

Consumer and associated businesses divestment

FAQs - 19 February 2025

What is the latest news?

- The Co-op continues to pursue both a trade sale and Initial Public Offering (IPO) as potential divestment options.
- As part of the trade sale process, over the coming weeks Fonterra will begin engaging with potential buyers.
- Alongside this, as part of preparing for a potential IPO, Fonterra has:
 - Chosen Mainland Group as the corporate name for the entity if we are to proceed with an IPO.
 - Mainland is an iconic brand with strong New Zealand dairy heritage and is also well known by consumers in New Zealand, Australia and across many of our global markets.
 - There is also a practical element to this. Fonterra already owns the Mainland brand and it is registered in many of our markets already. This reduces the complexity and cost of finding a new name that may or may not be used.
 - Named René Dedoncker as CEO-elect for Mainland Group.
 - Appointed Paul Victor as CFO-elect for Mainland Group.
- These steps are part of the IPO process and will only progress should an IPO proceed.

When will farmers be able to vote on this?

- Farmer shareholder support remains critical to proceeding with a divestment and we are committed to presenting an option for farmers to vote.
- Before we do this, we need to thoroughly test the merits and value of both a trade sale and IPO, so that we can be clear on what we're seeking approval for.
- We will share details of the plan for the vote directly with farmers at the appropriate time.

How much of the proceeds would be returned to farmers following a divestment?

- We are targeting a significant capital return to shareholders, which would be guided by our Resource Allocation Framework.
- As we are still in the early stages of the divestment process, and no sale price has been agreed, it is too soon to indicate what the value of a capital return could be.

Strategy

Why divest the Consumer and associated businesses?

- Prioritising our Ingredients and Foodservice channels and releasing capital in our Consumer businesses will generate more value for farmer shareholders.

- While the Consumer businesses are performing well, they do not deliver a respectable return on farmers capital.
- A divestment of these assets will help create a simpler, higher performing Co-op with our focus on our core business and doing what we do best.

Why focus on business-to-business (B2B)?

- We have unique expertise in dairy science and innovation, making us leaders in dairy proteins and other advanced solutions.
- Ingredients and Foodservice is where we can best apply this expertise, along with our manufacturing and customer partnering capability, to earn greater returns from farmers' milk and capital.
- Our Ingredients and Foodservice businesses have complementary products, manufacturing processes and go-to-market approaches.
- Whereas our Consumer businesses utilise different product formats and require specialised expertise and marketing approaches to reach consumers.

What are Ingredients and Foodservice?

- We go to market through two key brands: NZMP, our ingredients brand, and Anchor Food Professionals, our Foodservice brand.
- NZMP has offices in 13 global locations, and customers in over 100 countries. We sell a range of products from high-quality powders to premium proteins through a range of channels from GDT, our digital portal MyNZMP, a vast network of resellers, and direct to strategic customers.
- Anchor Food Professionals has a strong presence in Greater China and potential for further growth in markets such as Southeast Asia. Top selling products include cream cheese, UHT cream and mozzarella. We partner with Foodservice customers to test and develop products for their kitchens, using our network of professional chefs.