

DELIVERING FOR OUR FARMERS

LIC ANNUAL MEETING

2nd October 2019



Welcome

Murray King - Chairman

Meeting Agenda

1. Julia Jones - NZX Limited
LIC - Investment Perspective
2. Financial Overview
3. Business Highlights
4. Dairy Herd Improvement
Regulatory Review
5. Outlook
6. Drivers of the Global
Dairy Market
7. Financial Detail
8. Shareholder Council Report
9. Honoraria Report
10. Voting Resolutions
11. General Business

LIC – Investment perspective

- AGM 2nd October 2019

JULIA JONES - HEAD OF ANALYTICS, NZX LIMITED



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

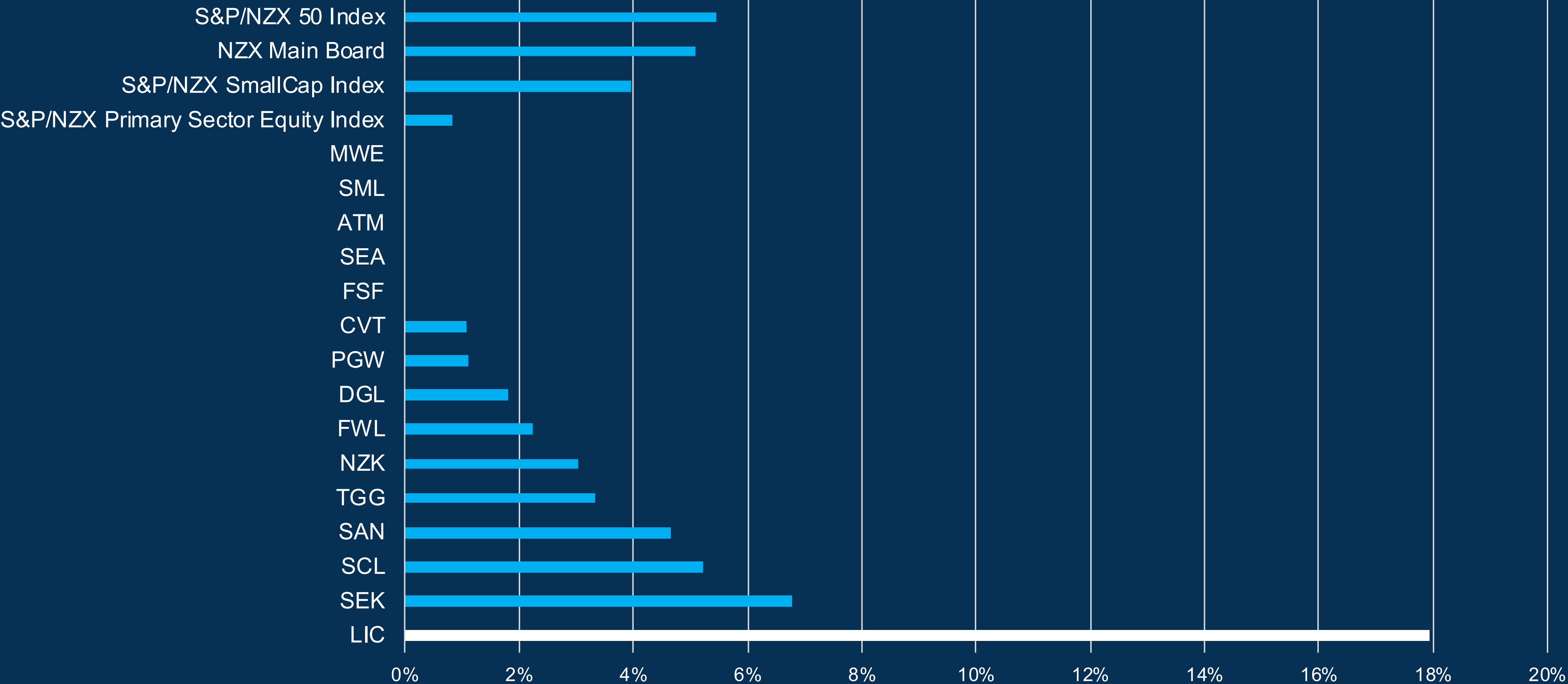
FINANCIAL DNA



BEST IN BREED



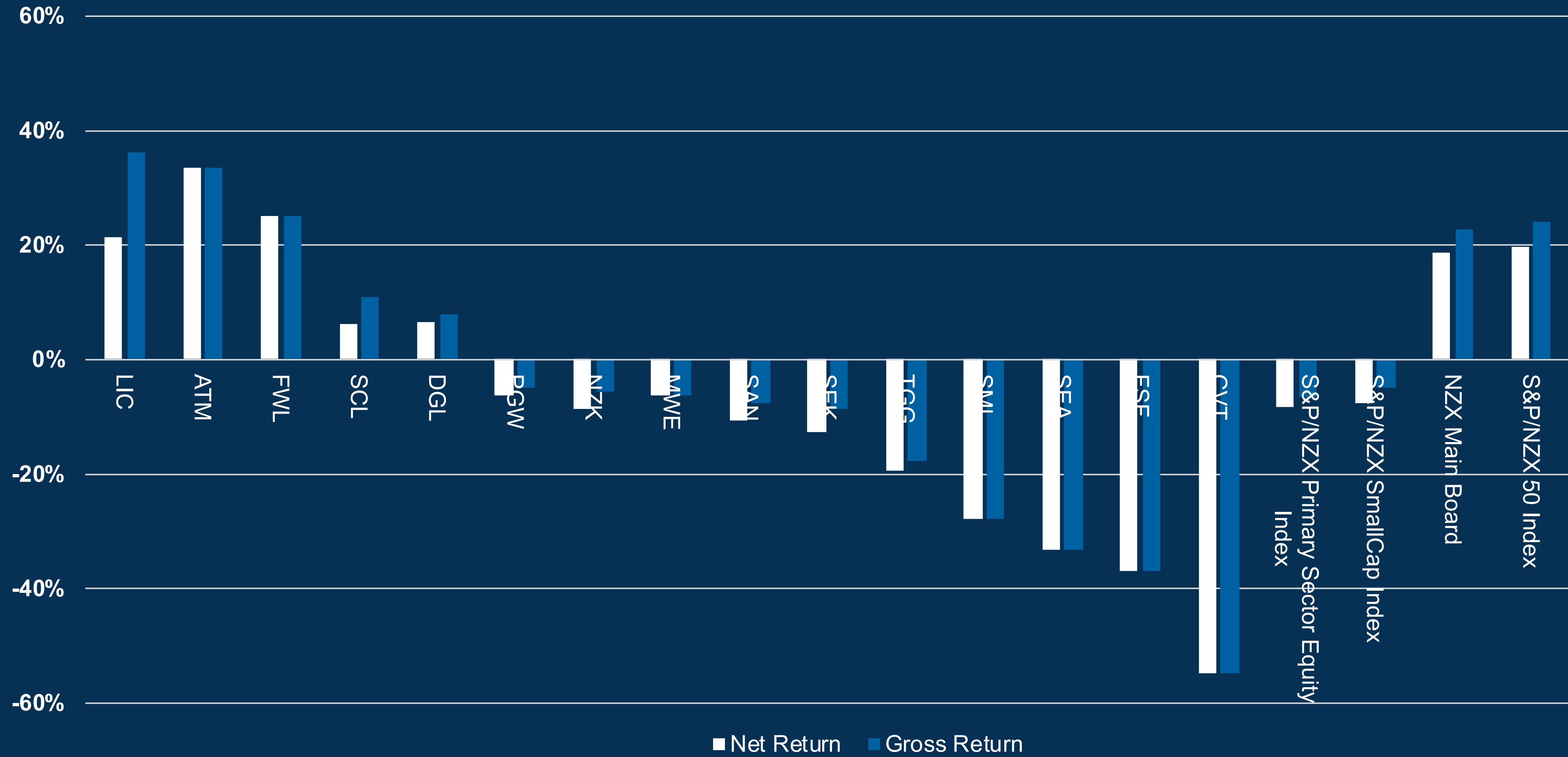
Gross Dividend Yield: LIC and relevant indices



BEST IN BREED CONT.

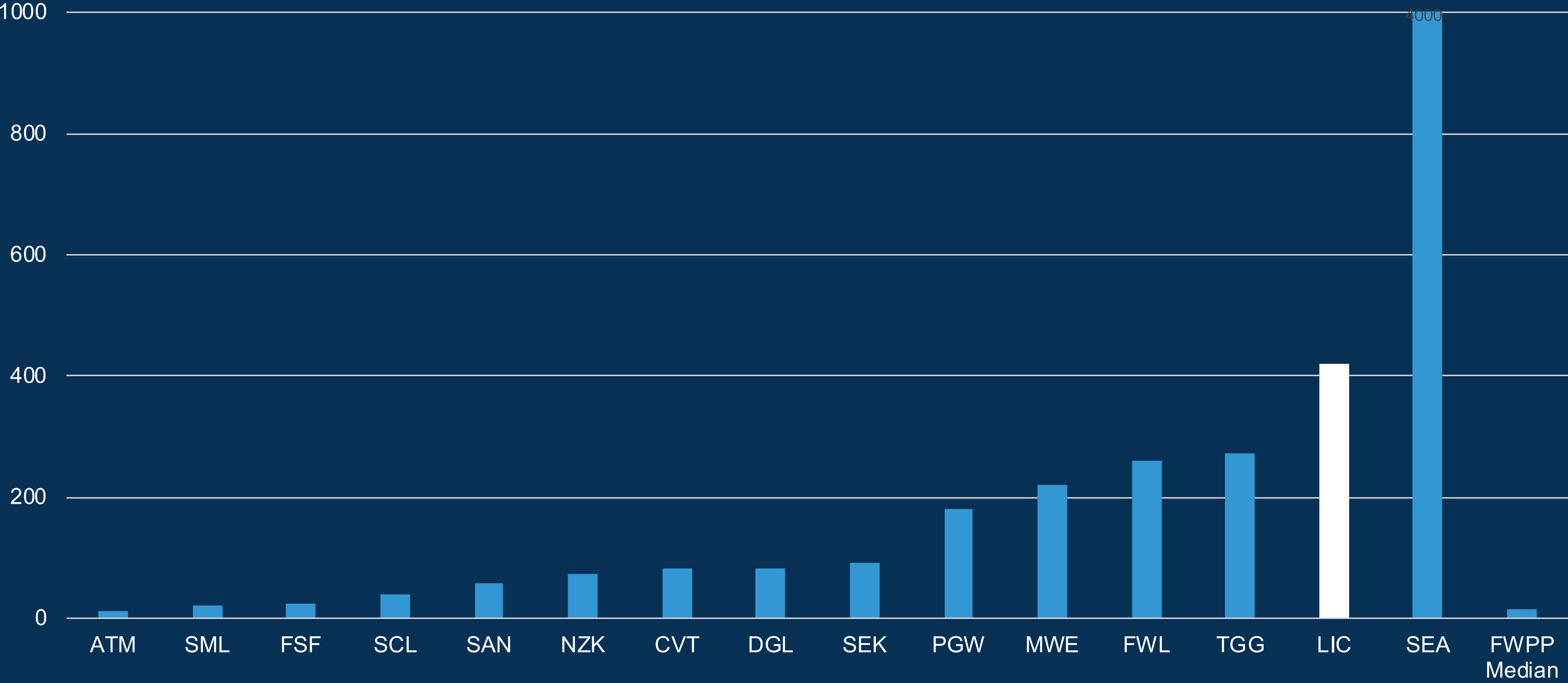


Returns



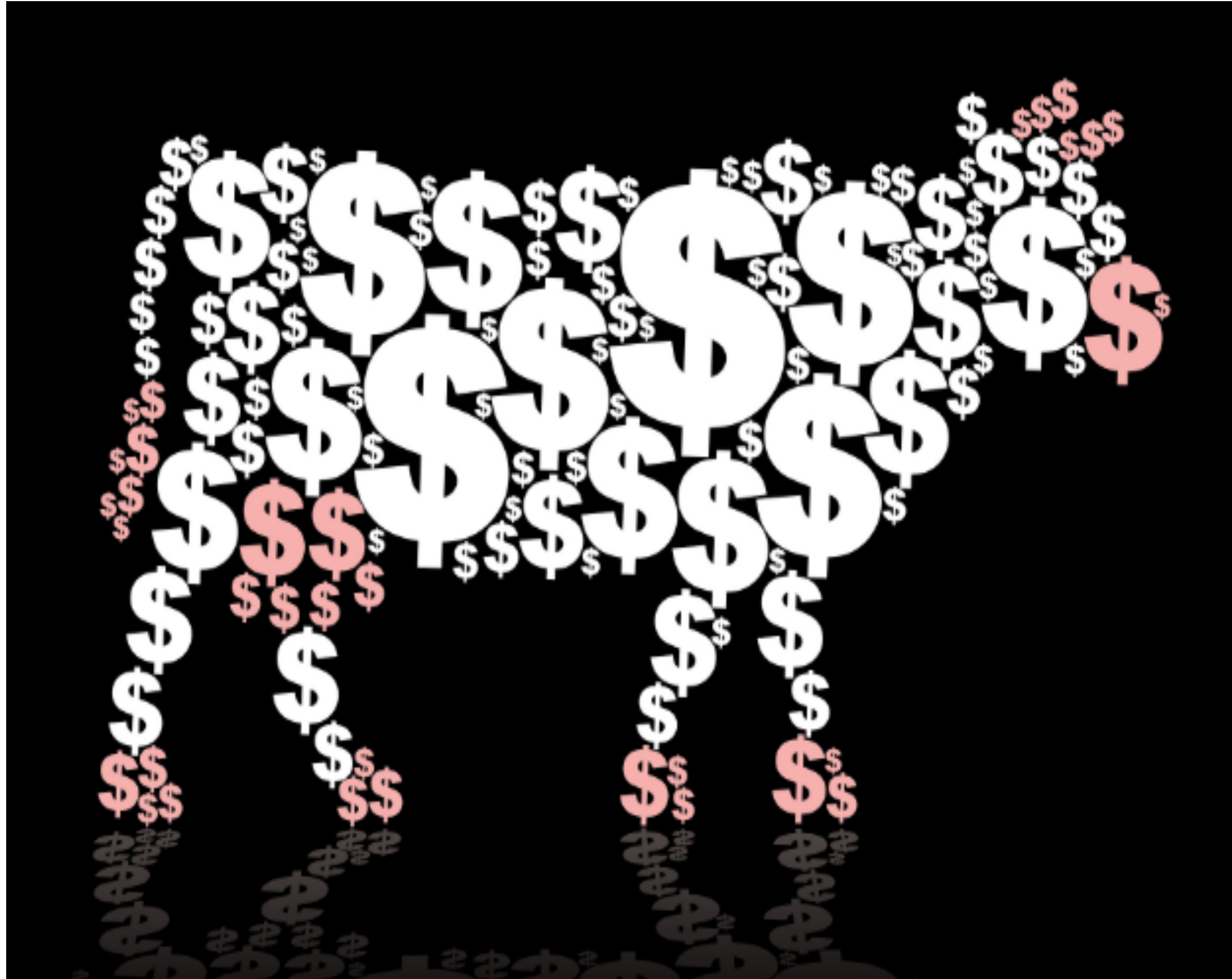
DRY SPELL

Liquidity (median spread, bps)
Lower = better liquidity



TWO DIFFERENT HATS

INVESTOR



CUSTOMER



THANK YOU

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Head of Analytics
NZX Limited

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Murray King - Chairman
Results Overview
& Business Highlights

Financial Overview

The major strategic projects we have completed since 2016 to shape LIC into a modern, progressive co-op have enabled this year's strong result. Importantly, we believe the results are sustainable and we are confident that we will continue to build on them in the coming years.

Highlights

246.5M

TOTAL REVENUE

▲ up 4% from \$236.4 million last year.

19.5M

UNDERLYING EARNINGS

▲ up 541% from \$3.0 million last year. This is Net Profit After Tax (NPAT) excluding the increase on fair value of the biological assets and related tax effect.

13.6M

R&D INVESTMENT

continues to be high at 5.5% of revenue.

15.6M

10.98c per share

FULL YEAR DIVIDEND

▲ up from \$2.4 million / 1.71c last year. Fully imputed will be paid to shareholders on 23 August, representing 80% of underlying earnings.

22.2M

NET PROFIT AFTER TAX (NPAT)

▲ up 139% from \$9.3 million last year.

21-25M

EXPECTED FUTURE UNDERLYING EARNINGS FOR 2019-20

assuming no significant climate event or milk price drop takes place between now and then nor any major impacts from biosecurity threats such as M. bovis.

Business Highlights

Resilient Dairy: Innovative Breeding for a Sustainable Future



WATCH

Business Highlights

Awards



CIO of the
Year

Winner



Co-operative
Business of
the Year

Winner



Co-operation
Amongst
Co-operatives

Winner



High Tech
Awards

Finalist



Biosecurity
Awards

Finalist

Dairy Herd Improvement Regulatory Review

- LIC submitted on the Dairy Herd Improvement Regulatory Review in support of the current model, which balances access to core data and the promotion of industry innovation in data collection, analytics and use.
- LIC has since reiterated its concerns that wholesale change could stifle innovation and discourage vital long-term research.
- The Government wants to understand the implications of the wider range of issues raised and is consulting further with the industry.
- We expect greater clarity on next steps in 2020.

Legislation

- LIC is still waiting on Government's changes to the DIRA legislation that will unshackle LIC and leave decisions on the co-op's future to its shareholders.

Our Strategic Roadmap



Outlook

We expect underlying earnings to increase to \$21-25 million in 2019-20, assuming no significant climate event or milk price drop takes place between now and then nor any major impacts from biosecurity threats such as M. bovis.

We have to make sure that in the data-driven future of global dairy, LIC and our farmers are in a position to be the disruptors, not the disrupted. That takes financial strength, high-performance and a clear focus on the innovations needed to keep our farmers ahead of the game.

Wayne McNee – Chief Executive
Drivers of the Global Dairy Market
& Financial Detail

Drivers of the Global Dairy Market

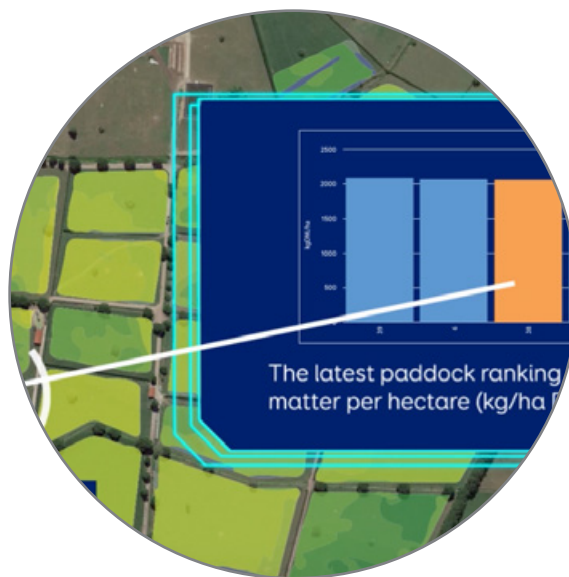
Macro Factors

1



Rising environmental demands

2



Technology enabled and data driven agriculture

Industry Dynamics

3



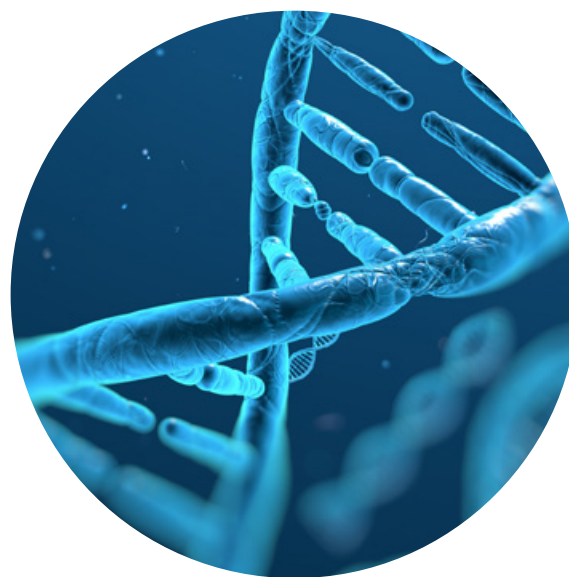
Changing shape of the NZ dairy industry

4



Globalised competition

5



Advances in animal genetics

Consumer

6



Continued global demand for dairy fat and protein

7



Consumer demand for transparency & food trust

Our Strategy

Innovation-led Growth

OUR PURPOSE

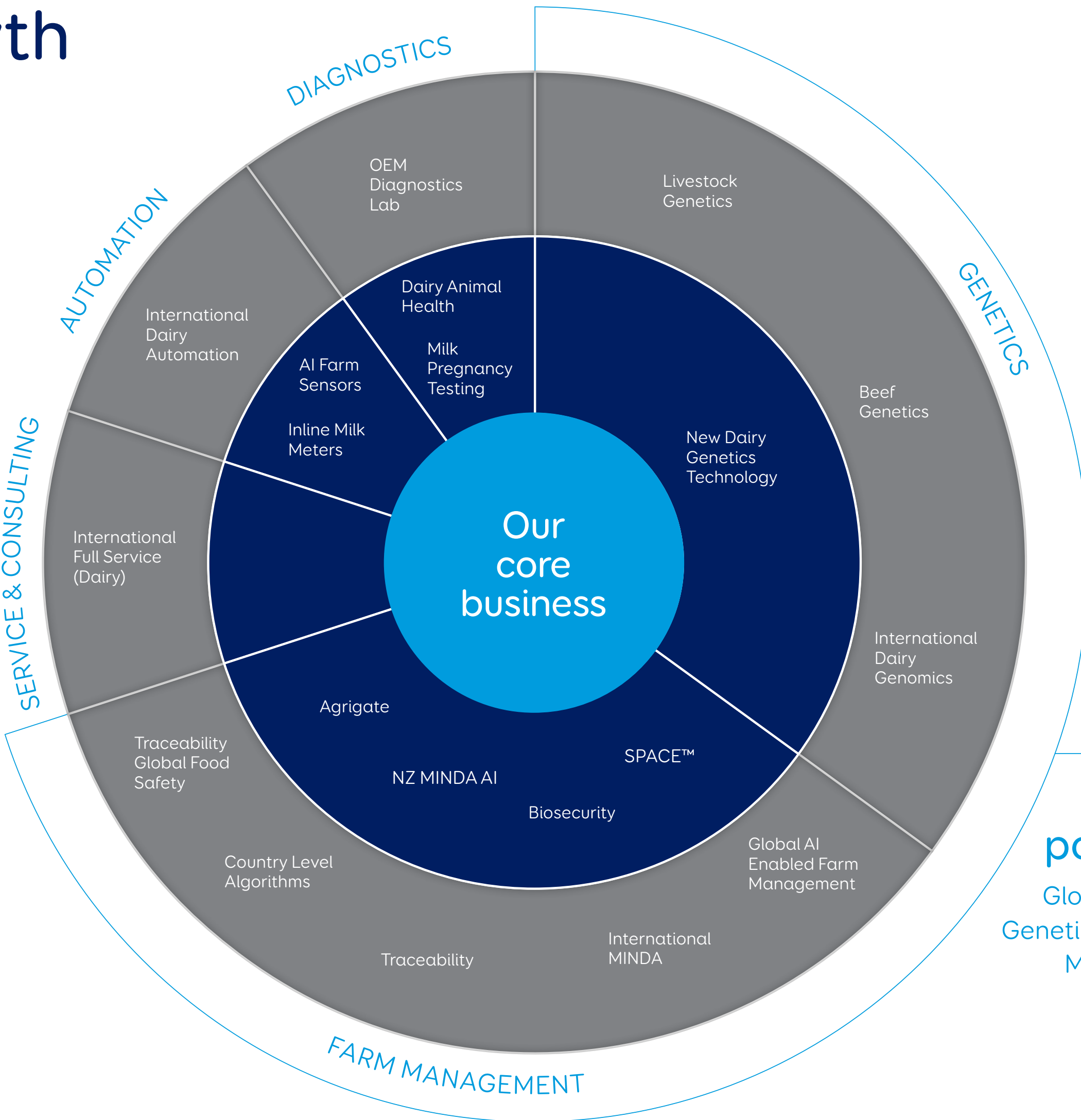
LIC is a dairy farmer owned co-operative which empowers livestock farmers through the delivery of superior genetics and technology.

OUR AMBITION

Continuing to lead the global pastoral dairy system.

OUR STRATEGY

An innovation-led growth strategy for LIC, with an ongoing focus on the core NZ dairy industry.



Our potential
Global Pastoral Genetics and Farm Management

60%

Optimise the core

Drive value from the current business

30%

Enhance the core

Growth through innovation

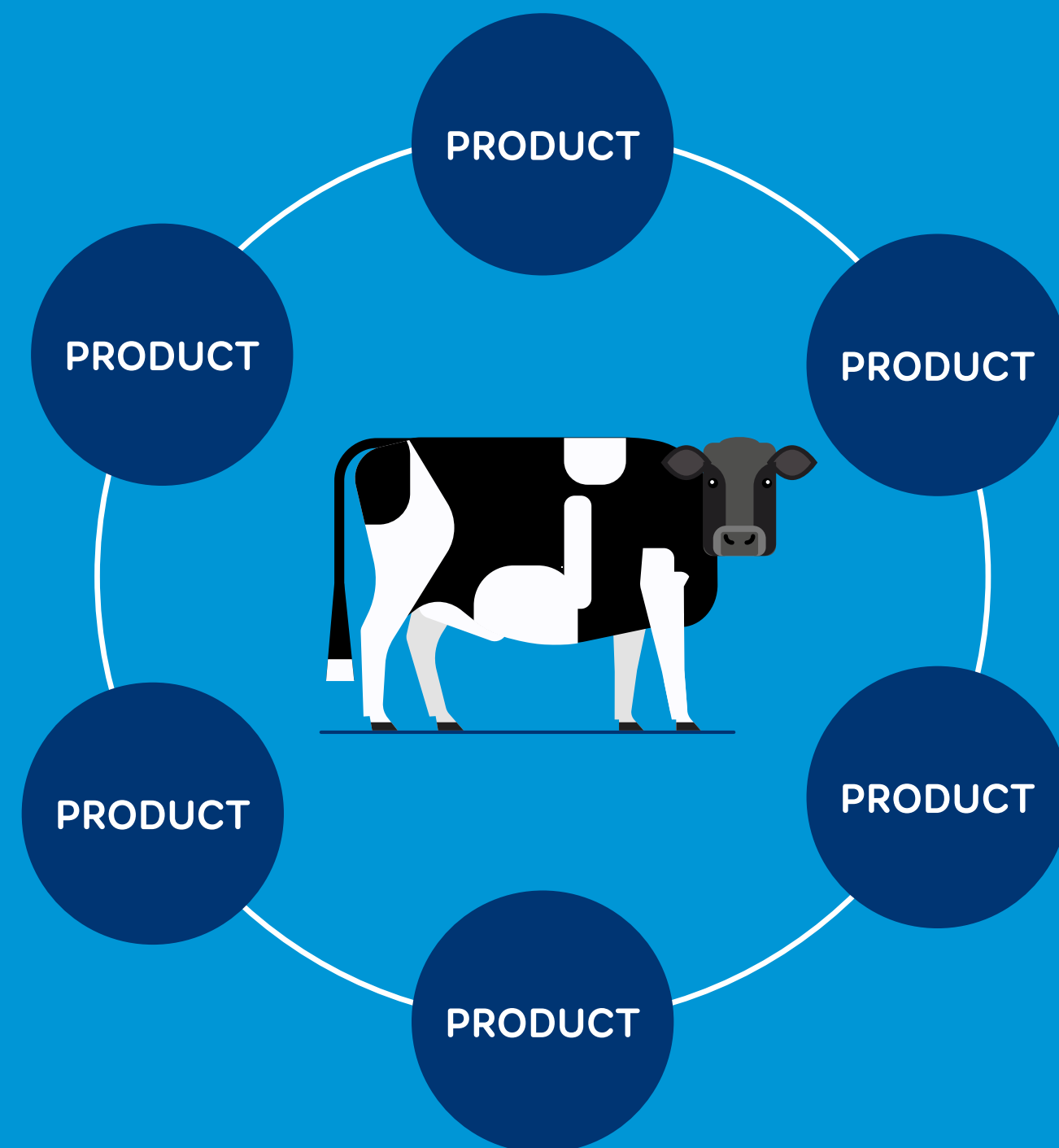
10%

Capture value beyond the core

Leverage existing capabilities for profitable growth outside pastoral dairy

Building Ecosystems Around Customers

From



Products around cows

To



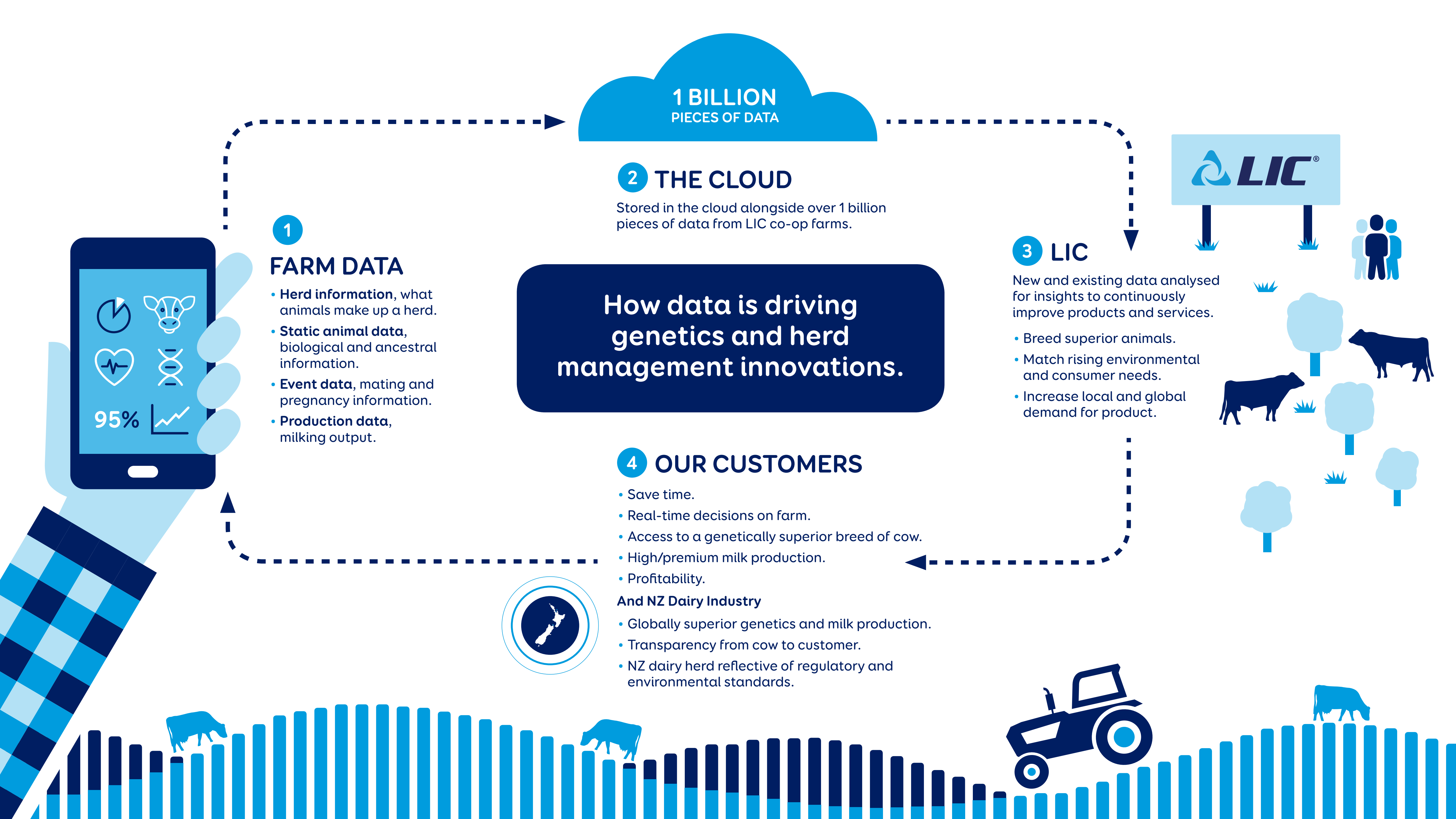
Ecosystems around customers

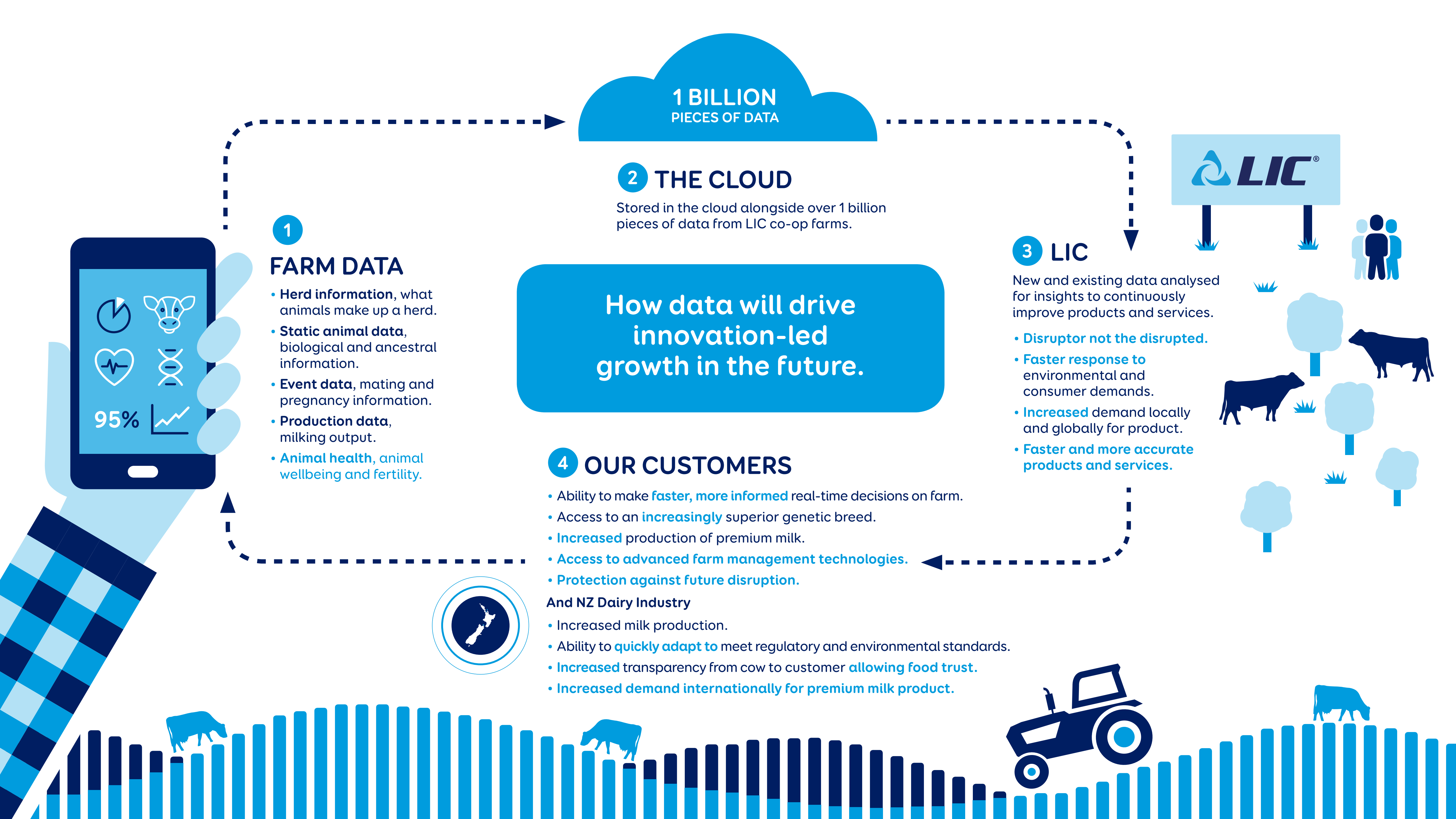
What is fuelling us to achieve
innovation-led growth?

Data

“The world’s most valuable resource
is no longer oil, but data.”

The Economist
May 2017

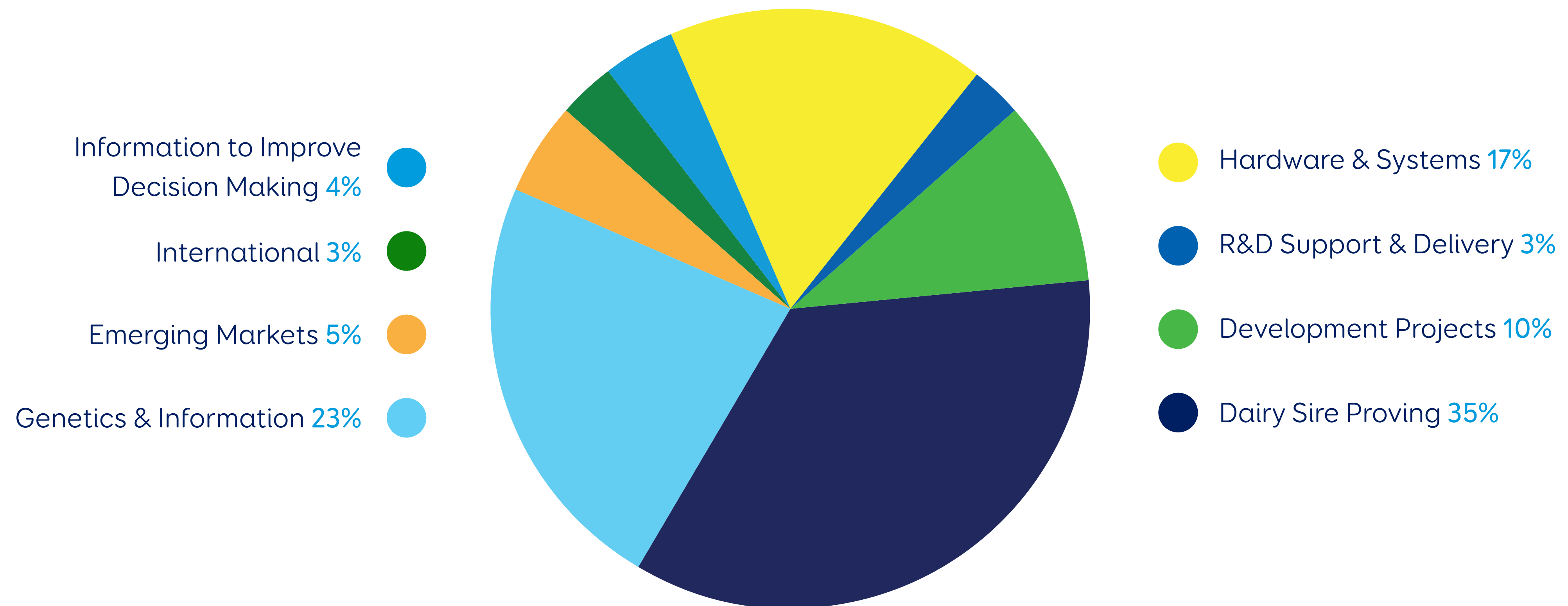




Financial Detail

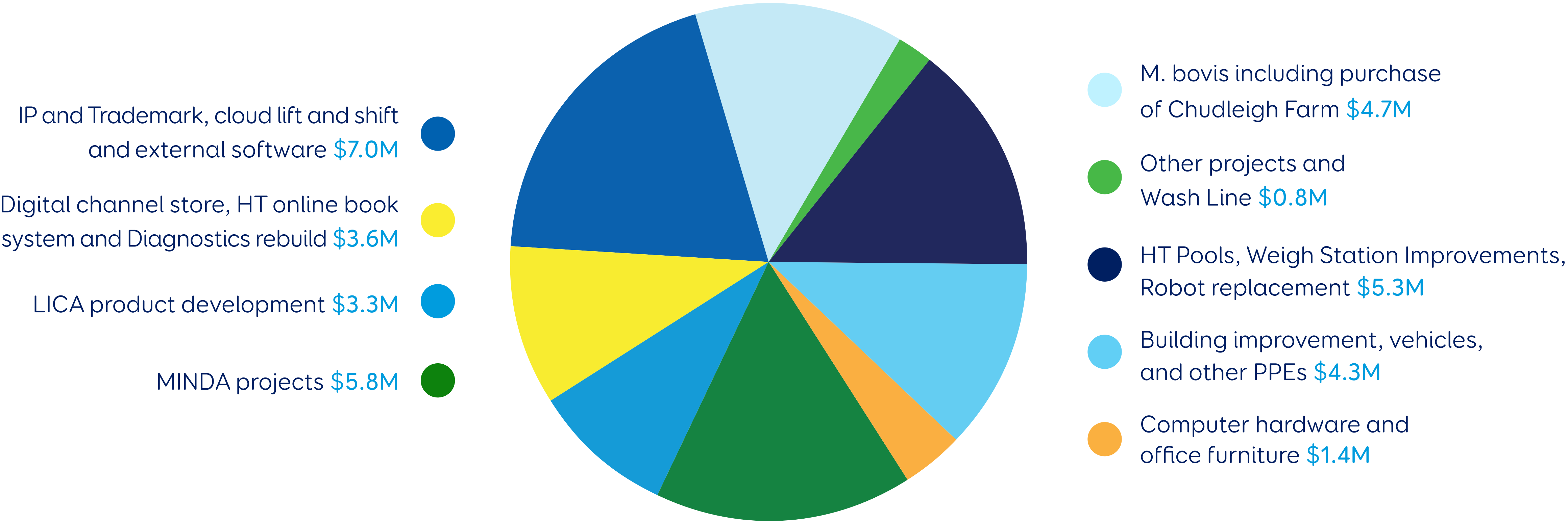
LIC 2018/19

Investment in Research & Product Development



Around \$13.6M invested annually in product development and R&D

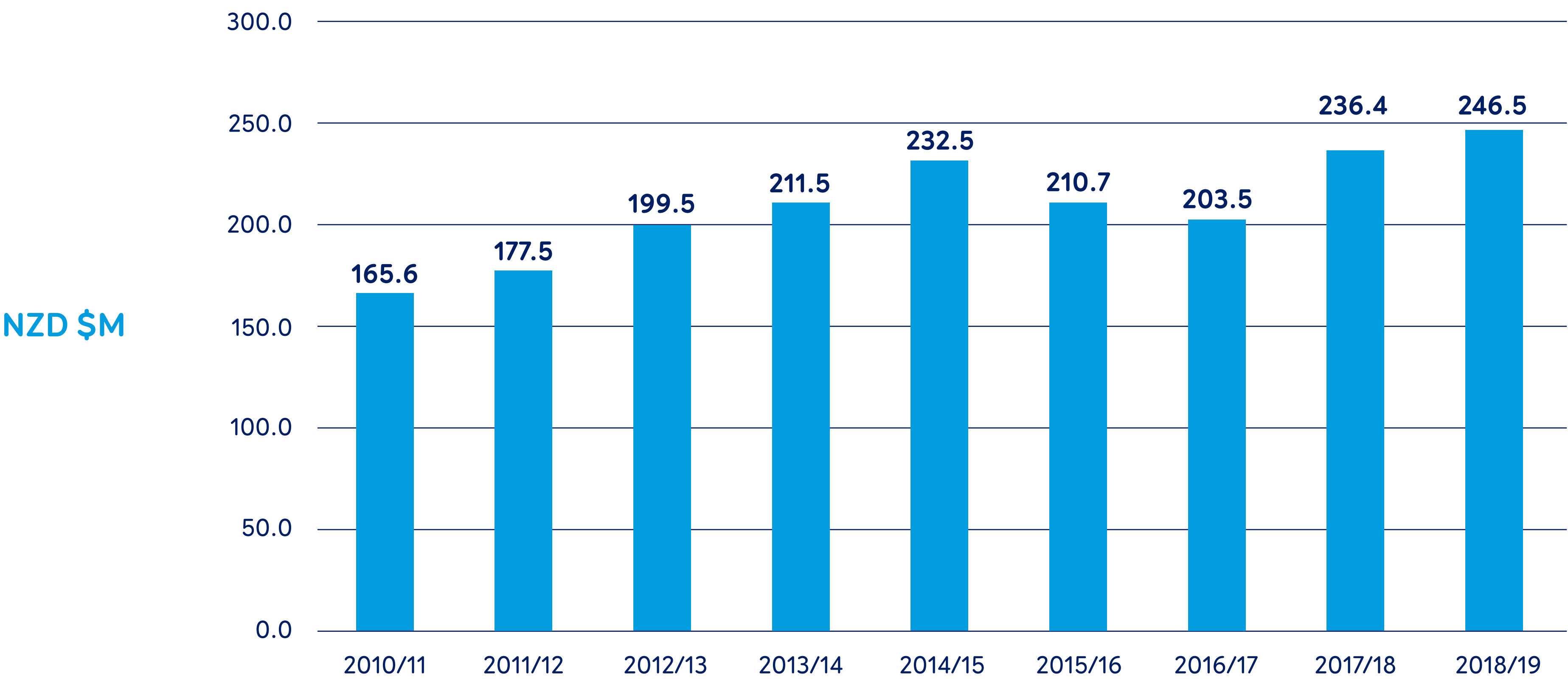
Capital Approvals 2018/19



Capital approvals \$36.3M

Financial Overview

Total Revenue



LIC Contribution to Value on Farm

	2019/20	2020/21	2021/22
Genetic Merit	\$339M	\$340M	\$340M
Health	\$3.5M	\$3.5M	\$3.7M
Reproduction	\$30M	\$30M	\$30M
Production	\$39M	\$41M	\$44M

Mark Meyer
Council Chair

Shareholder Council Report

David Gasquoine
Honorary Committee

Honorary Report

Murray King
Chairman

Meeting Resolutions

Director Remuneration

	CURRENT	PROPOSED	DIFFERENCE
Chair	\$123,600	\$123,600	NIL
Each of the other nine Directors	\$51,500	\$54,000	\$2,500
*Maximum sum available to reimburse for additional duties and skills	\$60,000	\$60,000	NIL
Total for LIC Board (as a whole)	\$647,100	\$669,600	\$22,500

*Maximum pool available to LIC Board to set the remuneration required for Appointed Directors honoraria and/or the Committee Chairs' remuneration.

Resolution 1

Approval of Directors' Remuneration

To receive and consider the LIC Shareholder Honoraria Committee's recommendation as to Directors' remuneration, and if thought fit, to resolve by way of ordinary resolution to:

"Approve the total remuneration of all Directors' taken together being increased by \$22,500 from \$647,100 to \$669,600."

LIC Shareholder Councillor Remuneration

	CURRENT	PROPOSED	DIFFERENCE
Chair	\$30,000	\$30,000	NIL
Deputy Chair	\$9,000	\$9,000	NIL
Each of the other 19 Councillors	\$5,000	\$5,000	NIL
Total for LIC Shareholder Council (as a whole)	\$134,000	\$134,000	NIL
Daily Allowance	\$220	\$320	\$100

There is also a daily allowance of \$220 available for Councillors who carry out extraordinary duties at the request of the Company.

Resolution 2

Approval of Shareholder Councillor's Remuneration

To receive and consider the LIC Shareholder Honoraria Committee's recommendation as to maintain the current level of Shareholder Councillor's Remuneration and resolve by way of ordinary resolution to:

"Approve an increase in the daily allowance for Shareholder Councillor's from \$220 per day to \$320 per day".

Resolution 3

Reappointment of External Auditor

To consider, and if thought fit, to resolve by way of ordinary resolution to:

“Reappoint the chartered accountancy partnership KPMG as the Auditor until the conclusion of the Company’s next Annual Meeting, and that the Directors be authorised to fix its remuneration.”

LIC Shareholder Council's Budget

	2018/19		2019/20
EXPENDITURE	BUDGET	ACTUAL	BUDGET
Honoraria	\$142,000	\$142,088	\$142,000
Training Costs	\$15,500	\$7,059	\$21,500
Meeting Related Expenses	\$74,672	\$31,290	\$75,200
Administration	\$4,280	\$2,287	\$4,320
TOTAL	\$236,452	\$182,724	\$243,020

Resolution 4

Approval of Shareholder Council Budget

To consider, and if thought fit, to resolve by way of ordinary resolution to:

“Approve the LIC Shareholder Council’s budget for the year ending 31 May 2020 as outlined in the Explanatory Note in the Notice of Annual Meeting.”

Resolution 5

Ratify the reappointment of Tim Gibson
as an Appointed Director

To consider, and if thought fit, to resolve by way of
ordinary resolution to:

“Ratify the reappointment of Tim Gibson as an
Appointed Director for a further three year term.”

Resolution 6

Ratify the appointment of Sophie Haslem
as an Appointed Director

To consider, and if thought fit, to resolve by way of ordinary
resolution to:

“Ratify the appointment of Sophie Haslem as an Appointed
Director until the 2020 Annual Meeting of Shareholders.”

General Business & Q&A

