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NZX/ASX Market Release

FY25 Results & Supply Chain Transformation Update Media Release

The a2 Milk Company ("the Company", "a2MC") today marked its 25th year since formation reporting strong FY25 results and simultaneously announcing major updates that substantially progress its supply chain transformation strategy and capital structure optimisation.

FY25 Results

1. Delivered record sales of $1.9 billion with double-digit growth in revenue, EBITDA and EPS
2. Reached top-4 brand position in China's IMF[1] market, a major milestone in brand health and market penetration
3. Achieved English label (EL) IMF double-digit sales growth and record market share in China label (CL) IMF driven by high new user recruitment
4. Launched a range of new products targeting growth opportunities in the infant, kids and seniors nutrition segments, and entered the Vietnam IMF market
5. Initiated returns to shareholders, declaring first ever dividends totalling 20.0 cents per share for FY25

Key financials and FY26 Outlook[2,3]

- Revenue up 13.5% to $1,902.0 million
- EBITDA up 17.1% to $274.3 million with an EBITDA % margin of 14.4% up 0.4 ppts
- Net profit after tax (NPAT) up 21.1% to $202.9 million[4]
- Basic earnings per share (EPS) up 20.9% to 28.0 cents
- Closing net cash[5] of $1,061.2 million up $92.2 million on 30 June 2024 with operating cash conversion of 95%[6]
- Total FY25 dividends declared of 20.0 cents per share (~71% payout), with a final dividend of 11.5 cents per share declared (fully franked and ~78% imputed)
- FY26 continuing operations guidance for revenue growth of high-single digit percent versus FY25 and EBITDA % margin to be approximately 15% to 16% (see full FY26 Outlook in the "2025 Annual results and Supply Chain Transformation update" announcement)

Results CEO commentary

The a2 Milk Company's Managing Director and CEO, David Bortolussi said:

- *"I'm proud of what our team has achieved this year, reporting record sales of $1.9 billion and double-digit earnings growth in our 25th year since The a2 Milk Company was formed."*
- *"We continued to grow market share in China to record levels, elevating The a2 Milk Company to a top-4 brand position in the world's largest infant milk formula market."*
- *"It has been an exceptional year for our infant milk formula business, growing 10% in the year driven by our English label business which was up 17%."*
- *"Our Liquid Milk growth was outstanding, up 14% in ANZ and USA, and Other Nutritionals grew by an impressive 23% in China."*
- *"We accelerated innovation by launching a range of new products spanning the infants, kids and seniors nutrition markets increasing our relevance across life stages."*
- *"Our Board was pleased to declare the Company's first ever dividends this year with a 71% payout ratio, marking a significant milestone for our shareholders."*

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[1] Infant milk formula.
[2] All figures are in New Zealand Dollars (NZ$), unless otherwise stated.
[3] All comparisons are with the 12 months ended 30 June 2024 (FY24), unless otherwise stated.
[4] Excludes non-controlling interest in Mataura Valley Milk (MVM), a loss of $10.8 million.
[5] Including term deposits and borrowings, excluding subordinated non-current shareholder loans.
[6] Operating cash conversion defined as net cash flow from operating activities before interest and tax divided by EBITDA.

Supply chain transformation update

Since the end of the financial year, the Company has continued to progress its supply chain transformation strategy announcing the following transactions today:

- The acquisition of an integrated nutritional manufacturing facility with two CL IMF product registrations, located in Pokeno, New Zealand, by purchasing all of the shares in Yashili New Zealand Dairy Co., Limited[7], from Yashili International Group Limited (a subsidiary of China Mengniu Dairy Group Limited) for approximately $282 million[8] on a debt and cash free basis; and
- The divestment of a2MC's 75% and China Animal Husbandry Group's (CAHG) 25% shareholding in Mataura Valley Milk Limited (MVM) to Open Country Dairy Limited (Open Country), with a2MC net proceeds of approximately $100 million on a cash and debt free basis (conditional on China regulatory filing). MVM will be treated as discontinued operations and the Company expects to recognise a loss on sale of MVM of approximately $130 million

The Company intends to invest ~$100 million in a multi-year capital investment programme to increase capacity and enhance capability at the new a2MC Pokeno site with plans to employ more than 100 additional people over time, providing significant development opportunities to current and future team members.

Strategic rationale

The acquisition and divestment announced today are supported by a clear strategic rationale:

1. Secures opportunity for greater market access to the attractive NZ$23 billion[9] CL IMF registered market through control of two highly sought after product registrations for CL IMF that can be amended to expand the *a2*™ branded portfolio with the potential of a third registration over time, all subject to China regulatory approval. a2MC's existing China label IMF registered product, *a2 至初*™, will remain at Synlait
2. Supports growth in core IMF business over time through CL product portfolio expansion and innovation, assisting in unlocking growth potential in lower tier cities and the domestic online channel
3. Accelerates development of nutritional manufacturing capability. The new a2MC Pokeno site is a world-class fully integrated nutritional manufacturing facility with proven IMF experience including the current production of a2MC's new English label products, *a2 Genesis*™ and *a2 Gentle Gold*™
4. Provides access to A1 protein free milk pool from New Zealand's highly regarded Waikato region in the North Island for production of *a2*™ branded products, under a long-term supply agreement with Fonterra
5. Optimises asset footprint and capacity utilisation through the divestment of MVM whilst retaining access to high quality A1 protein free ingredients from the site through a commercial supply agreement
6. Generates attractive financial returns over time through vertical manufacturing margin capture and additional brand contribution, with return on invested capital expected to achieve weighted average cost of capital in FY29

Supply chain transformation CEO commentary

- *"The acquisition of the Pokeno manufacturing facility and related products represents a pivotal moment for The a2 Milk Company and the execution of our supply chain transformation strategy."*
- *"The transactions enable the Company to build a better, higher growth, lower risk, end-to-end business and deliver substantial benefits to shareholders."*
- *"We are familiar with the Pokeno manufacturing facility and its team who are very capable – they have done an excellent job co-developing and producing our a2 Genesis™ and a2 Gentle Gold™ English label products recently."*
- *"MVM is an advanced nutritional powder drying facility that continues to have significant potential but is no longer the optimal asset and pathway to achieve our strategic objectives."*
- *"We appreciate the commitment that MVM farmer suppliers, our team members, the local Gore community and CAHG have made over many years to develop the facility from a greenfield site in 2016 to what it is today, and we will remain a significant customer of MVM going forward."*

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[7] New Zealand manufacturing site and related products, excluding Yashili's operations in China.
[8] All figures are in New Zealand Dollars (NZ$); subject to a working capital and net debt adjustment mechanism at closing.
[9] Source: Retail sales value estimate supported by a2MC internal analysis informed by a series of data sources including but not limited to newborn data, Kantar, Nielsen and Smartpath data.

Capital management update

Once completed, these transactions will provide more clarity regarding a2MC's future capital needs.

Chair Pip Greenwood said, *"The Pokeno manufacturing facility acquisition and MVM divestment represent a significant step in our supply chain transformation and opportunity for further growth for the Company. With greater certainty over future capital needs, the Board is pleased to announce its intention to declare a fully franked and unimputed special dividend of $300 million after obtaining regulatory approval to bring the new China label registered products under The a2 Milk Company brand and completion of the MVM divestment."*

The Company also reaffirms its ordinary dividend policy of 60-80% of normalised NPAT and confirms its intention to maintain a strong and flexible balance sheet, continue to assess growth opportunities and capital needs, and consider additional shareholder returns in the future.

Authorised for release by the Board of Directors

David Bortolussi
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