



Dairy for life

Our Strategy to 2030

**Good
Together**
from one generation
to the next

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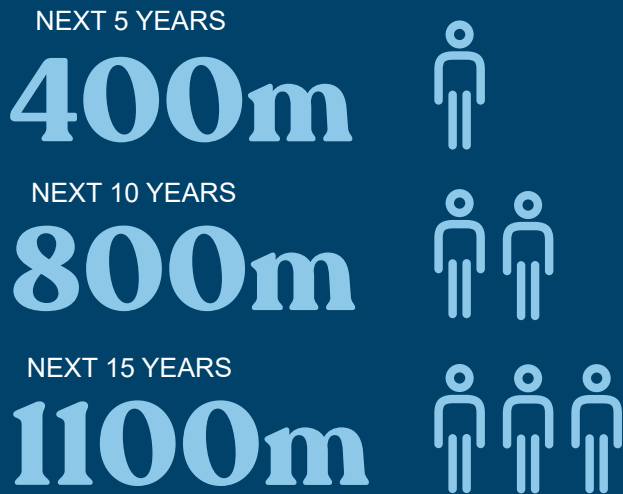
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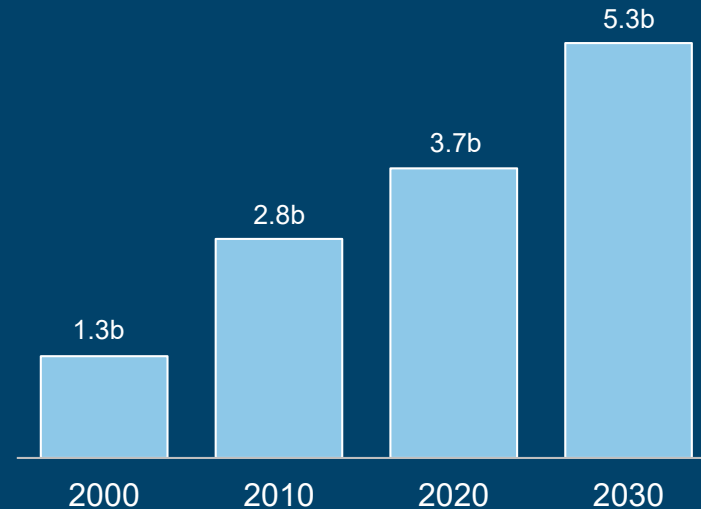
The fundamentals of dairy are strong

The world's population is growing¹



There will be more people needing nutrition.

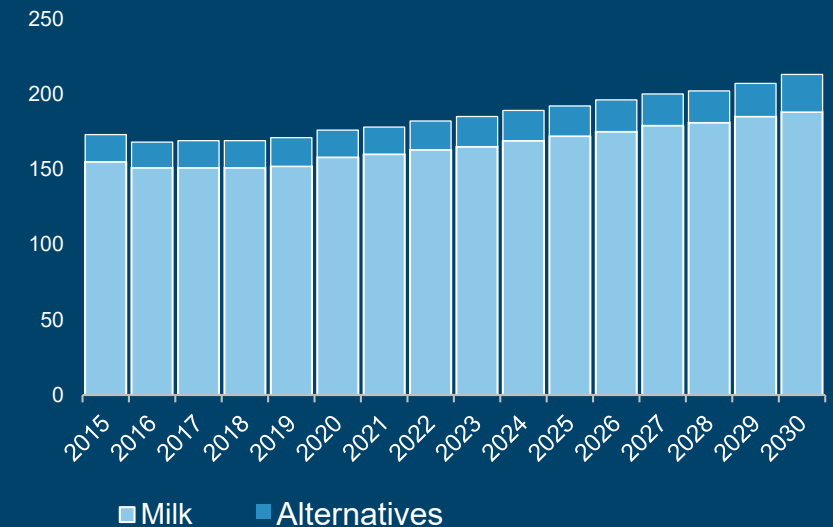
The world's middle class is growing – there will be more people able to afford dairy and wanting to consume it¹



The world wants sustainably produced, high-quality, nutritious milk.

Global market share of retail drinking milk products and alternatives²

By retail value RSP (US\$b)



Global demand for dairy is expected to continue to increase by about 2% per annum out to 2030³.

This comes at a time when we see milk supply in New Zealand as likely to decline, and flat at best.

1. Oxford Economics (www.oxfordeconomics.com) – Global Economics Databank, August 2021. Estimate based on earning 2X median household income.
2. Euromonitor International (www.euromonitor.com) – Euromonitor Passport, August 2021.
3. IFCN Dairy Research Network (www.ifcndairy.org) – IFCN Annual Dairy Sector Data with Long Term Outlook, September 2021.

To differentiate New Zealand milk, we have made three strategic choices



**Focus on New Zealand
milk**



**Be a leader in
sustainability**



**Be a leader in dairy
innovation and science**

Continue to focus on New Zealand milk



Look to release capital from milk pools outside NZ:

- Divest Chilean business
- Review ownership options for Fonterra Australia

A taste
of home
since
1886



Increase capital investment with the aim to:

- Differentiate New Zealand milk
- Grow Foodservice and Active Living
- Further strengthen Consumer

Be a leader in sustainability



**~\$1 billion
planned investment in
sustainability by 2030**



**Showcase our
brands' New Zealand
sustainable nutrition
story**



**Support our aspiration
to be Net Zero carbon
by 2050**



**Enhance menu of
provenance claims to
our customers**

Be a leader in dairy innovation and science



Dairy for life



Track record of innovation

- Probiotics for digestion, immunity and anxiety
- Lipids for stress management and cognition
- Protein for muscle tone



R&D

- Aim to invest ~50% more in R&D by 2030
- Develop more products to reach new customers and take Active Living opportunities



Nutrition Science Solutions

- Dedicated team narrowing down and prioritising areas where we can build a competitive advantage

The value targets we are aiming to achieve by 2030



\$6.50–\$7.50

per kgMS
Average Farmgate
Milk Price range for the decade

40–50%

Increase in operating
profit from FY21

~9–10%

Group Return on Capital,
up from 6.6% in FY21

~\$1b

Invested in
sustainability

~\$1b

Invested in moving milk to
higher value products

~\$1b

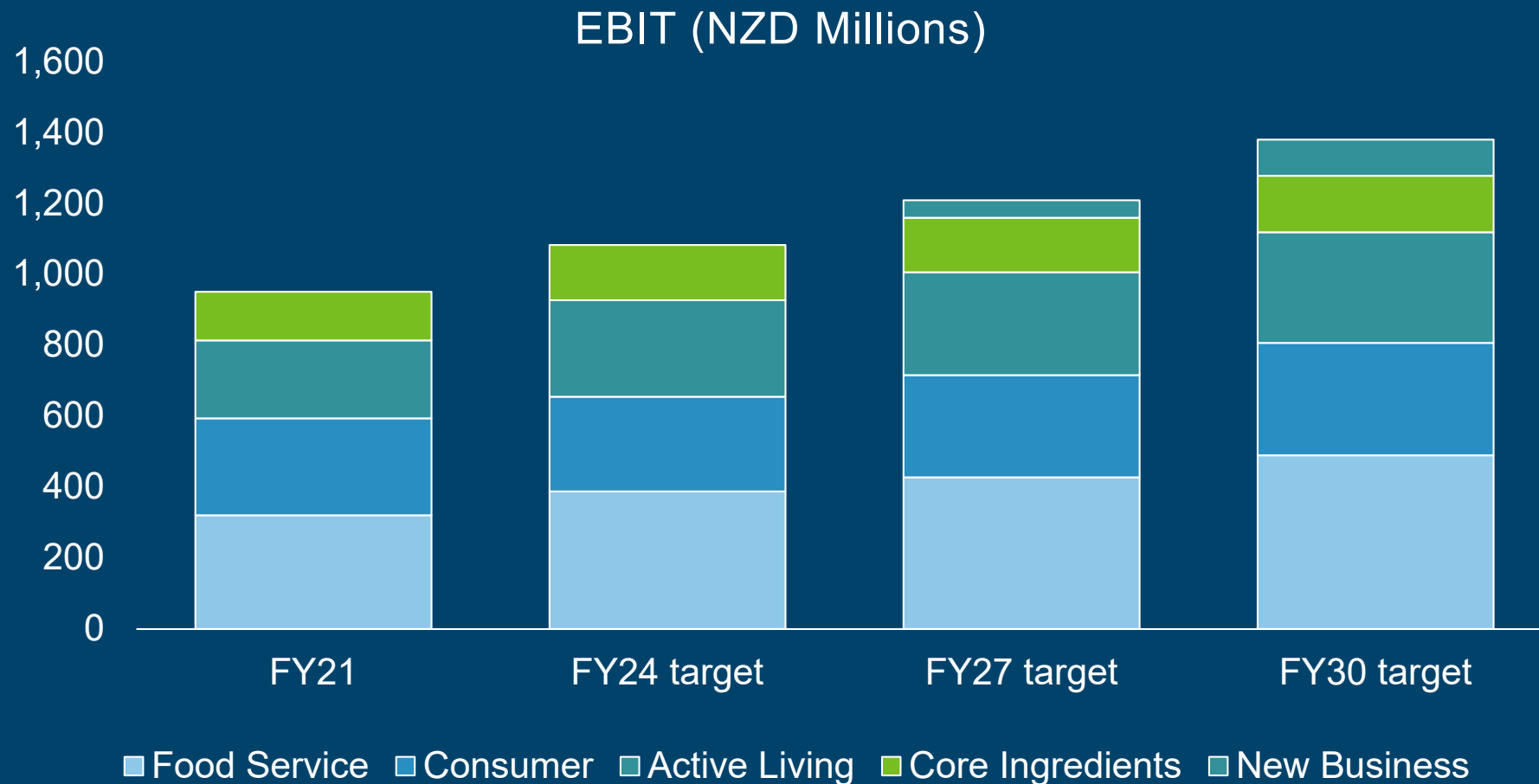
Intended to be distributed to
shareholders by FY24 after
asset sales

~\$2b

Available for investment in
a mix of further growth and
return to shareholders

Note: The figures on this slide are targets that we are aiming to achieve only. They should not be taken as forecasts or as a guarantee of returns to shareholders. They are subject to successfully completing a number of business initiatives, and assumptions, each of which could materially affect the actual outcomes. The key assumptions and risks relating to these targets are set out in the Appendix of the booklet titled *Our Path to 2030*. Please also refer to the important cautions and disclaimer at the beginning of this presentation.

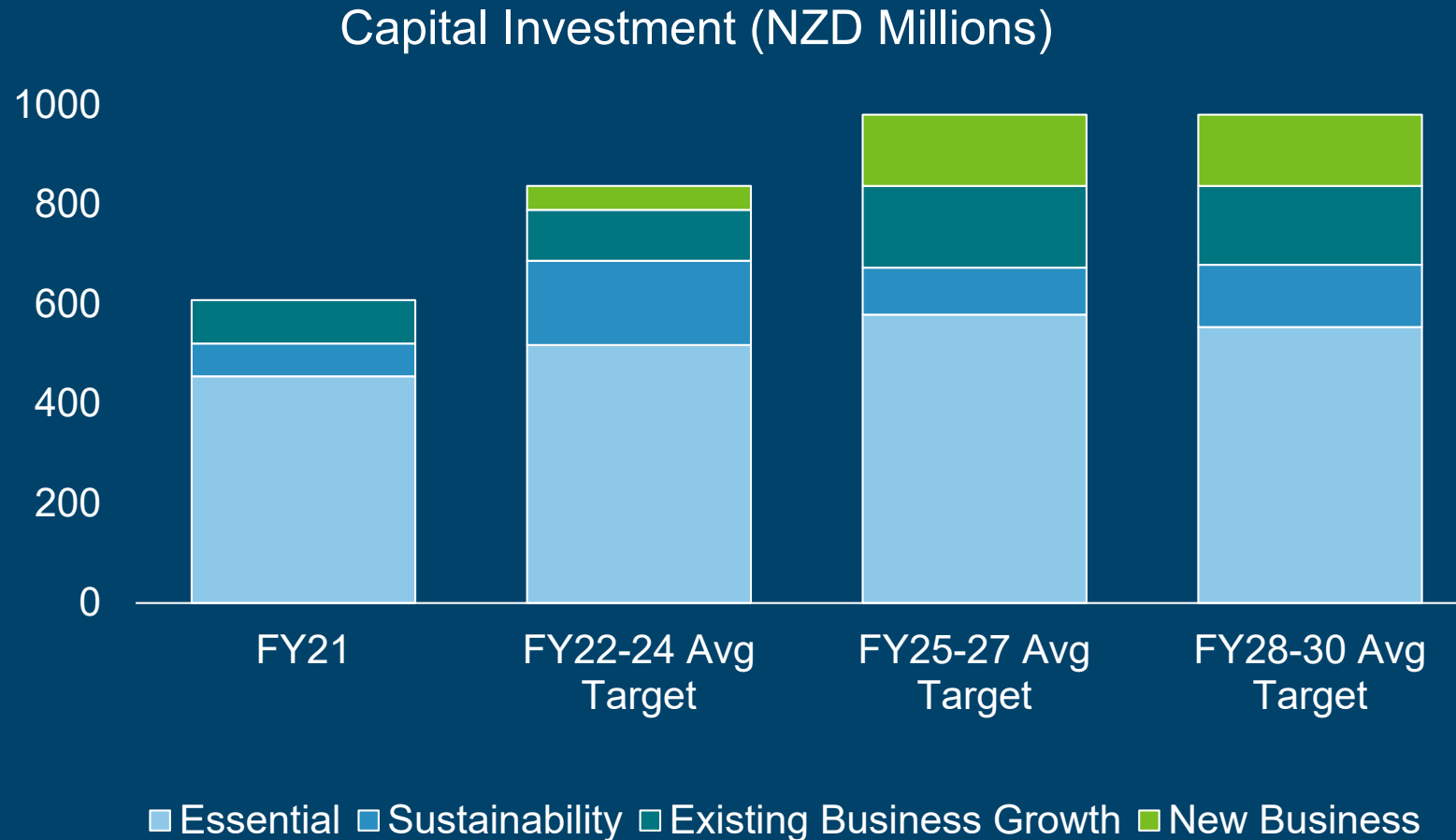
By 2030, we are aiming to improve operating profit by putting more milk into higher value products



We are targeting a 40-50% increase in operating profit from FY21

Note: The figures on this slide which relate to dates in the future are targets we are aiming to achieve only. They should not be taken as forecasts or as a guarantee of returns to shareholders. The target years assume long-term average levels of price relativity and lag pricing impacts, and individual years are likely to vary from this assumption. Please refer to the important cautions and disclaimer at the beginning of this presentation, and the key assumptions and risks set out in the Appendix of the booklet titled Our Path to 2030 for further detail.

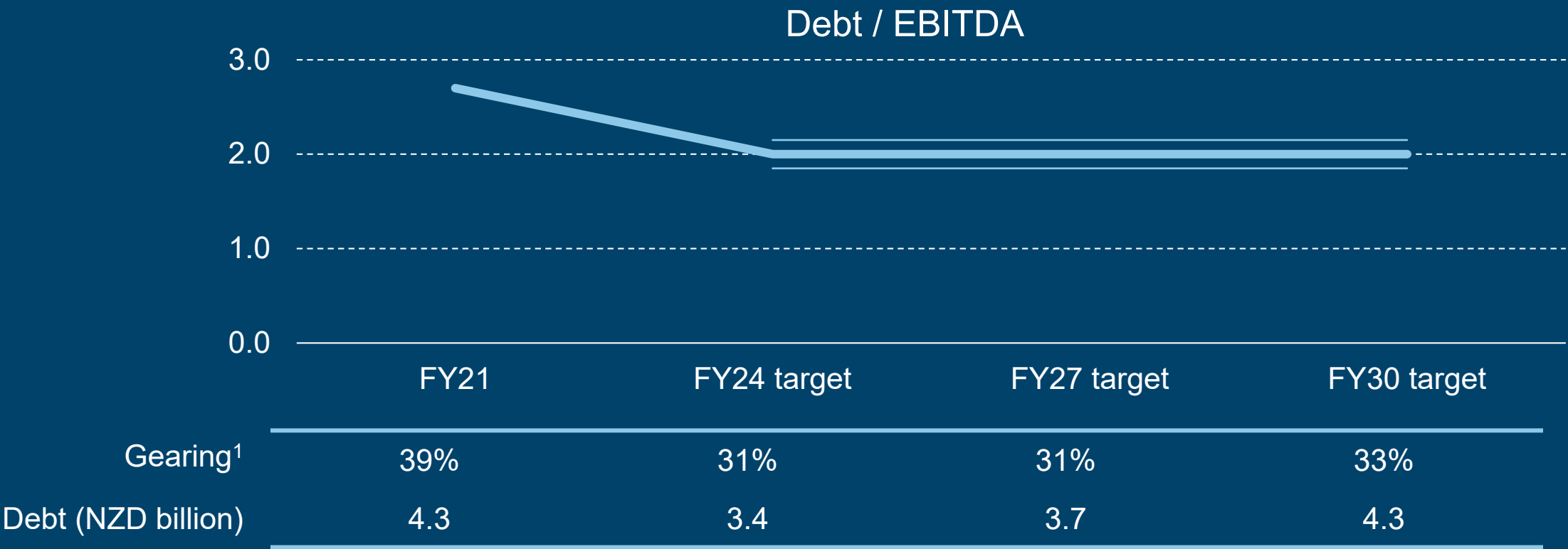
We will need to significantly increase our Capital Investment over the next decade



We believe our strong balance sheet supports investment in a sustainable future for our Co-op.

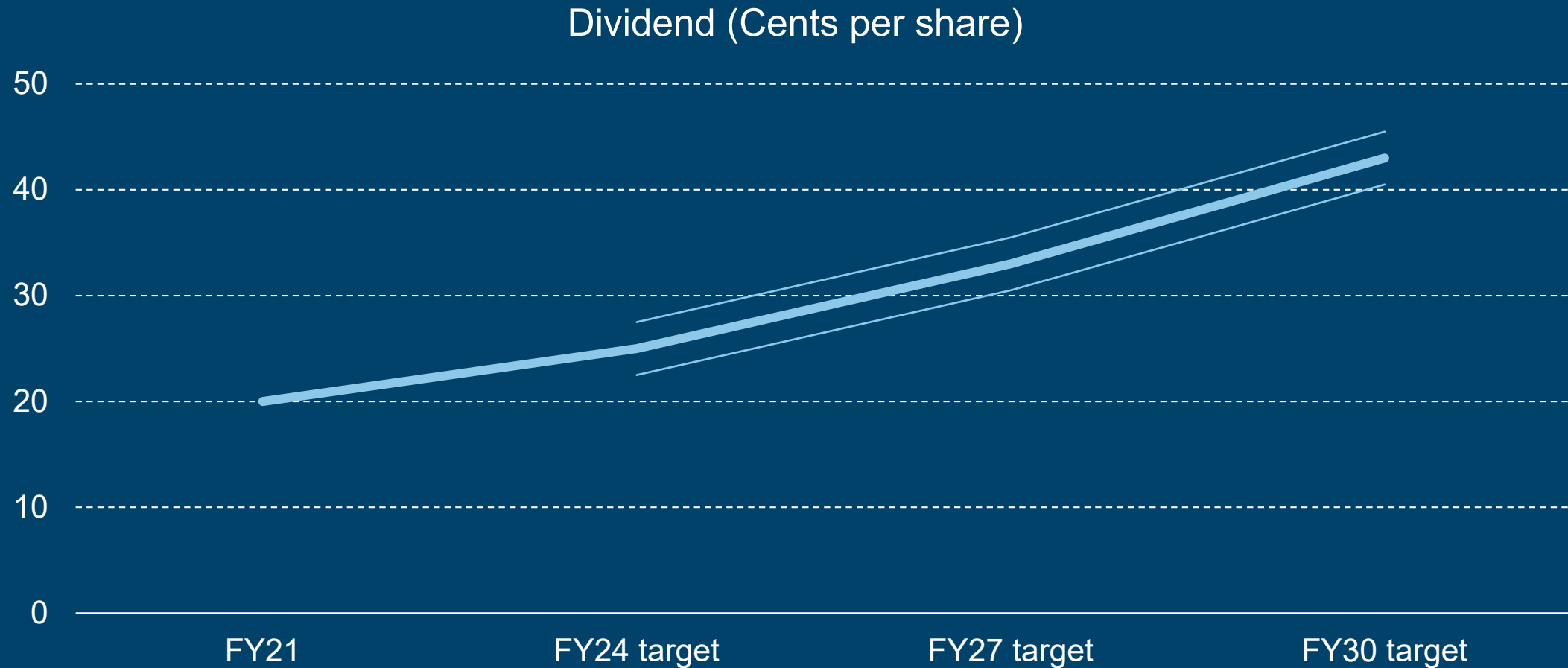
We expect capital investment to increase from ~\$600 million per annum to ~\$980 million by 2030.

We will continue to be financially disciplined, maintaining a conservative balance sheet



1. Updated measure of debt to align with credit rating agency methodology.
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By 2030 we are targeting a dividend of ~40-45 cents per share, up from 20 cents per share in FY21



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In summary



**Exciting
opportunity**



**Clear plan with
deep respect for
capital**



**Progressive steps
over the next
decade**



**Opening up options
for the future and
value for
shareholders**

APPENDIX

Our aspirational financial profile for the next decade

	FY20 Actual	FY21 Actual	FY22 Forecast	FY24 Year 3 Target	FY27 Year 6 Target	FY30 Year 9 Target
Improved performance						
EBIT (\$m)	\$879m	\$952m	\$875- \$975m	\$1,025- \$1,125m	\$1,150- \$1,250m	\$1,325- \$1,425m
Earnings per share (CPS)	24c	34c	25-40c	45-55c	50-60c	55-65c
Return on capital	6.6%	6.6%	6.5-7.0%	7.0-8.0%	7.5-8.5%	9.0-10.0%
Financial position						
Capital investment (\$m)	\$525m	\$608m	\$650m	\$980m	\$980m	\$980m
Debt to EBITDA ratio	3.3x	2.7x	2.4x**	<2.5x	<2.5x	<2.5x
Gearing ratio*	44%	39%	35%**	<35%	<35%	<35%
Dividend to shareholders						
Assumed Payout Ratio				50%	60%	70%
Dividends (CPS)	5c	20c	15-20c	22-27c	30-35c	40-45c

* Updated measure of debt to align with credit rating agency methodology.

** Calculated using an EPS of 35 cents.

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