



27 October 2022

NZX/ASX Market Release

Select Equities Conference Presentation

The a2 Milk Company is today presenting the attached at the *Select Equities – 6th Annual China Conference*.

Authorised for release by

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SELECT EQUITIES 6TH ANNUAL CHINA CONFERENCE

The a2 Milk Company Limited

27 October 2022



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The a2 Milk Company overview



Our purpose is to pioneer the future of Dairy for good, and our vision is to create an A1-free world where Dairy nourishes all people and our planet



Portfolio of *a2 Milk™* based products including fresh milk, UHT, ESL, IMF, milk powder and other nutritional products



Sales primarily in China, New Zealand, Australia, and North America



World class manufacturing facilities and international strategic partners in China and New Zealand








Over 400 talented team members around the globe



Revenue of NZD\$1.45 billion in FY22



Refreshed growth strategy focused on capturing full potential of China market opportunity

Purpose	We pioneer the future of Dairy for good				
Vision	An A1-free world where Dairy nourishes all people and our planet				
Goals	PEOPLE Create a safe, diverse, inclusive and engaging place for our people to thrive, support our farmers and contribute to our communities	PLANET Protect our planet and cows, rethink packaging, achieve net zero and become nature positive	CONSUMERS Bring the unique benefits of pure and natural a2 Milk™ to as many consumers as possible	SHAREHOLDERS Create long-term, enduring value for shareholders and a trusted, transparent relationship	
Strategic priorities	1 Invest in people and planet leadership - Invest in our people to enable them to thrive - Take direct action to lead the industry in GHG emissions reduction, farming practices and sustainable packaging	2 Capture full potential in China IMF - Gain more control over CL and EL distribution and get closer to our consumer - Increase investment in our brand, digital marketing and e-commerce	3 Ramp-up product innovation - Expand our CL and EL IMF product portfolios - Enter adjacent product categories in relevant markets to drive growth	4 Transform our supply chain - Expand CL registered market access - Utilise MVM and invest in New Zealand capability - Develop China supply capability over time	5 Accelerate path to profitability - Take action to realise potential in USA - Expedite insourcing of a2™ product and 3rd party volume to significantly increase MVM utilisation
Enablers	Brand strength		Science & innovation		Capability development
Values	 Bold passion	 Pioneering spirit	 Humility	 Respect	 Integrity

Significant progress implementing refreshed strategy and improved performance in FY22

1. Inventory management actions effective

- Significant steps taken last calendar year to address excess IMF inventory have proven effective with channel inventory at target levels, product freshness amongst the best in the industry and improved market pricing

2. Strong early execution of refreshed growth strategy

- Execution of refreshed growth strategy communicated to the market at the Company's Investor Day in October 2021, which is focused on capturing the full potential of the China market opportunity, is having an impact achieving new highs in brand health metrics and record market shares

3. Full year result in line with the Company's expectations

- Delivered double digit revenue and earnings growth in FY22 despite challenging market conditions, driven by refreshed growth strategy and improved execution

4. Outlook for the business is positive

- Continued revenue and earnings growth is expected in FY23, and the Company is on track to deliver on its medium-term financial and non-financial ambition communicated to the market in October 2021

5. On-market share buyback announced

- As a result of the above, and after considering its strong balance sheet position, the Company intends to execute an on-market share buyback of up to \$150 million

6. Renewal of existing GB registration granted

- SAMR has approved the renewal of a2MC's current registration which will allow Synlait to manufacture a2MC's current registered China label product until 21 February 2023
- While the Company's new China label GB registration process is progressing, timing is uncertain and subject to SAMR approval

7. China State Farm agreement renewed

- The Company has renewed its exclusive import and distribution arrangements with China State Farm Agribusiness Holding Shanghai Co. Ltd for a term of five years from 1 October 2022

8. Successful a2 Platinum® launch

- Now available in all a2MC channels and transition progressing to plan



FY22 result delivered double-digit growth in revenue and earnings in a challenging market

- **Group results in line with the Company's expectations**

- Group revenue growth of 19.8% to \$1,446.2 million (growth of 11.2% ex-MVM) with 2H22 up 18.9% on 1H22 (15.7% ex-MVM)
- EBITDA¹ up 59.0% to \$196.2 million, EBITDA margin 13.6% in FY22 (16.1% ex-MVM)
- NPAT, including non-controlling interest, up 42.3% to \$114.7 million with \$122.6 million attributable to owners of the Company²
- Closing net cash³ of \$816.5 million with operational cash conversion of 114%⁴

- **Results driven by strong performance across the Company's regions and products**

- China label IMF sales up 12.2% driven by record high market shares achieved in MBS and DOL
- English label IMF sales up 11.6% with market share increasing in CBEC (2H22) and O2O, and Daigou trajectory improving (2H22)
- ANZ liquid milk sales up 1.8% with record market share, moderated in 2H22 due to lockdowns easing and reduced in-home consumption
- USA liquid milk sales up 30.2% driven by strong growth in grocery and supported by new innovation
- MVM sales of \$104.4 million for the 11 months under a2MC ownership (75%)

- **Other operational highlights**

- Strong growth in brand health metrics to new highs following material increase in brand investment during the year
- Deliberate shift in distribution of English label IMF to more transparent, performance-based and exclusive partners progressing well
- Increase in innovation with the highest number of new product launches in the Company's history
- Significant increase in sustainability targets, initiatives and impact in many areas of the business, particularly MVM electrification project

¹ Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-GAAP measure and does not have a standardised meaning prescribed by GAAP. However, the Company believes that, in combination with GAAP measures, it assists in providing investors with a comprehensive understanding of the underlying operational performance of the business. A reconciliation of EBITDA to net profit after tax is provided in the Company's Results Presentation and Annual Report for the 12 months ended 30 June 2022.

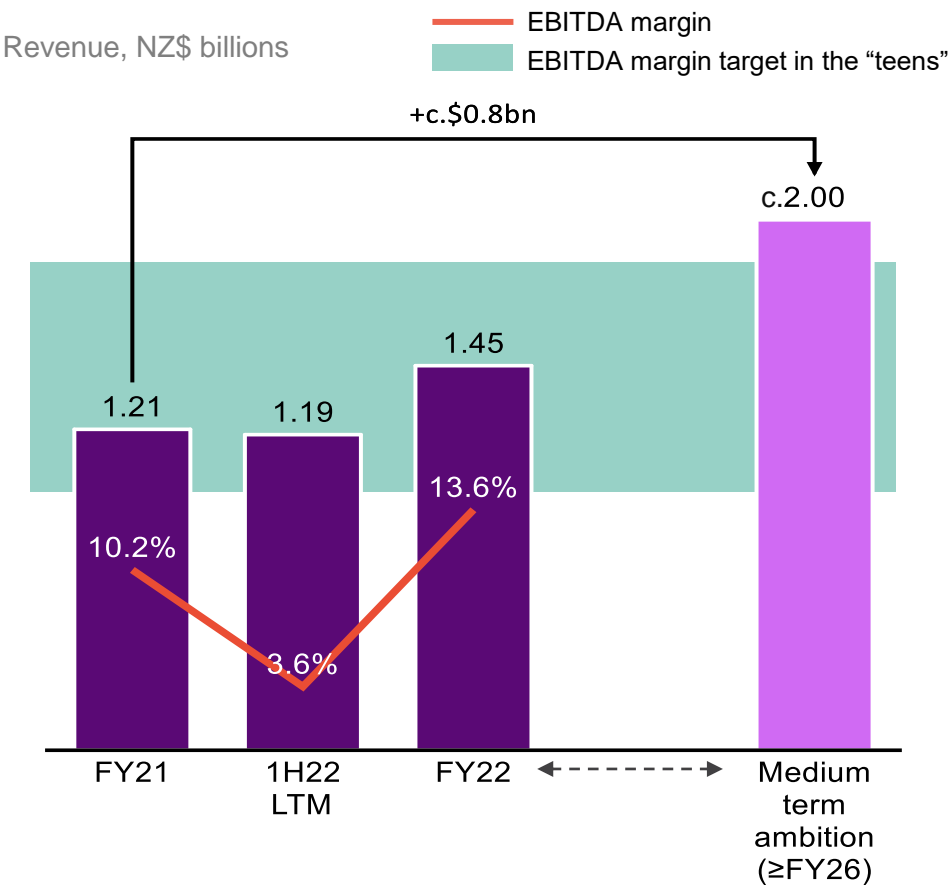
² The non-controlling interest represents China Animal Husbandry Group's 25% interest in MVM.

³ Including term deposits and borrowings, excluding subordinated non-current shareholder loans.

⁴ Calculated as net cash flow from operating activities before interest and tax divided by EBITDA.

On track to achieve ambition to grow sales to \$2 billion and improve EBITDA margins over time

Medium-term revenue and EBITDA margin ambition



Areas of planned revenue growth

Market / category	Growth ambition (FY21 to ≥FY26) ¹	Tracking
China label IMF	\$0.4	On track
English label IMF	\$0.3	On track
China and other nutritionals	\$0.2	Work in progress
Emerging markets	\$0.1	Work in progress
ANZ	\$0.1	On track
USA	\$0.1	On track
Non-specific risk	\$(0.4)	
Net growth	c.\$0.8b	On track

On track Work in progress

Comments

- \$2 billion revenue goal implies a 4-year CAGR of 8.5% from FY22 if achieved by FY26
- Solid progress in FY22 towards medium-term ambition with most growth drivers and associated initiatives on track to plan
 - China label is ahead
 - Other nutritionals and emerging markets is work in progress
- Positive indicators, including:
 - Brand health metrics
 - Market share gains
- Outlook for FY23 is for high single digit revenue growth broadly consistent with achieving medium-term ambition over time

Refer to Investor Day materials communicated to the market on 27 October 2021 for further information on medium-term ambition, strategy, risks and opportunities

¹ Incremental revenue ambition growth bridge from \$1.21 billion in FY21 to c.\$2.0 billion in ≥FY26 provided in Investor Day materials in October 2021. Provided for tracking purposes and should not be added to FY22 actual revenue result of \$1.45 billion.

Renewal of exclusive import and distribution arrangement with China State Farm

- On 3 October 2022, the Company announced that it had renewed its exclusive import and distribution arrangements with China State Farm Agribusiness Holding Shanghai Co. Ltd (CSFA) for a term of five years from 1 October 2022
- CSFA has been a2MC's strategic distribution partner in China since 2013
- CSFA is the exclusive import agent for a2MC's China label products, including a2 至初® China label infant milk formula
- CSFA is a wholly owned subsidiary of China National Agriculture Development Group Co, Ltd (CNADC), which is also the parent company of China Animal Husbandry Group (CAHG), which holds a 25% interest alongside a2MC's 75% interest in Mataura Valley Milk (MVM) located in Southland, New Zealand
- CNADC, CSFA and CAHG are highly regarded State Owned Enterprises and critically important strategic partners of a2MC



Successful a2 Platinum® launch

- New a2 Platinum® now available in Australia (through major Retailers, Pharmacies and Daigou/Reseller Network) and China cross-border e-commerce (CBEC)
- Positive feedback to date from consumers and Daigou/Resellers
- Retailers/platforms transitioning to new a2 Platinum® product with out-of-stocks increasingly observed on old label product listings across the network
- Retailers / major CBEC platforms pricing new a2 Platinum® at a premium versus old label product
- Held new a2 Platinum® Launch events with Daigou/Reseller Network to introduce new formulation
- Supporting launch with comprehensive China Brand Marketing campaign to drive consumer awareness, combined with direct Daigou/Reseller Network engagement to support selling activity





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