



Market Announcement

20 March 2025

Fonterra's momentum delivers strong FY25 interim earnings and dividend

- Operating profit: NZ \$1,107 million, up 16%
- Profit after tax: NZ \$729 million, up 8%
- Earnings per share: 44 cents per share, up 10%
- Return on capital: 10.2% down from 13.4%
- Interim dividend, fully imputed: 22 cents per share
- Forecast Farmgate Milk Price range narrows: NZ \$9.70 - \$10.30 per kgMS
- Forecast milk collections: 1,510 million kgMS, up 2.7%
- FY25 full year forecast earnings range: 55-75 cents per share

Fonterra Co-operative Group Ltd today announced a positive FY25 interim result as the Co-op continues to make good progress on implementing its strategy.

Fonterra has reported a half year Profit after Tax of \$729 million, earnings of 44 cents per share and a decision to pay an interim dividend of 22 cents per share, alongside a 2024/25 season forecast Farmgate Milk Price midpoint of \$10.00 per kgMS.

Fonterra CEO Miles Hurrell says it's pleasing to be able to deliver these results for farmer shareholders and unit holders.

"We're focusing on driving value which includes delivering strong financial performance while achieving the highest sustainable Farmgate Milk Price," says Mr Hurrell.

"At the same time, we're looking ahead as we implement our strategy and continue to invest for the future. We have commenced projects to unlock manufacturing production capacity for our Ingredients and Foodservice channels, with site works now underway at Studholme for high-value protein capacity and at Edendale for a new UHT cream plant.

"We're also continuing to invest to future proof our operations and supply chain network, with work underway on a new Whareroa coolstore and plans for decarbonisation projects at Clandeboye, Edendale, Edgecumbe and Whareroa to secure energy supply and reduce the Co-op's emissions.

"As we focus on delivering the strongest farmer offering, we have announced new funding for farmers with lower emissions milk and expanded the Fixed Milk Price programme that farmers can use to get more certainty around the Farmgate Milk Price, says Mr Hurrell."

Farmgate Milk Price

Fonterra is committed to delivering the highest sustainable Farmgate Milk Price to farmers. For the current season, the forecast Farmgate Milk Price range is narrowing from \$9.50-\$10.50 per kgMS to \$9.70-\$10.30, with the midpoint holding at \$10.00 per kgMS.

“We’re seeing good demand for our quality products, and our teams have worked hard to optimise our product portfolio to capture value from the market conditions, leaving us well contracted for the season.

“We have also optimised the current season’s Advance Rate Schedule to get cash to farmers sooner, underpinned by our balance sheet strength.

“In terms of milk flows, our forecast milk collections for the year are up 2.7% on this time last year to 1,510 million kgMS. This follows favourable pasture growth across most of New Zealand earlier in the season, noting many parts of the country are currently experiencing very dry conditions,” says Mr Hurrell.

Business performance

Fonterra's strong half year performance was underpinned by an optimised product mix, designed to capture value across the Co-op's sales channels.

“Our robust first half performance saw earnings growing alongside the strong Farmgate Milk Price, reflecting the strength of our core business.

“Ingredients channel performance has been a highlight this half, with sales volume down 3.9% and operating profit up \$229 million to \$696 million, reflecting better margins and improved product mix.

“Our Foodservice channel has seen sales volume growth of 8.3% this half, with Q2 gross margins significantly up on Q1 as pricing adjusted to the higher milk price. Foodservice operating profit for the half was a healthy \$230 million, compared to the record high of \$342 million in FY24 when input costs were much lower.

“The Consumer channel saw good sales volumes, up 8.5%, and margin growth, despite the higher Farmgate Milk Price, with operating profit largely flat on prior period at \$173 million.

“Meanwhile, our IT & Digital transformation project, a once in a generation replacement of the Co-op's Enterprise Resource Planning software, is progressing well and remains on budget. The project is expected to cost NZ \$450-500 million across six years and annual expenditure reaches its peak in FY25 at \$130 million. This spend is included in our previously announced earnings forecast and despite this spend, our FY25 results remain strong,” says Mr Hurrell.

Outlook

We have recently increased Fonterra's FY25 full year forecast earnings range to 55-75 cents per share*, which reflects the underlying strength of our core business as well as the resilience in our Consumer channel.

“The Co-op is in a great shape, with milk collections, the forecast Farmgate Milk Price and earnings performance all up on this time last year.

“As we look to the balance of the year ahead, we're focused on maintaining this momentum in performance, while progressing delivery of our strategy, including the dual-track Consumer divestment process which is on track as planned,” says Mr Hurrell.

*Note: *This forecast earnings range reflects Fonterra's underlying earnings before any deduction for forecast costs associated with the Consumer divestment. When the Fonterra Board considers the full year dividend for FY25, it will consider, amongst other factors, the nature of the underlying earnings and whether it is appropriate to include any costs associated with asset sales in the financial year.*

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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.
