



# ANNUAL MEETING

17 NOVEMBER 2021

THE a2 MILK COMPANY LIMITED

# 2021

# Disclaimer

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**WELCOME  
DAVID HEARN**



**AGENDA**

<b>Welcome</b>	<b>3</b>
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# CHAIR SPEECH

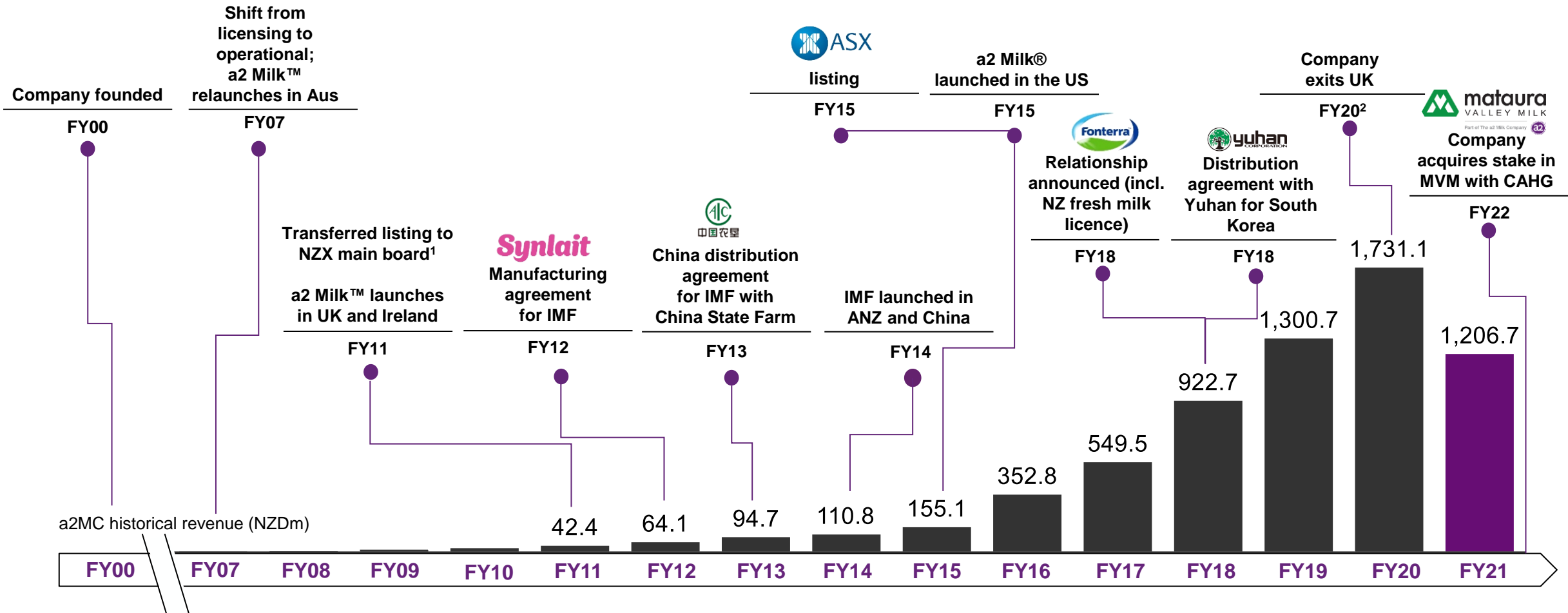
DAVID HEARN

A young child with dark hair, wearing a blue hoodie, is shown in profile, eating an ice cream cone. The child is holding a clear glass filled with white milk. The background is a soft, warm glow from a low sun, creating a silhouette effect on the child's face and the glass. The overall mood is peaceful and nostalgic.

# MD & CEO ADDRESS

DAVID BORTOLUSSI

# a2MC's extraordinary journey was disrupted in FY21



<sup>1</sup>Listed on the NZX alternative market (NZAX) in 2004 and transferred listing to NZX main board in 2012; <sup>2</sup> Revenue from continuing operations only

# Clearly FY21 was a disappointing result<sup>1</sup>

## Group performance

- Revenue and EBITDA<sup>2</sup> margin was within the guidance range provided in May 2021
  - Revenue down 30.3% to \$1.21b
  - EBITDA down 77.6% to \$123m including stock write-down and MVM acquisition costs
  - EBITDA margin of 10.2% or 11.1% excluding MVM acquisition costs
- Net profit after tax down 79.1% to \$80.7 million (including discontinued operations)

## Regional performance

- Sales of a2 至初® China label infant nutrition of \$389.9 million, up 15.4%
- Sales of a2 Platinum® English label infant nutrition of \$357.0 million, down 52.1%
- Other nutritional revenue decline of 38.5% to \$52.4 million
- Australia liquid milk revenue up 10.8% to \$169.0 million
- USA revenue decreased 3.7% to \$63.6 million



<sup>1</sup> All figures are in New Zealand Dollars (NZ\$) and based on continuing operations of the Group, unless otherwise stated.

<sup>2</sup> Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-GAAP measure. However, the Company believes that it assists in providing investors with a comprehensive understanding of the underlying performance of the business.



## A range of actions have been taken to address the disruption caused by COVID-19

### Issues disrupting a2MC in FY21

**Cross-border trade was disrupted by COVID-19**, creating substantial demand/supply volatility, which caused excess inventory, exacerbating the issue



As a result of this disruption, a2MC experienced a **significant decline in its English label IMF sales** through both daigou/reseller and e-commerce channels



At the same time, **China infant nutrition market growth reduced significantly** from globally high rates to be flat in value terms and to decline in volume terms, a trend that became clear following China's release of 2020 birth numbers on 11 May 2021 which showed a reduction in the birth rate

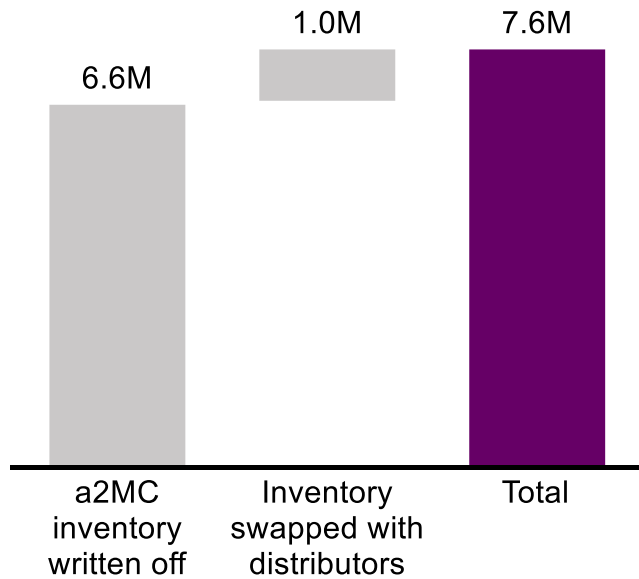
### Key actions we have taken

- **Recognised stock write-downs and deliberately slowed down sales in 4Q21**, together with other planned initiatives, to reduce inventory levels and rebalance English label IMF pricing across channels
- **Swapped older distributor inventory with more recent stock** to improve on-shelf product freshness
- **Increased brand investment** with a significant campaign in 4Q21 to drive consumer demand
- **Bolstered leadership team** with new internal and external talent
- **Reorganised our Asia-Pacific division** for enhanced focus on our key business opportunities
- **Refreshed our growth strategy** to realise the full potential of our business

# We have taken significant steps to reduce inventory build-up which has improved freshness and EL market pricing

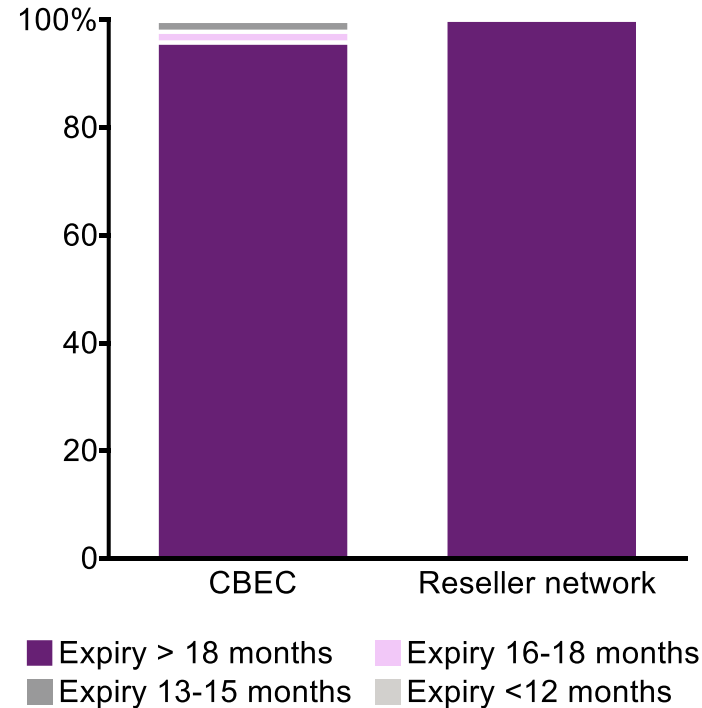
## EL inventory written down to reduce stock in supply chains

EL inventory units; millions



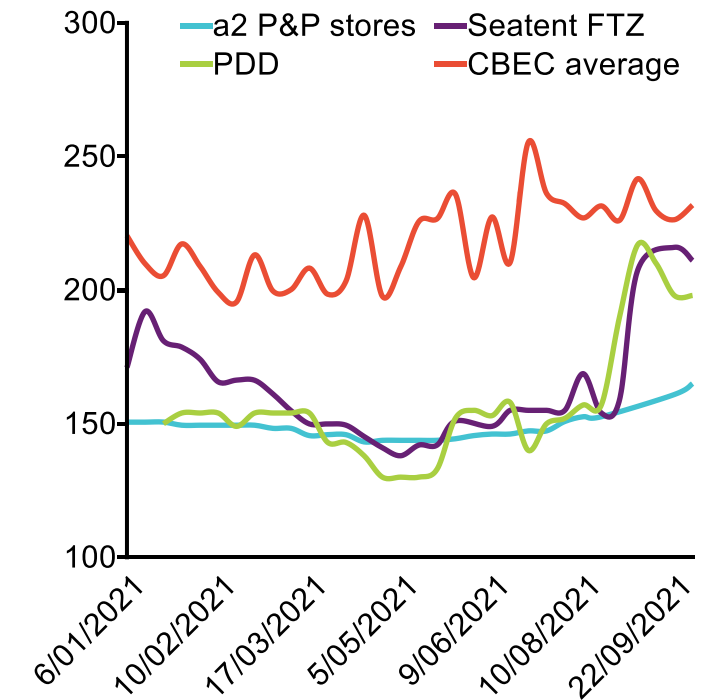
## Freshness has improved

Distributor inventory holdings by age profile (Sept 21)



## EL prices have also improved

Stage 1 RMB/tin



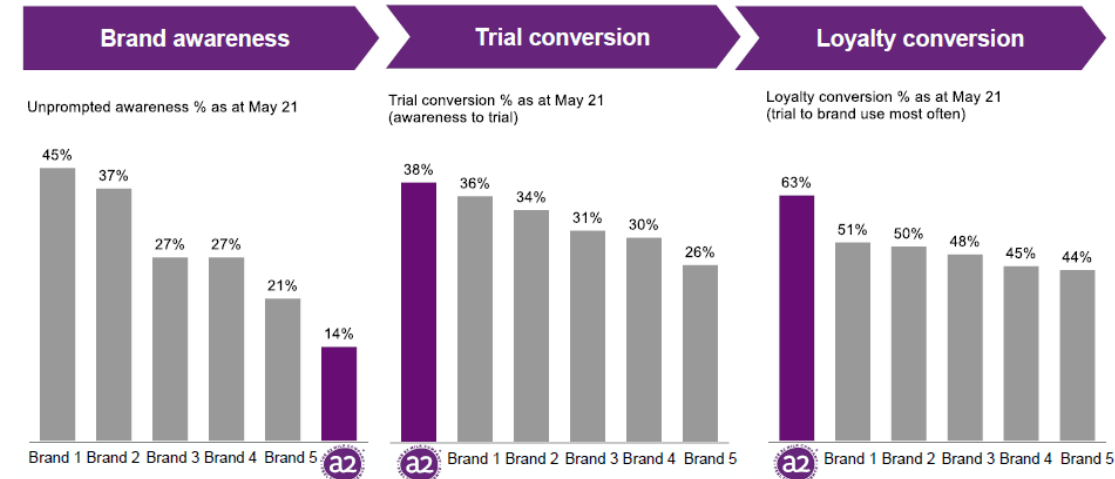
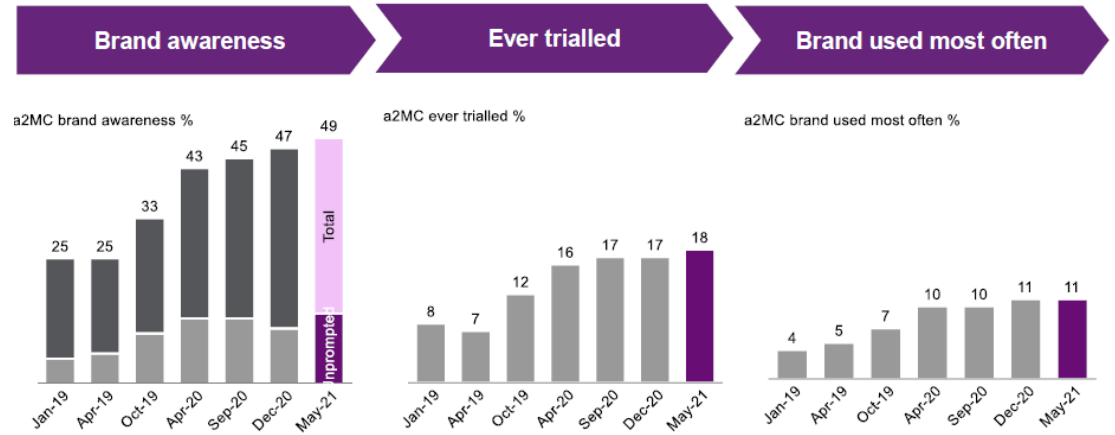
# We have increased investment to continue to support our strong brand

Marketing investment increased in 4Q21 with a significant integrated brand campaign

Our a2 brand health metrics are strong and have improved recently

Importantly, awareness-to-trial and loyalty conversion are high compared to competitors

We intend to increase brand investment further in an increasingly competitive market and to compensate for lower daigou/reseller activity



# We have bolstered our leadership team and reorganised the business

## Business leadership

## Functional leadership



**David Bortolussi**  
Managing Director  
and CEO



**Kevin Bush**  
Executive General  
Manager – ANZ



**Xiao Li**  
Chief Executive –  
Greater China



**Amanda Hart**  
Chief People &  
Culture Officer



**Shareef Khan**  
Chief Operations  
Officer



**Eleanor Khor**  
Chief Strategy  
Officer



**Bernard May**  
Chief Executive –  
Mataura Valley Milk



**Yohan Senaratne**  
Executive General  
Manager –  
International



**Blake Waltrip**  
Chief Executive –  
USA



**Jaron McVicar**  
Chief Legal and  
Sustainability Officer  
& Company Secretary



**Race Strauss**  
Chief Financial  
Officer



**Janelle Tong**  
Chief Marketing  
Officer (Interim)

## We have undertaken a holistic review of our growth opportunities

### Market

Continuing the journey to **focus on our China market opportunity** in particular

### Brand

**Reviewing our brand positioning** to create continued distinctiveness amongst an evolving consumer base and new entrants in the category

### Channel

Assessing our **route-to-market for English label IMF** and capturing the **full potential of our China label IMF** distribution in key channels

### Product

**Re-imagining our infant formula product portfolio** in English label and China label to appeal to a broader set of consumers and maximise distribution potential

### Adjacencies

Outside our core, we are also considering opportunities for **adjacent category growth in China, ANZ and USA** as well as assessing opportunities in new emerging markets

# We have adapted our a2MC growth strategy

<b>Purpose</b>	To enrich lives by harnessing the nutritional wonders of nature					
<b>Ambition</b>	Rebuild a2MC into an exciting, innovative and sustainable growth company					
<b>Goals</b>	<b>People</b> Create the safest and most diverse, inclusive and engaging place for our people to thrive	<b>Sustainability</b> Support our farmers, protect our planet and cows, rethink packaging and contribute to our communities	<b>Consumers</b> Bring the unique benefits of pure and natural a2 Milk™ to as many consumers as possible	<b>Shareholders</b> Create long-term, enduring value for shareholders and a trusted, transparent relationship		
<b>Strategic priorities</b>	<b>1 Invest in people and planet leadership</b> <ul style="list-style-type: none"> <li>Invest in our people to enable them to thrive</li> <li>Take direct action to lead the industry in GHG emissions reduction and farming practices</li> </ul>	<b>2 Capture full potential in China IMF</b> <ul style="list-style-type: none"> <li>Gain more control over CL and EL distribution and get closer to our consumer</li> <li>Increase investment in our brand, digital marketing and E-comm</li> </ul>	<b>3 Ramp-up product innovation</b> <ul style="list-style-type: none"> <li>Expand our CL and EL IMF product portfolios</li> <li>Enter adjacent product categories in relevant markets to drive growth</li> </ul>	<b>4 Transform our supply chain</b> <ul style="list-style-type: none"> <li>Expand CL registered market access</li> <li>Utilise MVM capability</li> <li>Develop China supply capability over time</li> </ul>	<b>5 Accelerate path to profitability</b> <ul style="list-style-type: none"> <li>Take action to realise potential in USA</li> <li>Expedite insourcing and 3<sup>rd</sup> party volume to significantly increase MVM utilisation</li> </ul>	
<b>Enablers</b>	Brand strength		Science & innovation	Strategic relationships		Capability development
<b>Values</b>	 Bold Passion	 Pioneering spirit	 Humility	 Respect	 Integrity	

# Our ambition is to be a top-5 CL IMF brand and the no.1 EL product range in China



Ambition	To be a top-5 CL IMF brand in China				To be the no.1 EL product range in China			
<b>Measures of success</b>	Achieve top quartile awareness whilst maintaining strong trial and loyalty metrics	Expand footprint to 30-35K stores (~50% WD), with positive LFL growth	Outperform in DOL, with higher DOL share than MBS	Achieve total CL share of >5%	Stable channel pricing	Leading flagship range and EL share >25%	30% of sales in Stage 1 and 2	Premiumisation of range with ongoing innovation pipeline
<p align="center"><b>~NZD 0.4 billion</b> Targeted sales growth in CL over time</p>					<p align="center"><b>~NZD 0.3 billion</b> Targeted sales growth in EL over time</p>			

## Our strategic partners are key to enabling execution of our China strategy



- **Strong partnership formed in China with CNADC** and through its subsidiaries, China State Farm and China Animal Husbandry Group



- **China State Farm has been our strategic logistics and distribution partner** in China since 2013 as our exclusive import agent for our China label IMF products



- **Recent MVM acquisition has initiated a relationship with the China Animal Husbandry Group**, who retains a 25% interest



- **a2MC has a 19.8% share in Synlait**; Bright holding a 39.0% share
- **Foundational IMF partnership since 2012** and supply rights for defined IMF products into ANZ & China
- **Work to progress re-registration of our China label product is on-track**, targeting **SAMR approval in late 2022** with **new product in market in early 2023**



# Outside our core, we are pursuing other opportunities for growth in Asia

In China, we are expanding our portfolio into dairy-based nutrition for the whole family

Several emerging markets have been prioritised for further evaluation



**~NZD 0.2 billion**  
Targeted sales growth from non-IMF product categories in China over time

**~NZD 0.1 billion**  
Targeted sales growth from existing and new emerging markets over time

# We have plans to grow ANZ and are focused on achieving profitability in the USA



Ambition	<b>ANZ: Maintain the no.1 position in fresh milk with expansion into new categories</b>			<b>USA: To be a top-5 premium milk brand with &gt;10% EBITDA margin</b>			
Measures of success	Loyalty rate >40%	Market share >15% in milk	Achieve 25% of sales from innovation	Grow household penetration to 10%	Achieve 5% share of the premium milk category	Achieve 25% of sales from innovation	Achieve profitability during FY25/FY26
<p align="center"><b>~NZD 0.1 billion</b> Targeted sales growth in ANZ over time</p>			<p align="center"><b>~NZD 0.1 billion</b> Targeted sales growth in USA over time</p>				

# We are focused on five key non-financial measures of success over time

## People

1

Safety TRIFR <10  
with continuous  
improvement

Engagement >80%

Diversity and  
inclusion rated >4  
out of 5 by team

## Sustainability

2

GHG emissions  
reduction  
- Scope 1+2 net zero  
by 2030  
- Scope 3 net zero  
by 2040

100% completion of  
Farm Environmental  
Plans and Certified  
Animal Welfare  
Programs

100% reusable,  
recyclable or  
compostable  
packaging with 50%  
average recycled  
content

## Brand health

3

China unprompted  
awareness >25%

Australian fresh milk  
loyalty >40%

USA household  
penetration >10%  
in premium milk

## Market share

4

Top-5 CL IMF player  
with share >5%

Leading EL IMF  
range with share  
>25%

Australian fresh milk  
share >15%

USA premium milk  
share >5%

Incremental \$100m  
revenue from existing  
and new emerging  
markets

## Innovation

5

Access to ≥3 CL  
registrations

Expanded EL IMF  
portfolio

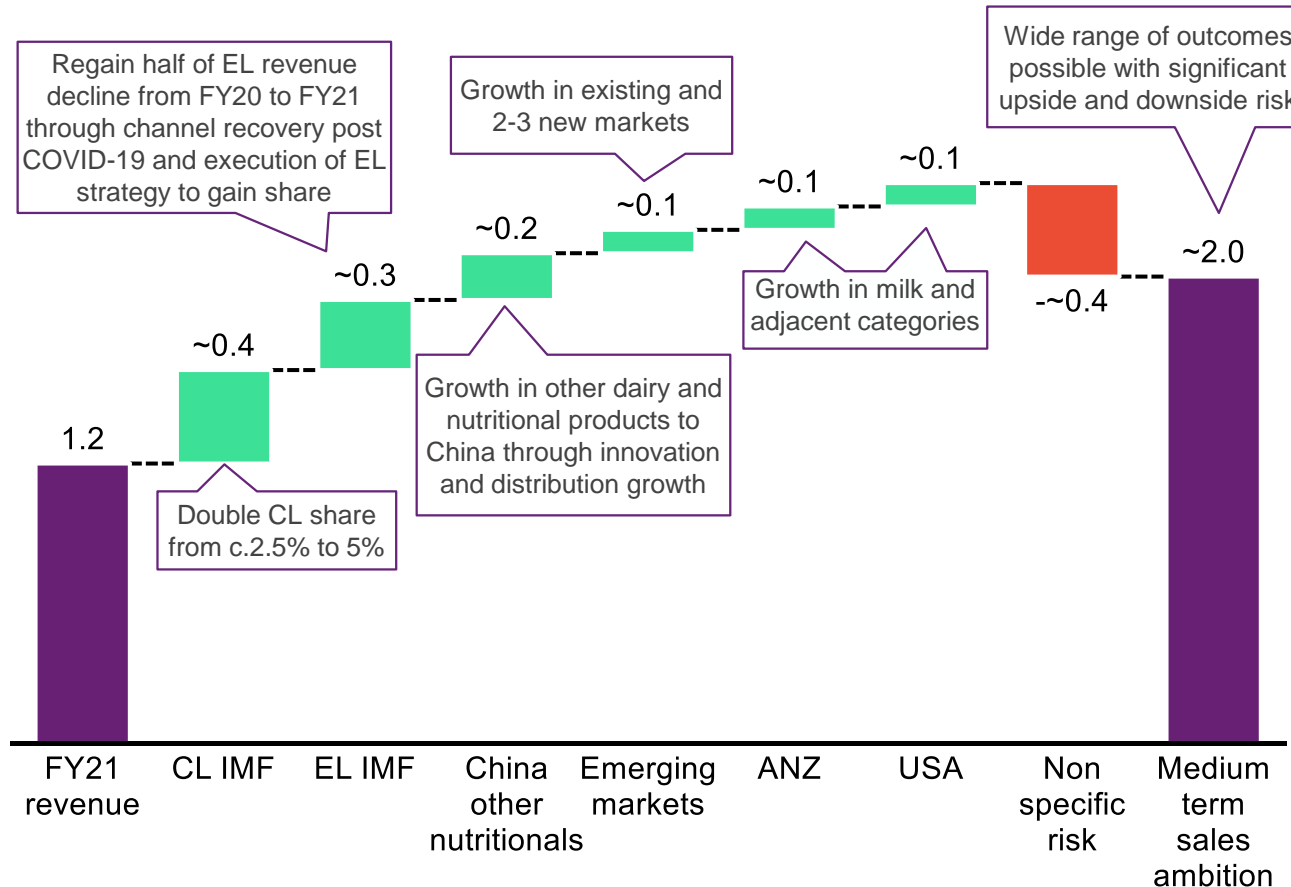
Incremental \$200m in  
revenue from dairy  
and other nutritionals  
to China

>25% of sales from  
new products in  
Australia and USA

# We have an ambition to grow sales to over NZD\$2 billion and improve margins

## Medium-term indicative sales ambition (≥ 5 years)

a2MC future state revenue ambition (B, NZD)



## EBITDA margin dynamics

### Indicative range

- IMF sales, particularly EL, key driver of upside/downside risk
- Target margins probably in the “teens” in the medium term due to expected market conditions, investment and innovation
- Target margins possibly in the “low-to-mid 20s” in the medium-to-long term subject to higher than expected market recovery, EL channel growth and share gains

### Key accretion drivers

- Operational leverage impact of share growth, cross-border trade recovery and/or increase in China birth rate
- Mix impact on delivered margin (EL > CL > ANZ > USA)
- Mitigation of USA losses and path to profitability
- Nutritionals insourcing margin capture by MVM
- Pricing, promotional activity, trading terms and FX

### Key dilution pressures

- Operational de-leverage impact of China IMF market headwinds and regulatory risks
- Mix impact on delivered margin (EL > CL > ANZ > USA)
- Increasing brand reinvestment rate and margin pressure in China as competition intensifies
- Innovation, reformulation and FX impact on margin
- Supply chain transformation period
- Investment in capability and sustainability

## FY22 trading update as provided at investor day on 27 October 2021

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- There is no material change to the FY22 position as outlined at the FY21 August results announcement – however, we are seeing a different mix of our business, favouring English label IMF
- English label IMF sales in 1Q22 were down on 1Q21, but were significantly up on 4Q21, which was constrained to reduce channel inventory levels. English label IMF sales are expected to be down in 1H22 vs pcp, but ahead of expectations
- As flagged in our FY21 results release, China label IMF sales in 1Q22 have been constrained to reduce channel inventory levels further with sales significantly down on 1Q21 and 4Q21. Whilst distributor offtake and retailer sales were up double digits during 1Q22 vs 1Q21, they are lower than expected. As a result, China label IMF sales are now expected to be significantly down in 1H22 vs pcp
- IMF Tier 1 distributor inventory levels are now at required levels for both English label and China label
- ANZ fresh milk volumes were up in 1Q22 vs 1Q21, in part benefitting from extended lockdowns – however, sales in 1Q22 were flat vs 1Q21 due to FX movements
- US liquid milk volumes were down in 1Q22 vs 1Q21 due mainly to an expected reduction in ranging by a club channel customer. Separately, distribution cost pressures continue in the US market
- MVM nutritional demand has reduced and active steps are being taken to secure additional volume

## Key messages to takeaway

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- The market landscape has experienced **unprecedented change over the past 12 months**, requiring us to adapt
- As a result, we have **adapted our growth strategy** to achieve the full potential of our business
- Importantly, our **brand is strong**, we have a relatively small share in China IMF and **significant opportunity** to capture
- We have **reorganised to prioritise** our most important growth levers and have a clear plan to execute
- We have a **great leadership team and pioneering culture** to lead the execution





FORMAL  
BUSINESS  
DAVID HEARN

# Notice of Annual Meeting and voting instructions



[thea2milkcompany.com](https://thea2milkcompany.com)

## Voting Directions

Resolutions	For	Against	Abstain
1 THAT THE DIRECTORS OF THE COMPANY BE AUTHORISED TO FIX THE FEES AND EXPENSES OF THE COMPANY'S AUDITOR, ERNST & YOUNG, FOR THE ENSUING YEAR.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2 THAT DAVID BORTOLUSSI, WHO WAS APPOINTED MANAGING DIRECTOR OF THE COMPANY BY THE BOARD DURING THE YEAR, AND WHO WILL RETIRE AT THE MEETING IN ACCORDANCE WITH THE COMPANY'S CONSTITUTION, BE ELECTED AS A DIRECTOR OF THE COMPANY.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3 THAT BESSIE LEE, WHO WAS APPOINTED A DIRECTOR OF THE COMPANY BY THE BOARD DURING THE YEAR, AND WHO WILL RETIRE AT THE MEETING IN ACCORDANCE WITH THE COMPANY'S CONSTITUTION, BE ELECTED AS A DIRECTOR OF THE COMPANY.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4 THAT WARWICK EVERY-BURNS, WHO WILL RETIRE AT THE MEETING BY ROTATION IN ACCORDANCE WITH THE COMPANY'S CONSTITUTION, BE RE-ELECTED AS A DIRECTOR OF THE COMPANY.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

\* Note if you have already lodged your vote, this vote will override it.

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The a2 Milk Company Limited (Australian Registered Body  
Number 158 331 965 – Incorporated in New Zealand)



# Item 1: Financial statements and reports

To receive and consider the Company's financial statements for the year ended 30 June 2021, together with the Directors' and Auditor's reports.



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## Item 2: Auditor's Fees and Expenses (Resolution 1)

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution of the Company:

*“That the Directors of the Company be authorised to fix the fees and expenses of the Company’s auditor, Ernst & Young, for the ensuing year.”*

Proxy votes	For	Undirected	Against	Total
Resolution 1	346,031,316	1,619,115	1,227,847	<b>348,878,278</b>
% of vote	99.2%	0.5%	0.4%	<b>46.9% of issued capital</b>



# Item 3: Election of Managing Director – David Bortolussi (Resolution 2)

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution of the Company:

*“That David Bortolussi, who was appointed Managing Director of the Company by the Board during the year, and who will retire at the meeting in accordance with the Company’s constitution, be elected as a Director of the Company.”*

Proxy votes	For	Undirected	Against	Total
Resolution 2	344,672,822	1,621,565	2,120,564	<b>348,414,951</b>
% of vote	98.9%	0.5%	0.6%	<b>46.9% of issued capital</b>



# Item 4: Election of Director – Bessie Lee (Resolution 3)

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution of the Company:

*“That Bessie Lee, who was appointed a Director of the Company by the Board during the year, and who will retire at the meeting in accordance with the Company’s constitution, be elected as a Director of the Company.”*

Proxy votes	For	Undirected	Against	Total
Resolution 2	299,569,784	1,619,455	46,999,219	<b>348,188,458</b>
% of vote	86.0%	0.5%	13.5%	<b>46.8% of issued capital</b>



## Item 5: Re-election of Director – Warwick Every-Burns (Resolution 4)

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution of the Company:

“That Warwick Every-Burns, who will retire at the meeting by rotation in accordance with the Company’s constitution, be re-elected as a Director of the Company.”

Proxy votes	For	Undirected	Against	Total
Resolution 2	260,329,977	1,635,041	86,124,434	<b>348,089,452</b>
% of vote	74.8%	0.5%	24.7%	<b>46.8% of issued capital</b>



# QUESTIONS



A man with light brown hair and a beard, wearing a black t-shirt, is focused on pouring milk from a stainless steel pitcher into a light blue coffee cup. He is in a professional kitchen or cafe setting, with a blue espresso machine behind him. On the counter, there is a white jug of a2 milk and several coffee-making tools. The background shows a clean, well-lit environment with shelves of glassware.

CLOSE  
DAVID HEARN