The a2 Milk Company | 2020 Annual Meeting | CEO Address | 18 November 2020

Slide 3: CEO address | divider slide

Hello to everyone. I hope you are all well.

I would also like to thank you for joining us in this virtual format today.

Slide 4: Agenda slide

I would like to provide you an overview of our Group results for FY20, take a look at our key regions up close and our group strategy. I will also cover our outlook for FY21.

Slide 5: FY20 Highlights

In FY20 we made significant gains in revenue and earnings, with strong performances in all key product segments, and across all core markets.

We delivered revenue of $1.73 billion an increase of 32.8% and EBITDA of $549.7 million an increase of 32.9%.

Our operating cash flow was $427.4 million, and our closing cash balance was $854.2 million.

We continued the increased levels of investment in marketing and capability to make progress on our growth plan, with marketing investment totalling approximately $194 million.

Our Group infant nutrition revenue totalled $1.42 billion, which was up almost 34% on the prior corresponding period.

Our performance in China label infant nutrition was impressive with sales more than doubling and our revenue in the US growing over 90%.

Slide 6: Strong performance over recent years with clear key growth drivers

There is no doubt we have had an exceptional performance over recent years. Our single-minded focus on investing and building our unique and premium a2 brand, extending into nutritional products through our more unconventional multi-channel approach, and driving a win-win relationship with our business partners has established a strong foundation for further sustainable growth.

This performance is also a consequence of our unique and consistent company culture, an experienced management team and highly engaged Board.

Slide 7: Continued progress on strengthening our strategic execution

Based on the unique features of our business model, we continue to make progress on our growth strategy. As we show here on slide 7, our key strategic priorities are to:

- Maximise growth from infant and toddler consumption in China;
- Develop a broader nutritional milk portfolio in China;
- Build meaningful scale in the USA, and;
- Continue to investigate new growth opportunities.

Slide 8: We have strong strategic partners who support our growth and adaptability

As I previously mentioned, our long-term strategic partners, have been a key contributor to our performance and will continue to be important in supporting our growth agenda.

Each partner has different strengths and we have long term relationships built upon mutual respect and mutual commercial benefit.

The Company supported a capital raising undertaken by Synlait Milk earlier this month given the importance of this relationship.

Slide 9: Agenda slide

I'd like to take some time now to provide you with an update on our key regions, starting with Asia Pacific.

Slide 10: Market pathways to Chinese parents are complex and interrelated

The considerable consumer research and investments in market intelligence over the last few years has provided us improved insight into the China infant nutrition category. The diversity of the sources of information and the interrelated nature of the various distribution channels show how complex the pathway to consumers really is.

Slide 11: Continue to support a multi-channel strategy into China

There are many different types of Chinese consumers; some have a preference, for example, for offline high-involvement channels, such as Mother and Baby Stores; whilst others have a preference for an internationally sourced product accessed from cross-border e-commerce platforms or the daigou channel. And there are many consumers active across more than one sales channel.

Our model assumes we continue to focus on each of the principal channels as part of our integrated strategy.

Slide 12: Focused on our "one brand, two labels" product strategy for infant nutrition

Complementary to our multi-channel strategy is our focus on building one powerful brand with two labels. Our China label and English label products don't compete with each other but rather work together to enhance our overall brand proposition.

Slide 13: Building our China-based retail channels has been a deliberate strategy

We are very pleased with the growth we have achieved, particularly in infant nutrition in China.

The left-hand chart on this slide shows our infant nutrition sales by channel for the past five years. That's over 500% revenue growth in that time, with each channel showing growth.

The chart on the right highlights how the mix between channels is evolving with China based retail sales accounting for 48% of total sales for FY20.

The key point is that our strategy to increase our business via China-based channels is working, whilst preserving absolute growth across the portfolio.

We also are of the view there will continue to be an opportunity for us to gain market share alongside strong domestic brands. The critical factor for any brand to succeed over time is its ability to resonate with consumers, and this is why we are investing strongly behind our unique and engaging brand proposition.

Slide 14: Our marketing approach is building brand awareness and driving conversion to trial

A key driver of our growth has been our increase in marketing investment in China over the past few years. We have made pleasing advancements in brand awareness given a step-up in mass media and increased activations in-store and online to drive greater education and conversion to trial.

I'd like to share some of our advertising with you and a video clip by Jony J a very popular rap artist in China who recently asked to partner with us.

Slide 15: Strong performance in FY20, challenges in FY21

As mentioned previously, our performance in Asia Pacific in FY20 was strong. We delivered a 31.5% increase in revenue and 32% increase in EBITDA.

Infant nutrition grew strongly, particularly in China. We grew our MBS store count by almost 17% and improved velocities in-store. We also increased our market share in FY20 to 2% within this significant channel.

In CBEC, we have built a credible market share in this growing channel over recent years and will continue to activate the channel in a manner which complements our daigou business.

Our other nutritional products grew revenue by almost 30%, and we continue to see significant growth opportunity in this area.

In contrast, in FY21 we have experienced new challenges in our ANZ segment in the current year due primarily to COVID-19 related logistics and supply chain issues. As we advised in September, we started to observe significant disruption to the corporate daigou/reseller channel, particularly due to the Stage 4 lockdown in Victoria and a contraction in the overall channel beyond our expectations. This channel represents a significant proportion of our infant nutrition sales in our ANZ business.

Despite these issues, we remain very committed to the daigou channel, and we expect the current impact will moderate over the course of the year. It is an attractive distribution pathway direct to consumers in China, and it plays an important role in building brand awareness which in turn stimulates demand across multiple sales channels.

In the most recent 11/11 on-line sales event which was highly competitive, we achieved 24% English label volume growth compared to the prior year, consistent with our plan.

It is pleasing to note that our Australian fresh milk brand continues to go from strength to strength with our 12-month rolling market share increasing to 11.6% at the end of October.

Slide 16: Focused on driving the USA business towards meaningful scale

We continue to see the US market as a significant growth opportunity for the Company. The US remains the largest chilled milk market in the world at nearly $13 billion in retail sales, with a sizeable and growing premium milk segment and a large number of consumers who seek health and wellness brands.

Whilst our store numbers increased by 51% in FY20, encouragingly our sales nearly doubled, signalling a strengthening of sales rate within existing stores.

Slide 17: FY21 plan focusing on increasing activation is delivering

Having significantly improved our brand awareness in FY20 and also taking into account the impact of COVID-19 in the US, we are redirecting our marketing investment in the current year towards additional in-store activation and account specific promotional activity to further build velocity.

Thus far the strategy is meeting our expectations.

The US is a strategically important market for us both for liquid milk and as a platform for further product expansion over time.

Slide 18: Agenda slide

Slide 19: Group long term strategy is focused on building a sustainable future

As I indicated earlier in this address, we have four key growth priorities.

These are supported by a number of key enablers which are important to building a more sustainable business over time.

I would like to update you on three focus areas within these enablers.

Slide 20: Growing scientific evidence continues to underpin our brand

We have consistently updated you on the significant investments we have made in building the brand in key regions.

It seems fitting, on our 20th anniversary as a New Zealand company, to remind ourselves of the importance of the science that underpins our brand proposition.

We have come a long way from the early studies, with a significant increase in the number of clinical human studies that have been published over the last few years. More recently we are sponsoring studies across multiple age groups, populations and consumer benefit areas.

We should take a moment to remember the late Sir Robert Elliott. A leading professor of paediatrics and the founder of Cure Kids New Zealand, Bob, was a close friend of a2. His earlier research which commenced in the 1980s was truly pioneering work. He later worked closely with our founder Dr Corrie McLachlan and continued to assist and guide the development of the science. He was rightfully knighted earlier this year but passed away soon after.

Here is a short video, capturing his thoughts in his own words from a few years ago

Slide 21: Continuing to strengthen our supply chain strategy

Another key aspect of building for a sustainable future is to ensure we have a secure and protected supply chain. Consistent with this, the Board determined it appropriate to assess opportunities to participate in manufacturing nutritional products in a manner complementary with our existing supply arrangements.

In August we announced we had made a non-binding indicative offer to acquire 75% of Mataura Valley Milk (MVM) – a state of the art nutritionals facility, with favourable milk production conditions in Southland in New Zealand.

MVM is currently majority owned by the highly respected state-owned entity, China Animal Husbandry Group, which is also a sister company of our existing logistics and distribution partner of many years, China State Farm.

Our due diligence process is almost complete and continues to support the strategic rationale for the investment. We are in the process of working through final aspects of the potential transaction and supporting strategic relationships and expect to be in a position to provide an update in coming months.

Slide 22: Building a sustainable business for the future

We are pleased with the progress we made in FY20 in building a more sustainable business.

We are committed to reporting against the taskforce on climate-related financial disclosures by the close of FY22.

We are also committed to measuring and reducing our direct and indirect greenhouse gas emissions and will continue to report on our progress.

Commencing this financial year, we are redirecting the value of the carbon credit offsets for our indirect emissions into *The a2 Impact Fund™*.

This will allow investment in more tangible programmes that will benefit our business, and more importantly our planet, and reduce our overall impact on climate over time.

There is additional detail on this in our Annual Report and we look forward to providing further updates in due course.

Slide 23: Agenda slide

Slide 24: Outlook

Moving to our outlook for FY21.

At the end of September, we advised of challenging market dynamics that were being experienced

We are maintaining guidance as advised in September:

- We expect Group revenue for 1H21 of $725 million to $775 million;
    - Group revenue for FY21 of $1.80 billion to $1.90 billion; and
    - FY21 EBITDA margin for FY21 in the order of 31%.

However, due to the volatility arising from COVID-19, and the difficulties this presents with forecasting, naturally there is uncertainty to this forecast.

We also acknowledge the outlook provides for a significant increase in revenue in the second half, dependent on a number of key assumptions, including an improvement in the daigou channel and continued growth in our China label business.

We continue to observe strong underlying brand health metrics, in particular in China, including market share expansion, and growth of brand awareness and loyalty measures. This gives us confidence that, notwithstanding the current headwinds, the fundamentals of the business over the medium term remain sound.

Slide 25: CEO address | divider slide

The 2020 calendar year has been like no other.

When I joined the business again in December last year, I was pleased to be back… and keen to make a further contribution.

This year has tested us, as it has many organisations, but I have confidence in the team, our strong and unique brand, our business model and in our growth strategy for the future.

Thank you to our Board, the Executive Committee and the wider team. You have worked tirelessly this year in driving our business forward, despite the challenging conditions.

The a2 Milk Company is a remarkable business and our story continues to be only just beginning.

Chairman, I'll hand the meeting back to you.