



# Fonterra Shareholders' Fund

## 2024 Annual Meeting

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18 November 2024





# 01

**MJ Daly**

FSF Chair

Welcome and  
Introduction

# Online question process

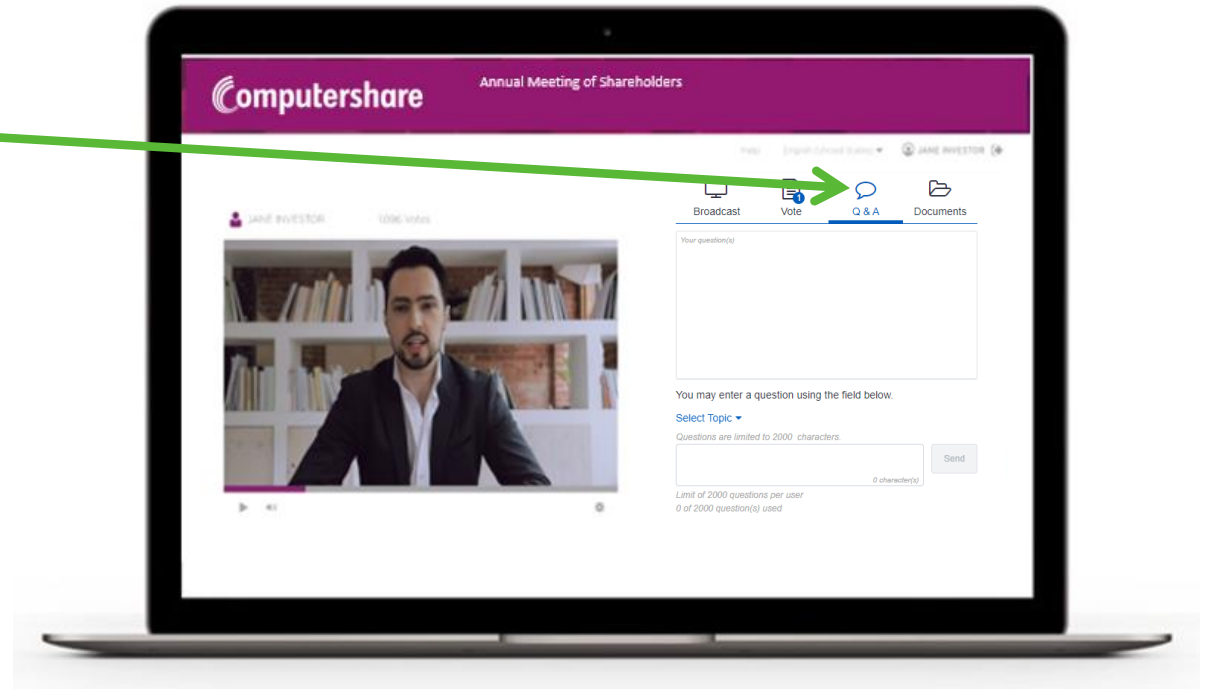
## Unit holder & Proxyholder Q&A Participation

### Written Questions:

- Questions may be submitted ahead of the meeting
- If you have a question to submit during the live meeting, please select the Q&A tab on the right half of your screen at anytime
- Type your question into the field and press submit
- Your question will be immediately submitted

### Help:

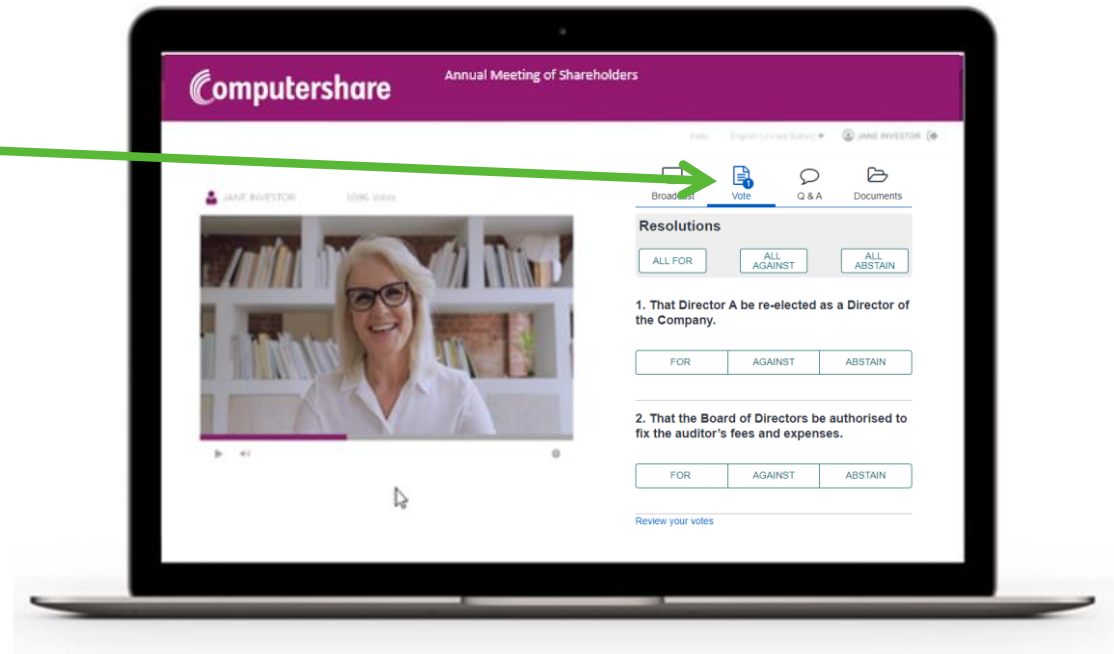
- The Q&A tab can also be used for immediate help
- If you need assistance, please submit your query in the same manner as typing a question and a Computershare representative will respond to you directly



# Online voting process

## Unit holder & Proxyholder Voting

- Once the voting has been opened, the resolution and voting options will allow voting
- To vote, simply click on the Vote tab, and select your voting direction from the options shown on the screen
- Your vote has been cast when the tick appears
- To change your vote, select 'Change Your Vote'



# Agenda

01	02	03	04	05	06	07
<b>MJ Daly</b>	<b>MJ Daly</b>	<b>Peter McBride</b>	<b>Miles Hurrell</b>	<b>MJ Daly</b>	<b>MJ Daly</b>	<b>MJ Daly</b>
Welcome and Introduction	FSF Management Company Chair's address	Fonterra Chair's address	Fonterra Chief Executive Officer's address	Questions	Resolution to re-elect Alastair Hercus	General Business



# Fonterra Shareholders' Fund

## Board of Directors

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**MJ Daly**  
Chair



**Carlie Eve**



**Alastair Hercus**



**John Nicholls**



**Andy Macfarlane**

## Fonterra Team

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**Peter McBride**



**Miles Hurrell**



**Richard Whiteman**



**Selena Robb**



**Jackie Floyd**



# 02

## MJ Daly

FSF Chair

FSF Management  
Company Chair's  
address

# FSF Management Company Chair's address

## Continued strong performance in 2024

Continuing operations'  
profit after tax<sup>1</sup>

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**\$1.17** billion

↓ from \$1.24b

Continuing operations'  
earnings per share<sup>2</sup>

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**70** cents

↓ from 75c

Total cash  
distribution

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**\$0.55** per unit

↑ from 50c

Note: For the year ended 31 July 2024.

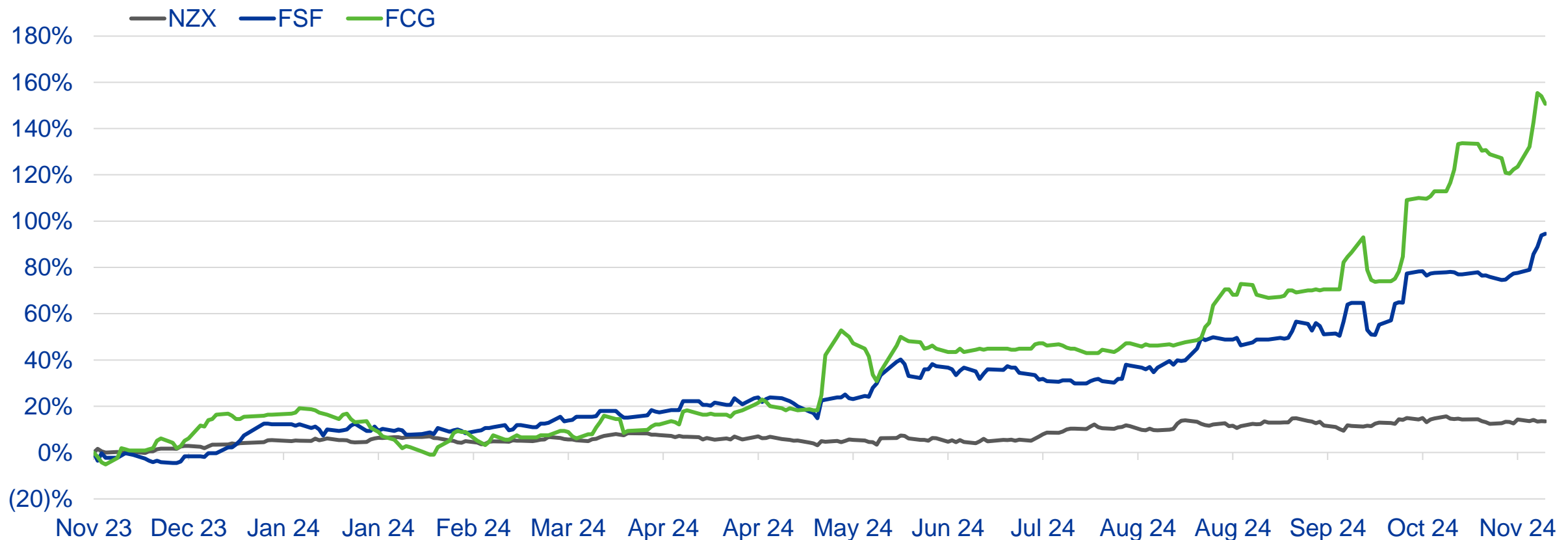
1. Includes amounts attributable to non-controlling interests.

2. Excludes amounts attributable to non-controlling interests.



# Total Shareholder Return for past 12-months

- FSF Total Shareholder Return (TSR) since 2023 AGM is 94.6%
- Comparatively, FCG and the S&P NZX50 Index TSR for the same period are 150.6% and 13.5%, respectively

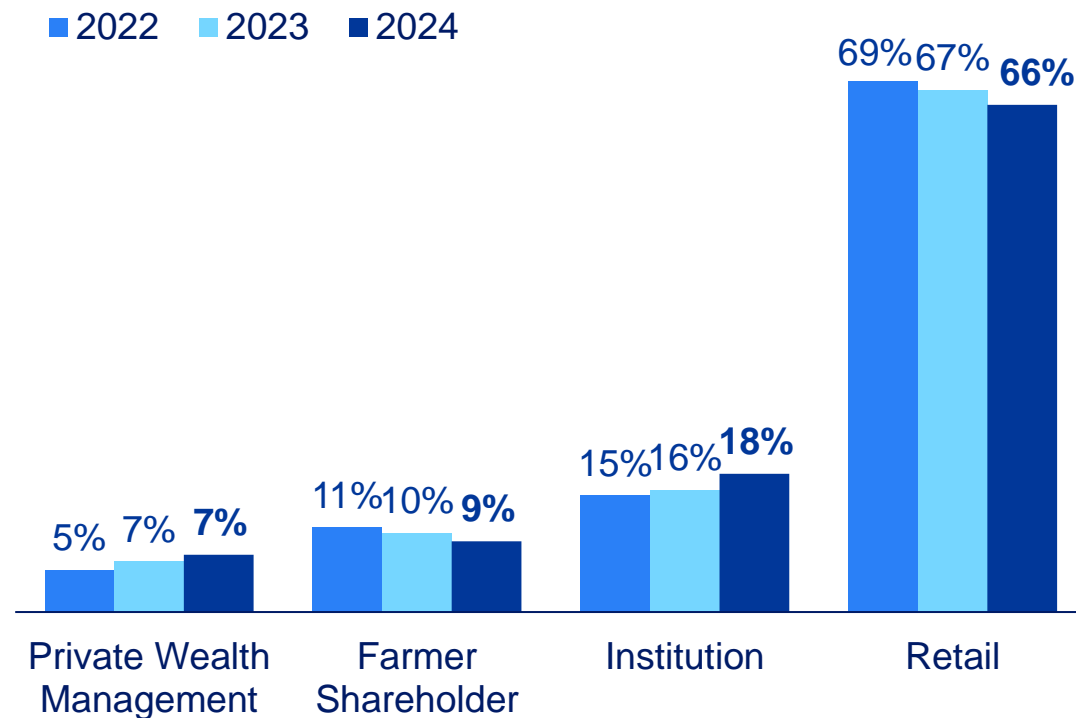


Note: Total Shareholder Return (TSR) is calculated from value weighted average traded prices for the period 14 November 2023 to 15 November 2024.

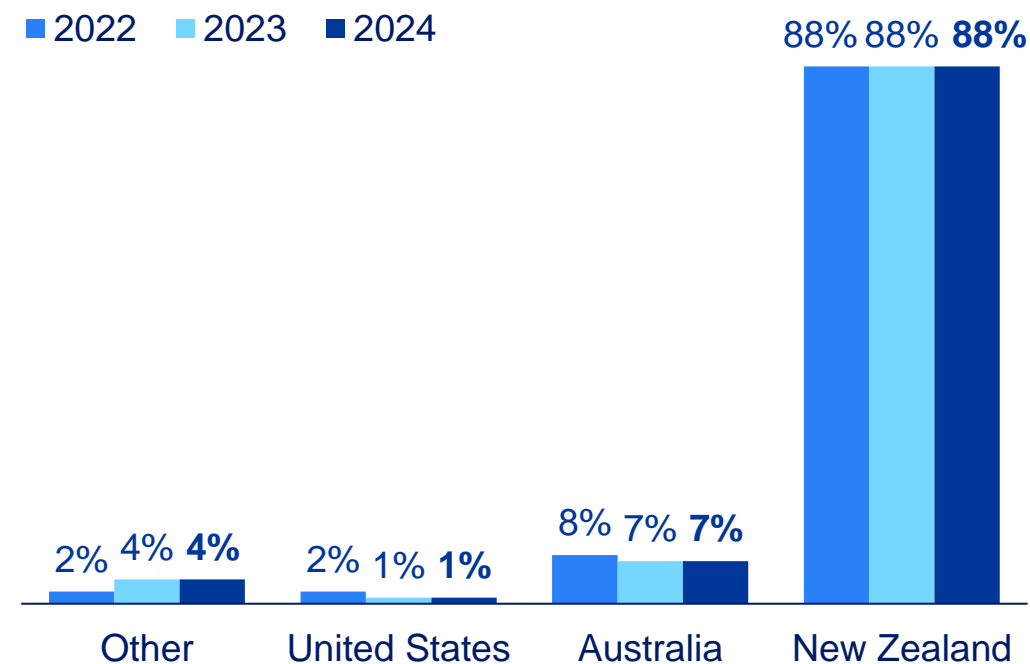
# Unit register analysis

- Continued increase of Institutions and private wealth holders
- Unit holders located in Australia remain stable at 7%. However, 96% of units are traded on the New Zealand stock exchange (NZX), supporting the decision to move to a sole listing on the NZX

## Investor Type



## Investor Location



# Key Fund statistics as at 15 November 2024

Units on Issue <sup>1</sup>	<b>107 million</b>	no change
Fund Market Capitalisation <sup>1</sup>	<b>\$581 million</b>	\$259m <b>↑</b>
Fonterra Market Capitalisation <sup>1</sup>	<b>\$7.7 billion</b>	\$4.3b <b>↑</b>
Fund Size <sup>1,2</sup>	<b>6.7%</b>	no change
Unit Price 12-month High/Low <sup>3</sup>	<b>\$5.53</b> (14 Nov 24) / <b>\$2.95</b> (5 Dec 23)	

1. At 15 November 2024, relative to 15 November 2023.

2. Fonterra Shareholders' Fund units on issue as a percentage of Fonterra Co-operative Group shares on issue.

3. 12 month period, 14 November 2023 – 15 November 2024.





**03**

**Peter McBride**

Fonterra Chair

Fonterra Chair's  
address



# 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



# How we create end-to-end value





# FY24 Return on Capital by channel



Ingredients

10.2%

↓ from 16.3%

Foodservice

19.6%

↑ from 15.7%

Consumer

6.8%

↑ from (3.9%)

# FY24 key performance outcomes

Total Payout

**\$8.38**

↓ from \$8.72

Return on capital

**11.3%**

↓ from 12.4%

FSF Unit Price\*

**\$5.41**

↑ from \$3.00

Gearing ratio

**24.0%**

↓ from 28.8%

\*Share price as at 15 November.



04

**Miles Hurrell**

Fonterra CEO

Fonterra Chief  
Executive Officer's  
address



# FY24 results

Continuing operations'  
operating profit (EBIT)

**\$1,560<sub>m</sub>**

↓ from 1,755m

Gearing ratio

**24.0%**

↓ from 28.8%

Continuing operations'  
earnings per share

**70<sub>c</sub>**

↓ from 75c

Return on capital

**11.3%**

↓ from 12.4%

2024/25 forecast Farmgate  
Milk Price

**\$9–\$10**

per kgMS

FY25  
forecast earnings

**40–60**

cents per share



**Total  
Payout**

**Dividend**

↑ from \$0.50

**Farmgate  
Milk Price**

↓ from \$8.22

## 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



# Keep momentum in Foodservice

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



**China growth**

**Rest of world growth**

**Customer partnership**

**Product innovation**

**Manufacturing capacity**

# A strong Co-op, creating value

OUTCOMES	TARGETS & POLICY SETTINGS		FY18-23 AVERAGE
<b>Strong Shareholder returns</b>	Return on capital <sup>1</sup>	10-12%	8.6%
	Dividend policy	60-80%	50%
	Capital distributions	Guided by Resource Allocation Framework	
<b>Stable balance sheet</b>	Gearing ratio	30-40%	35%
	Debt to EBITDA	2-3X	2.5X
<b>Enduring Co-op</b>	Capital investment requirements	~\$1+ billion <sub>per annum</sub> in Essential, Sustainability, Growth	\$650m
	Emissions reduction by 2030 <sup>2</sup>	Absolute Scope 1 & 2 emissions	50%
		On-farm emissions intensity Scope 3	30%

<sup>1</sup> Average Return on Capital FY24-30    <sup>2</sup> From an FY18 base year



# Targeting a significant capital return if Consumer business divested



\*Illustrative subset of our Consumer brands



# 05

## Questions





**06**

## Resolution and Voting



A scenic landscape featuring a river, a bridge, and mountains in the background. The river flows through a lush green valley, with a concrete bridge spanning across it. In the distance, a range of mountains is visible under a clear sky. The text "Resolution 1: Re-election of Alastair Hercus" is overlaid on the left side of the image.

# Resolution 1: Re-election of Alastair Hercus



# Resolution 1

To re-elect Alastair Hercus, who retires by rotation, and stands for re-election as a director of the Manager of the Fund



# Proxy Voting

## Alastair Hercus



As at 9am Saturday 16 November 2024





# Fonterra Shareholders' Fund

## 2024 Annual Meeting

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18 November 2024



# Voting

- In respect of the resolution, please tick the “for”, “against” or “abstain” box.
- Once you have completed your voting, please place your vote in a ballot box.
- Please raise your hand if you require a pen.
- Results will be announced to the NZX and ASX as soon as they are available.



# Fonterra Shareholders' Fund

## 2024 Annual Meeting

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18 November 2024





**07**

**General  
Business**





**Thank you,  
meeting closed**



**FONTERRA SHAREHOLDERS' FUND 2024 ANNUAL MEETING**  
**18 NOVEMBER 2024**  
**FSF CHAIR'S ADDRESS**

It has been another good year for Fonterra, delivering a strong profit off the back of a record high last year.

Fonterra's continuing operations' profit after tax was \$1.17 billion, meaning earnings per share came in at the top end of the forecast range, at 70 cents per share.

Fonterra declared a total dividend of 55 cents per share which fully flows through to unit holders as a distribution of 55 cents per unit.

This was made up of an interim distribution of 15 cents per unit and a final distribution of 40 cents per unit.

Fonterra has also released a refreshed strategy and more recently, confirmed its intention to divest its Consumer business. In addition to the strong financial performance, these announcements have also positively impacted the Fund's performance. Peter and Miles will speak to Fonterra's operational performance in their presentations.

Before I move on to discuss the Fund's performance in more detail, it is important to acknowledge the role of the Board of the Manager.

The Fonterra Shareholders' Fund Board has statutory responsibilities for the activities of the Management Company and the Fund. These include monitoring compliance with regulatory requirements and ensuring that unit holders' interests are managed and protected in accordance with the constituent documents that relate to the Fund.

Directors of the Fund have no role in the governance or operation of Fonterra.

Although we have no decision-making role in these areas, we do consider it important to actively represent the interests and views of unit holders to Fonterra, and we do that.

One of the items we addressed this year was a request for Fonterra to review the Fund unit buyout price formula in the Authorised Fund Contract.

The purpose of the buy-out formula is to set a proxy for a fair market value for certain termination events.

To date this has been based on a volume weighted average price; 50% weighted to the Fonterra Share price and 50% weighted to the Fund unit price.

Under the Flexible Shareholding capital structure, where the price of Fonterra shares and Fund units are de-linked, FSF Board considered it appropriate to amend the Authorised Fund

Contract so that the pricing formula only references the volume weighted average price of Fund units.

Whilst this change has been made to reflect a fairer buyout price under certain termination provisions, there is no intention at this time to terminate the Fund.

The Board has also continued to engage with Fonterra management to understand and provide feedback on Fonterra's equity strategy and Fund strategy with a unit holders lens.

We have also held regular education sessions on areas of particular interest to provide more transparency of what is happening in Fonterra and understanding of the key drivers that can impact the Fund – such as sustainability, and its optimisation function - namely the allocation of milk to products.

Fonterra's strong performance, and market communications on strategy and the divestment of its Consumer business is reflected in the total shareholder returns.

Total returns for the Fund since the last AGM is 95%, made up of 239 cents in unit price appreciation and 55 cents in distributions.

This level of return is pleasing to see, particularly given that the prior period, from the Fund's 2022 AGM to 2023 AGM was 37%, made up of 11 cents in unit price appreciation and one dollar in distributions which included the 50 cent capital return on completion of the Soprole divestment.

Over the same period, FCG and the S&P NZX50 Index returned 151% and 14%, respectively. Considering the historical performance of the Fund, these returns are very pleasing to see.

Looking at the composition of the register, there continues to be a healthy shift from retail and supplying Fonterra farmers to private wealth and institutions.

The drop off in units held by supplying farmers is expected as shares can no longer flow through to the Fund under Fonterra's capital structure.

Of the 66% or 71 million units held by retail investors, around half are held by former supplying farmers. When combined with the nearly 10 million units held by supplying farmer shareholders, around 40% of the Fund is held by current or former supplying farmers. This is a material decrease on the prior year where roughly half of the Fund was held by this group.

The Fund Board are pleased to see this improving spread of ownership type, which supports liquidity through different investment horizons and trading behaviours.

This month Fonterra, having completed a review of its equity listings, announced its intention to shift Fonterra Co-operative Group from its private market operated by NZX to the NZX Main



Board. In addition, it has also decided to delist FSF from the ASX and have a sole listing on the NZX.

Fonterra consulted with the FSF Board on this matter, and we are supportive of the shift to a single listing for FSF.

Broadly speaking, dual listings are becoming less popular due to the increased cost, regulatory complexities, and administrative burdens of complying with multiple exchanges. In addition, advances in global trading technology make it easier for companies to access international investors through a single primary listing.

You can see on the slide, units held geographically in Australia represent 7% of the Fund.

However, units registered to trade on the ASX is actually only 4%, with 96% of units registered under the NZX. With several Australian institutions preferring to hold and trade units in the bigger pool of liquidity here in New Zealand.

As mentioned, the sole FSF listing will reduce cost and complexity, as well as support liquidity in the Fund with all capital trading on one exchange.

Fonterra management is currently working with the ASX and will provide further communications to unit holders as this process progresses.

Lastly from me, I will briefly touch on some of the key Fund statistics.

With the cap on the Fund a permanent feature of the capital structure and the lower value of a Fonterra share relative to the Fund unit, there has been no change in the 107 million units on issue.

Fonterra's market capitalisation is up \$4.3 billion to \$7.7 billion, and the Fund's market capitalisation is \$581 million, up \$259 million.

The Fund's increase in market capitalisation is due to an increase in the unit price, from \$3.14 this time last year to a closing unit price of \$5.41 last Friday.

The Fund size as a percentage of the total Fonterra shares remains unchanged year-on-year at 6.7% due to no buyback of Fonterra shares over the period.

ENDS

**FONTERRA SHAREHOLDERS' FUND 2024 ANNUAL MEETING**  
**18 NOVEMBER 2024**  
**FONTERRA CHAIR'S ADDRESS**

Good morning everyone, thank you all for attending today.

In a few minutes Miles will talk you through a short summary of our financial performance. I know many of you will also be keen to hear his comments on our strategy refresh and the intended divestment of consumer.

Before we hear from Miles, I thought it would be informative to talk you through a couple of key insights that the board considers important in the development of strategy.

These form the background of the conversations we have as a leadership team when we consider our options around the strategy, including the decision to divest our wider consumer business.

The first insight is our global operating context – which continues to change.

And the second is risk – how we manage risk on your behalf and the way we treat your capital.

We are and always will be a New Zealand farmer-owned Co-op, but we are also a global export business.

When considering our strategy we need to challenge ourselves to look past the here and now.

The world is changing. We are moving out of an era of trade liberalisation and co-operation and into a world that's more expensive, competitive and volatile. Where expectations are evolving and New Zealand milk is becoming more scarce.

Customers are increasingly calling on us to partner with them to improve their sustainability and innovation capabilities. And there's even more focus on sustainability from banks, regulators, and from a market access perspective.

The cost of capital has increased, and many industries – including agriculture and our bankers – face higher capital requirements.

In this new global context, Fonterra also faces increasing competition for both milk and capital here at home.

That all sounds inherently negative, and it's certainly not without risk, but the opportunity for us still absolutely exists.

Demand for dairy continues to grow and, in a rapidly changing world, we are uniquely positioned to capitalise on any shifts.

We have high quality New Zealand milk which is becoming more scarce.

And most critically, we have scale.

That gives us great confidence in the future of our Co-op. Success will come by focusing on our comparative advantages, simplifying the business to meet that, and then aligning our people to achieve that singular vision.

The second insight we consider is risk.

Fonterra is an extension of our farmers' businesses. It exists to provide certainty and manage risk on their behalf, while also maximising returns via a competitive and sustainable milk price, and a respectable return on the capital you invest in the Co-op.

We govern Fonterra through a set of financial settings and a risk appetite that is now more appropriately aligned to that of our farmer owners.

As you've seen from our recent financial performance, this approach has served us well in recent years and has set a strong platform for this next phase in Fonterra's evolution.

Fonterra adds value for all dairy farmers by creating stability for the industry and de-risking the on-farm investment.

We add value through the milk price - delivering a return on the \$50 billion invested in on-farm capital.

And by generating a return on the \$12 billion worth of capital farmers and unit holders have invested in the Co-op.

This last piece is central to the conversation on our strategy and the divestment of our consumer business.

Right now, we estimate the weighted average cost of capital for a dairy farmer is somewhere around 10%.

Consumer businesses are inherently more capital intensive and riskier businesses to operate - you've seen that play out over time in our own operation.



Overlay that with the potentially higher geographic risk in the markets where our consumer businesses operate, and a respectable return on capital for the consumer business should be something north of 15%.

Our Consumer business had one of its better years in 2024, but despite that, its return on capital was just 6.8%, up from negative 3.9% in 2023 and 0.2% in 2022.

We cannot justify investing money into a business that generates returns lower than our farmers' opportunity cost of capital, whilst at the same time exposing shareholders and unit holders to more risk.

We are better off returning that capital to you, reinvesting it into the parts of our business where we have a comparative advantage, or a mixture of both.

That might seem like a cold message to the people in the room that have an emotional connection to those brands. We understand that. Those brands and the associated assets that go with them do hold a lot of value, to the right owner.

Fonterra, as a farmer-owned co-operative and the associated cost of capital that comes with that model, is not the natural owner of a consumer business.

Having reached that conclusion, our focus from here is on running a process that maximises value in a way that is in the best long-term interests of shareholders and unit holders.

The evolved Fonterra that remains will be a simplified business focused on our comparative advantages. It will be lower risk, be less capital intensive, and achieve an increased return on capital overall.

I hope that's a useful insight into the way the Board looks at these strategic choices. Having options is a good thing and you are right to want more information around these big decisions.

Ultimately this will be a decision for our farmer shareholders to make. We will keep you updated as much as possible along the way and provide you with the details that sit behind any final decision.

Miles will give you his perspective shortly, but before we go there, I do need to quickly cover off some other governance matters.

Given the heightened uncertainty and volatility I mentioned earlier, the Co-op can be proud of the set of financial results it has put up this year.

We did have some tail winds in terms of favourable price relativities, but the team worked hard to take full advantage of those and our underlying performance has improved significantly through time.

In my opinion, the shift in the unit price reflects performance, and the returning confidence investors have in Fonterra.

As MJ mentioned earlier, over the past 12 months the unit price has increased from \$3.14 to \$5.41.

You should have seen an announcement last week that we are moving Fonterra Co-operative Group shares onto the NZX main board.

I want to reiterate that there is no change who can buy shares in the Co-op or units in the Fund.

This is a simple but important cost-saving exercise that we have initiated and, as MJ has already mentioned, was supported by the Fonterra Shareholders' Fund Board.

Lastly, I'd like to touch on the Board changes that came into effect at the conclusion of last week's Fonterra's Annual Meeting.

Last year, just over 88% of voting farmers supported the recommendation for the Board size to reduce from 11 down to 9 directors. That change came into effect at the end of last week and Fonterra's Board now comprises six farmer elected directors and three appointed independent directors.

One of those independent directors is Alistair Field, who we welcomed to the Board earlier this month.

As I told our farmers last week, our Co-op is in good health.

The sentiment we are receiving from stakeholders right now is overwhelmingly positive and there is a huge amount of positive momentum in the Co-op.

Our teams are confident and energised, which is important as we look to lean into increasing competition overseas and back here at home.

Thank you. I look forward to answering any questions you have on these comments later in the meeting.

ENDS

**FONTERRA SHAREHOLDERS' FUND 2024 ANNUAL MEETING**  
**18 NOVEMBER 2024**  
**FONTERRA CEO'S ADDRESS**

Thank you.

Today I'll cover the Co-op's performance for F24 and then our plans for the years ahead as we implement our revised strategy.

Looking first at our F24 annual results.

I'm proud to say the Co-op had a strong year and maintained the positive momentum we saw in F23.

We delivered earnings of 1.6 billion dollars, which was driven by strong performance across all three of our sales channels.

Our Foodservice margins improved, and we allocated more milk to this high performing channel.

Our Consumer business also improved its margins and lowered its operating expenses too.

While our Ingredients earnings were down when compared to last year's historic highs, this channel still delivered a substantial proportion of our Co-op's earnings for the year.

As a result, our net earnings were at the top end of our guidance range, at 70 cents per share.

This allowed us to pay a 15 cent interim dividend during the year and a 25 cent final dividend.

Our ongoing balance sheet strength also enabled us to return an extra 15 cents through a special dividend, making the total dividend payment for F24 55 cents per share.

When combined with our final Farmgate Milk Price of \$7.83, our total payout to fully shared-up farmers was \$8.38.

Looking at the rest of the year ahead, I'm pleased to say we're forecasting a stronger Farmgate Milk Price.

Earlier this week, we lifted our midpoint by 50 cents to \$9.50, giving us a new forecast range of \$9 to \$10 per kgMS.

This lift was largely driven by demand out of China, where we are starting to see domestic milk production slow.

And we continue to monitor global factors including New Zealand milk supply.

Looking at our earnings for F25, we have a forecast range of 40-60 cents per share.

This outlook signals another year of stable performance from the Co-op.



With Fonterra delivering consistent and reliable results over the last few years, we've seen a steady lift in farmer confidence and sentiment.

It's this foundation that allows us to think ahead and have conversations about our strategy.

Recently, we conducted a strategic review, honing in on where we create value today and see long term growth.

This has resulted in us focusing even further on Foodservice and Ingredients.

By streamlining the business to focus on these areas, we can grow greater value for the Co-op, even if we divest our Consumer businesses.

As an example of this strategy in action, I want to touch on a recent announcement relating to our Foodservice business.

Recently I was in China for the annual China International Importers Expo.

It's an impressive event, where we showcased our business to customers and stakeholders, with lots of energy around dairy nutrition and our innovative products.

At this event, we launched a new Anchor UHT cream product, designed to grow our share of China's growing Foodservice market.

We already have a strong Foodservice business in China, primarily targeted at the premium end of the market.

This new cream product will target the mid-tier market, the fastest growing segment in the UHT cream category.

Often, to achieve the lower price point needed to access the mid-tier market, products are made using plant-based fats.

Using our innovation expertise, we've developed a 100% dairy product, with the right functionality and at a competitive price point.

This move will help us attract new Foodservice customers and consolidate our leadership position in the UHT market.

Our investment in a new UHT plant at our Edendale site will support this ongoing growth, as we look to allocate more milk to our Foodservice channel.

It's examples such as these that give us confidence in our revised strategy and our potential to create further value for shareholders and unit holders.

Our revised strategy has allowed us to lift our target average return on capital to 10-12%, up from 9-10%.

We've also committed to returning more of the Co-op's earnings, with an enhanced dividend policy of 60-80% of earnings, up from 40-60%.

We are confident we can achieve these outcomes while continuing to invest in the Co-op and maintaining the strong balance sheet we've worked so hard to rebuild over recent years.

We're making choices about where we want to focus, so we can go further, faster.

This is why we believe a divestment of our global Consumer businesses is in the best interests of the Co-op and are proceeding with a sales process.

As announced last week, we have assessed both a trade sale and IPO as attractive options and will now pursue both.

I recognise there is significant interest in this process, and we will keep you updated as this work progresses.

This is a pivotal time for the Co-op.

We're in a strong position today and have an exciting future.

Thank you.

**ENDS**