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NZX/ASX Market Release

Managing Director & CEO 2018 Annual Meeting Remarks

Welcome to all of you in the room and those joining us via webcast. We are delighted to be here in Melbourne today; Victoria is home to 35% of our Australian fresh milk so it holds a special place for us.

The a2 Milk Company is now a global business, with operations located in both the South and North Islands of New Zealand, in most states of Australia, in China, in the USA and in the UK. We also have an increasingly global investor register with over 30% of our investors based outside of either Australia or New Zealand.

It is my great honour to stand before you as the Company's new CEO. This is indeed an extraordinary, young company. We are a company that has delivered so much for our consumers, our retailers, our partners, our shareholders and our people over the last 10 years. The growth and evolution of this company is impressive any way you want to look at it.

The fascinating and exciting thing is that we have really only just begun. As has always been true in our history, the road ahead will not look exactly the same as the road already travelled, but it will for sure be made easier by the great strategy and execution that delivered the business we have today. And it will continue the evolution of the Company as we grow and mature particularly into the two biggest consumer markets in the world - China and the USA.

I have been your CEO now for four months. Given how fast we move as a business, I can tell you it feels like a lot longer. My early few weeks were spent getting across all aspects of the operations, building relationships across the business and our key supply chain partners, learning the first principles of our China business and then spending the better part of a month with many of you, listening to shareholders' views and thoughts about the business.

My early impressions are of a business that has been built on solid foundations. We have something very special in this company and it goes well beyond the A2 protein discovery, which was the basis of our early patents and the establishment of our business. At the heart of our company is a deep and burning passion to really make a difference in people's lives with the very best in dairy nutrition. This led to the development of a unique and trusted premium brand. This brand has been built upon a culture that has strong values at its heart but is also progressive, consumer driven, hard-working, fun-loving and deeply outcome driven.

We are a family serving families all around the world. And, we are quite comfortable doing that outside conventional 'category rules and norms'. At heart we are a disruptor and it is this ability to disrupt conventional thinking that has built one of the most successful insurgent brands in the global dairy nutritional arena. None of that will change and we will continue to invest in our intellectual property – including research and development, our quality and supply chain processes, our people and our brand.

The combination of our quality A1 protein free nutritional products, our brand and our values-based disruptive culture puts us in a unique position. We have been listening closely to our consumers and will continue to lead the redefinition of what great looks like in dairy based nutrition.

The opportunities ahead for our company remain very significant. We have built a progressive, naturally good-for-you brand that has achieved leadership status in Australia and has strong underlying momentum in China and the USA. We stand for something special in the eyes of our consumers and this comes with a big responsibility. We get that. It also brings your company big opportunity to continue to invest behind the brand, develop new products that help us serve the changing needs of our young and old consumers alike, while also delivering on the potential of our current suite of fresh milk and infant nutritional products.

Financial update and highlights for first four months

The a2 Milk Company's financial results are impressive and FY18 was a pivotal year in continuing the transformative dynamic of this great company. We delivered for shareholders: Group Revenue of \$922.7 million¹, a 68% increase over prior year; EBITDA of \$283.0 million, double the previous year; Net Profit after tax of \$195.7 million up 116% on the prior year; strong cash conversion with operating cash flow of \$231.1 million, an increase of 131%; and, importantly, record market share positions across all key products in all regions.

And, continuing the trend, we have today also released a record result for the first four months of the year. We are reporting first four months: Revenue of \$368.4 million, which represents a growth of 40.5% over prior year; EBITDA of \$124.2 million, 58.5% growth on prior year; Profit before tax is \$124.9 million up 60.0% and NPAT is \$86.0 million up 64.5%. This is an excellent result. It is important to note however, that the EBITDA margin of 33.7% is a timing issue and FY19 is expected to come back in line

¹ All figures are in NZD unless otherwise stated

with FY18 EBITDA margin. We are making a significant investment in China and the USA and this will increase both marketing costs and SG&A for the full year.

Underpinning this strong result in the first four months and the outlook for FY19 is strong performance in each core market:

- ***Australia continues to go from strength to strength.*** The fresh milk business continues to gain share of the category, with a record ~10% share² of the total fresh milk category. a2 Platinum® infant formula remains the market leader with ~33% share up from ~32% share at the end of FY18³. New products introduced at the end of FY18 continue to grow and gain momentum
- ***The momentum in China continues to build.*** Our multi-channel strategy to serve Chinese consumers continues in its development. In addition to strong performance across our well managed and sophisticated daigou network and our cross-border e-commerce platforms, The a2 Milk Company has also added distribution of another 2,000 stores in the Mother and Baby channel to a total now of 12,000 stores. Our Kantar consumption share of value has increased to 5.6%⁴ in the latest MAT data. We are particularly pleased to report that the China label infant formula sales embedded in these numbers has grown by over 75% on the same four months last year. And, we also recently achieved a record performance in the 11/11 sales festival with sales growth tripling over the prior year, a2 Platinum® ranked the number two brand in CBEC infant formula across four key e-commerce platforms and a2 Platinum® Stage 3 was the top selling product overall⁵.
- ***Progress in the US continues to build momentum.*** Our unique a2 Milk™ brand continues to deepen distribution and grow in brand strength. An additional 3,000 stores have been added to the network since the end of FY18 taking our store count to ~9,000. We have made significant investment in national brand advertising and it's delivering pleasing increases in brand awareness and sales velocity through both new and established key accounts. Recent USA research data looks a lot like our experience with fresh milk in Australia. The a2 Milk™ brand in the USA is successfully growing category consumption, sourcing volume across multiple product segments and trading up consumers from conventional milk

In addition to the progress made in each market in the first four months, we have also taken important steps with our key strategic partners:

- ***An investment was made in Synlait to further deepen our relationship.*** In August the Company acquired additional shares in Synlait Milk to take our shareholding to 17.4%. This investment serves to further reinforce the comprehensive supply agreement in place with Synlait

² Aztec Australian Grocery Weighted Scan 12 months ending October 2018 vs YA

³ Aztec Australian Grocery and Pharmacy Scan 12 months ending October 2018 vs June 2018

⁴ Kantar Infant Formula market tracking of Tier 1 and Key A cities for 12 months ending September 2018 by value (Kantar track a substantial proportion of the total market)

⁵ Source: CBEC sales provided by platforms: Tmall, JD, Kaola and Yunji

- ***Our first Fonterra initiative has successfully been launched.*** The a2 Milk™ brand under licence to Fonterra New Zealand was launched in early August and now has reached national distribution and is performing well. We have joint teams deployed to work through the next wave of opportunities and we continue to be encouraged by the opportunity to work together more broadly
- ***The a2 Milk Company partnership with China State Farm continues to strengthen.*** In August we re-signed our agreement with China State Farm. This relationship is strong and enduring and an important part of building our business in China for the long term

Today, we are also reconfirming our outlook statements for FY19 made at the end of the full year, namely:

- Expect strong revenue growth to continue but at a slightly more moderate rate than in the first four months
- Expect EBITDA to sales ratio to be broadly consistent with FY18 reflecting a higher gross margin percentage; offset by:
 - Increased marketing expenditure as a percentage of sales given continued investment in the Australian market and an increased investment to support China and US market expansion – phasing will be higher in 2H19
 - Further investment in greater resourcing to support continued growth
 - First four months favourably impacted by FX, forecast to reverse during the balance of the year

Regulatory dynamic

We also continue to believe the regulatory outlook is positive for The a2 Milk Company. On 31 August 2018, the Chinese Government announced the legislation of a new e-commerce law to improve the development of this dynamic consumer channel. There has been much discussion about the law and its consequences and I will take a few minutes now to update you on our views on the regulatory setting in China with respect to infant formula as well as e-commerce.

For infant formula, there are two registrations required for China label product. One is for the individual products and the other is for the blending and canning facilities used to produce the product. The registration of our infant formula products was secured a year ago and the Synlait Milk manufacturing facility that produces our products in the South Island of New Zealand is also registered. We believe we are in a good position relative to many other international companies, particularly those with smaller brands and we will invest heavily in market to ensure we are building a China based business that is very respectful of the regulatory framework.

In August, the Chinese Government passed a new law providing a framework in respect of all activities relating to e-commerce in China, both domestic and cross border (CBEC). This is not infant formula specific legislation but rather legislation that seeks to step up the development of this channel in China. Given the very fast pace of e-commerce growth in China this legislation seeks to specifically ensure basic

consumer protections are in place and that appropriate tax is paid. We expect this legislation to require that all CBEC platforms and daigou retailers be registered as an import retailer into China, abide by basic consumer protections and pay the full taxable amount.

Several bodies of the Chinese Government have made statements in the last two weeks confirming the following four key points:

1. China believes an open economy is an important part of its economic future
2. There will continue to be significant growth in imports into China over the next decade stimulated by lower tariffs, easier customs clearance, reduction in institutional costs of importation and stepping up cross-border e-commerce and other new forms and models of business
3. As a part of the new e-commerce rules, 1 January 2019 will see the implementation of tighter compliance to tax rules for all goods through CBEC and daigou channels
4. It is expected that changes to regulations will have considered transition times to ensure limited disruption to market dynamics

As we have said on several occasions, The a2 Milk Company and our well managed daigou network, have been anticipating and preparing for these changes for some time.

One of our great strengths as a company has been that we are constantly listening, learning and adapting quickly to changes in our environment. My view is this has put us in great stead in building a very flexible business model that we will continue to adjust as prudent.

Strategic outlook

Later in the financial year we will hold our first investor strategy conference and at that time we will talk more comprehensively about how we see our future unfolding. We are now conscious of the fact that what we say gets broadcast far and wide – and we need to be circumspect in how much detail we provide about our future plans. Equally we are excited to talk about what the future holds.

You can expect that as a management team we have been very busy in the last four months taking stock by listening closely to our consumers and stakeholders. We will continue to evolve and transform as a company and be led by the opportunity we see to make a difference in the quality of people's lives.

There are three macro trends at play which enhance the opportunity we have as a company. The first is consumers around the world are increasingly focussed on products that enhance their health and wellness, and as a part of this there is increased focus on digestive health and its long-term related benefits. The second is a growing focus on food safety, naturalness and the provenance of food. The third is the growing middle class in Asia and China, in particular. The aspirational nature of this growing segment of the market combined with the growing focus on health and wellness and natural quality that you can trust puts The a2 Milk Company in a good position for continued significant growth.

In summary, we have had a great year and we are off to a strong start in FY19. We have a strong brand, special culture and unique proposition, the combination of which positions us very well for the future. We are not concerned about the current regulatory dynamic in China and elsewhere in the world. As a company we are committed to always doing the right thing – and anticipating what that might look like in the future. We are good listeners and we are well prepared for continuing improvements in the regulatory framework which governs special foods in China, including infant formula. And, we are well prepared for increased governance of the growing e-commerce channels into and across China. We will continue to build your great company for the long term – and as a part of this, build strong local businesses that are respectful of the regulatory environments we operate within.

So, while there is a lot to celebrate, the good news is that as a team we feel we have really only just scratched the surface of our potential as a business. Thank you for your ongoing support. The journey really has just begun.