consumer](#), [foodservice](#) and [ingredients](#) brands. [Sustainability](#) is at the heart of everything we do, and we're committed to leaving things in a better way than we found them. We are passionate about supporting our communities by [Doing Good Together](#).*

### Non-GAAP financial information

*Fonterra uses several non-GAAP measures when discussing financial performance. Non-GAAP measures are not defined or specified by NZ IFRS.*

*Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They may be used internally to evaluate the underlying performance of business units and to analyse trends. These measures are not uniformly defined or utilised by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.*

*Non-GAAP measures are not subject to audit unless they are included in Fonterra's audited annual financial statements.*

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