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Contents

- Company overview
- Group strategy
- FY17 result highlights
- FY18 update
- Appendix





“The Company’s continued growth reflects increasing consumer acceptance of the a2™ brand and the benefits of dairy-based products free from the A1 beta casein protein type”.

**Geoffrey Babidge
Managing Director & CEO**

Company overview



The a2 Milk Company at a glance

- The a2 Milk Company (“a2MC”) is in the business of producing, marketing and selling premium branded dairy nutritional products in targeted global markets
- All a2MC branded products contain only A2 beta casein protein type rather than both A1 and A2 types found in conventional cows’ milk products
- Uniquely focused on building a branded and differentiated business supported by an integrated IP portfolio and growing scientific evidence



Key metrics FY17		
	NZD million	AUD million ¹
Market Capitalisation²	~5,470	~4,870
Group Revenue	549.5	495.7
Group EBITDA³	141.2	127.3
Group NPAT	90.6	81.8
EPS⁴ (cents per share)	12.7c	11.5c

¹ AUD metrics converted at 8 November 2017 (NZD/AUD = 0.902)

² Based on share price of NZD7.49/AUD6.73 as at 8 November 2017 (quoted securities only)

³ EBITDA is a non-GAAP measure, representing earnings before interest, tax, depreciation and amortisation

⁴ Basic Earnings Per Share



The a2 Milk Company proposition

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Single-minded company focus on A1 protein-free products (pioneers and experts)



Compelling and growing scientific evidence



Integrated IP portfolio and proprietary know-how



Unique and effective marketing approach



Clean and green Australia and NZ sourcing profile (strength in Asia)



Capital-smart investment model coupled with strong long-term supply partners



Group strategy



Growth strategy

OUR PURPOSE

As the a2 Milk™ pioneers we are determined to help people enjoy a better life

OUR VISION

To be the innovative and smart choice for dairy nutrition

OUR AMBITION

To be the most admired and commercially attractive dairy nutritional company

OUR STRATEGIC PRIORITIES



BROAD DAIRY NUTRITIONAL PRODUCT PORTFOLIO

Across a continuum from the purity of fresh a2 Milk™ to customised A1 protein-free products

Targeting adults, children and infants to satisfy their growing digestive health needs



TARGETED ATTRACTIVE REGIONS

Asia Pacific focus
(ANZ, China, Other Asia)

USA

UK

Opportunistic new markets



PROPRIETARY KNOW-HOW, A2 PROTEIN EXPERTISE

Integrated intellectual property portfolio

Leading operational & compliance capability

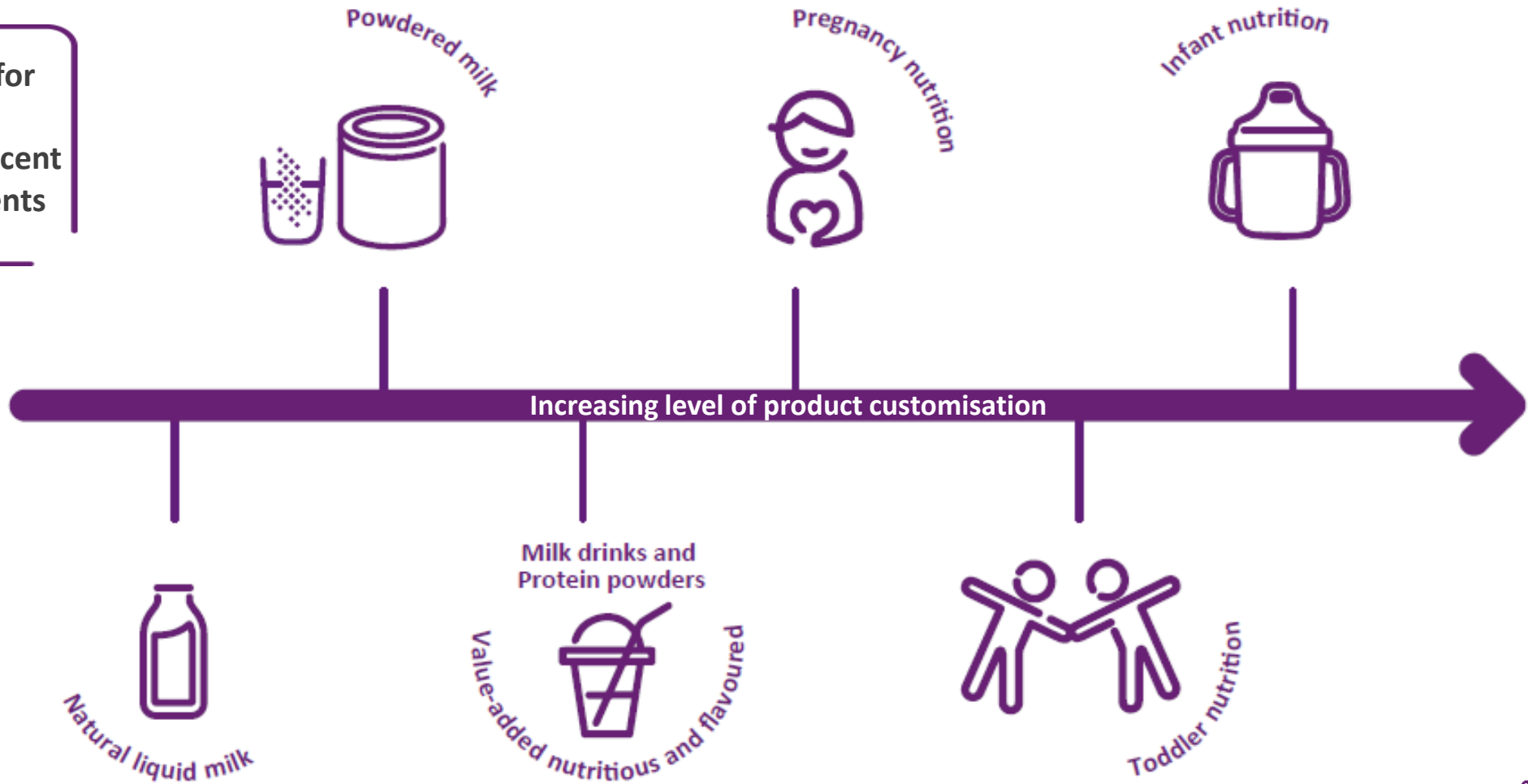
Sponsoring relevant scientific research

Differentiated brand development

Dairy nutrition innovation continuum

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Further scope for innovation in existing & adjacent product segments



Strategic progress & agenda

- Continued build of Board and senior management capability
 - Appointment of Warwick Every-Burns & Jesse Wu as non-executive Directors
 - Reorganisation of senior leadership team and new focus:
 - Chief Executive Asia Pacific
 - Executive Vice President China
 - Head of Business Development – Emerging Markets
 - UK, Europe & Strategic initiatives
- New hires across the Company to support regional growth and innovation needs
- Product innovation planned for FY18 targeting adults, children and infants
 - a2 Platinum® Stage 4 English label in market from August 2017
 - Further launches to follow
- Recent launch of Australian fresh milk into Singapore, first SEA initiative
- Further investment in IP portfolio, supported by targeted R&D
- New unifying brand identity



FY17 result highlights



Financial summary

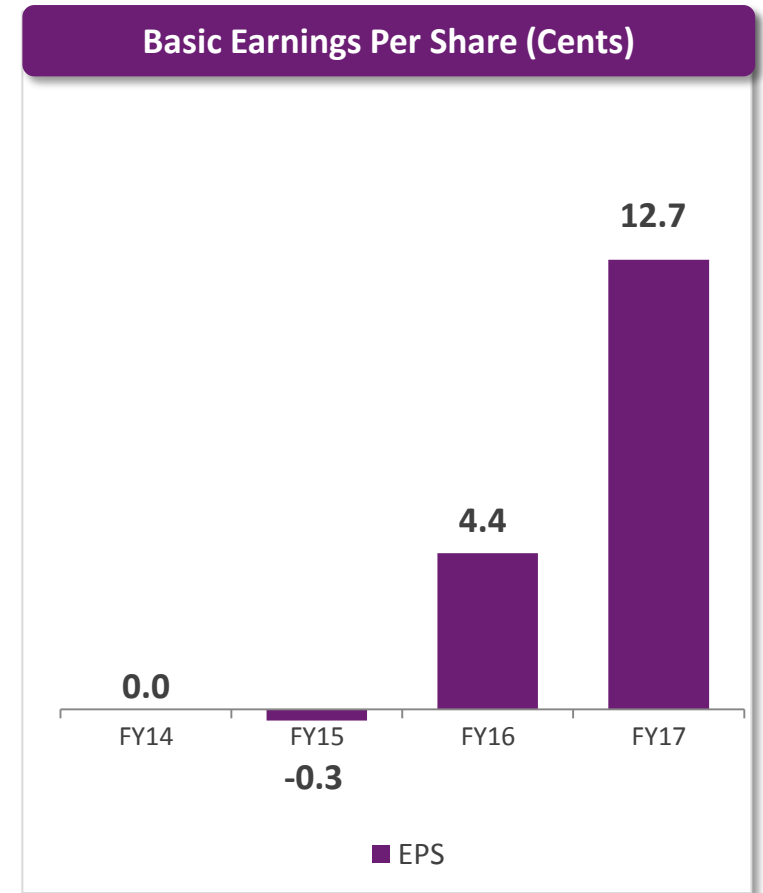
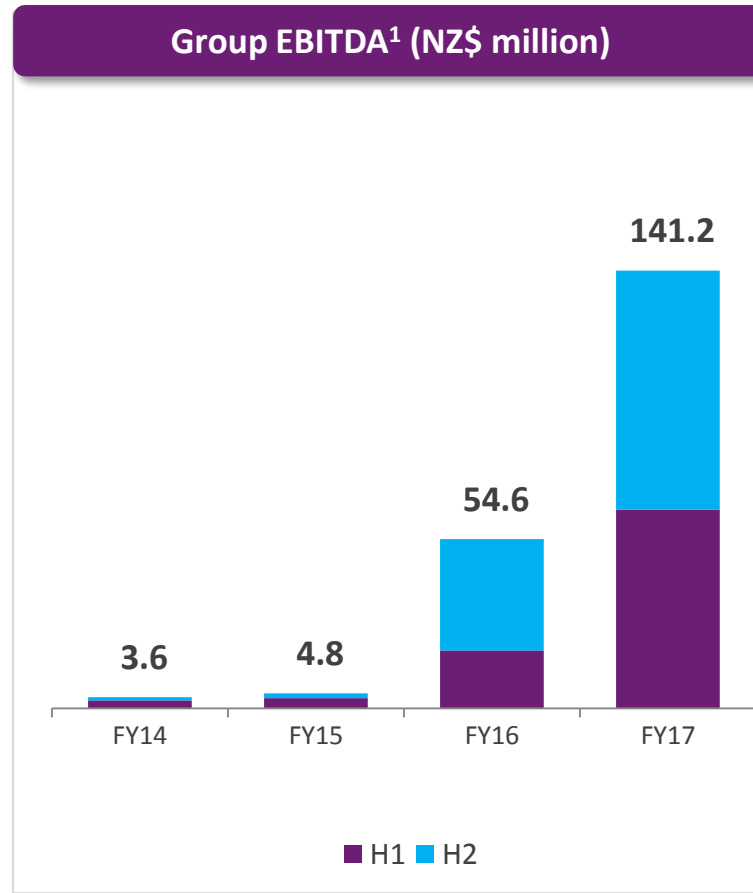
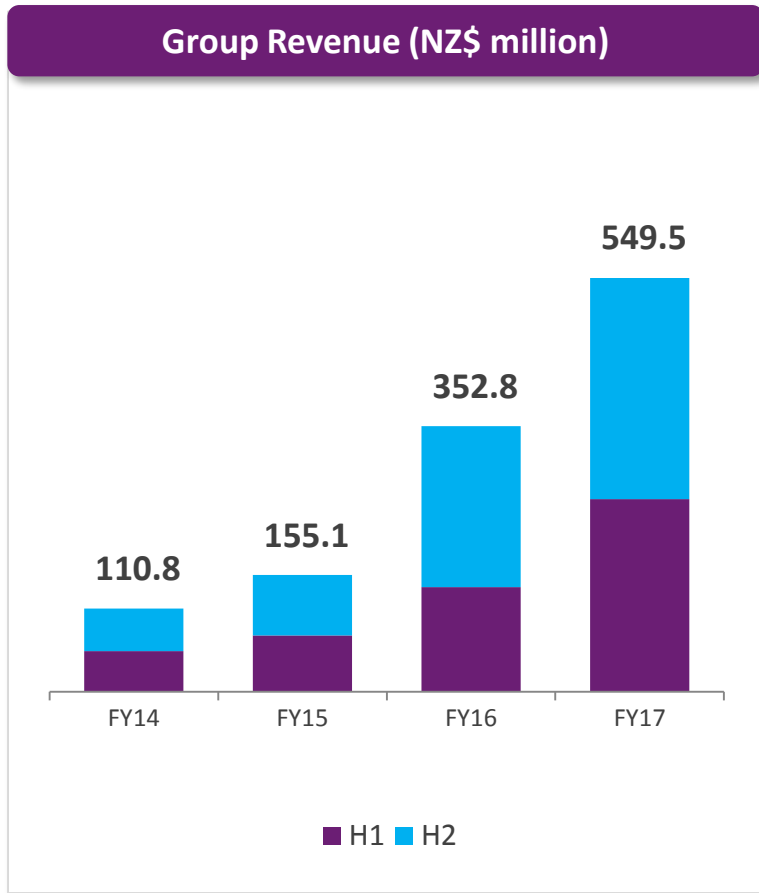
NZ\$ million	FY17	FY16	% change
Revenue	549.5	352.8	56%
Gross margin	263.5	151.0	75%
Sales & distribution	(21.3)	(19.0)	12%
Marketing	(42.0)	(33.0)	27%
Employee costs	(23.0)	(19.1)	20%
Administration & other	(36.0)	(25.3)	42%
EBITDA	141.2	54.6	159%
EBIT	138.5	51.8	167%
NPAT	90.6	30.4	198%
	Jun-17	Jun-16	% change
Cash on hand	121.0	69.4	74%
Inventory	28.4	52.6	(46%)

- Group revenue growth of +56% on pcp, a2 Platinum® infant formula revenue +84%
- EBITDA to sales margin of 26% (up from 15% in pcp)
- Gross margin primarily reflects increased contribution from infant formula sales and lower infant COGS in FY17
- Increased marketing and brand development spend of \$9.0m vs pcp, primarily in US and China
- Increases to 'administration and other' reflects write-down of intangibles (+\$2.4m), increased spend on patents, trademarks and R&D (+\$2.0m) and others costs associated with business expansion
- Effective tax rate reduced from ~42% to ~35% reflecting lower weighting of non-deductible expenses and international losses not tax effected
- Cash on hand reflects strong NPAT contribution offset by \$48.7m investment in Synlait
- Inventory reduction reflects strong demand for infant formula
- Refer Appendix for geographic performance, cash position and a reconciliation of non-GAAP measures



The year in charts

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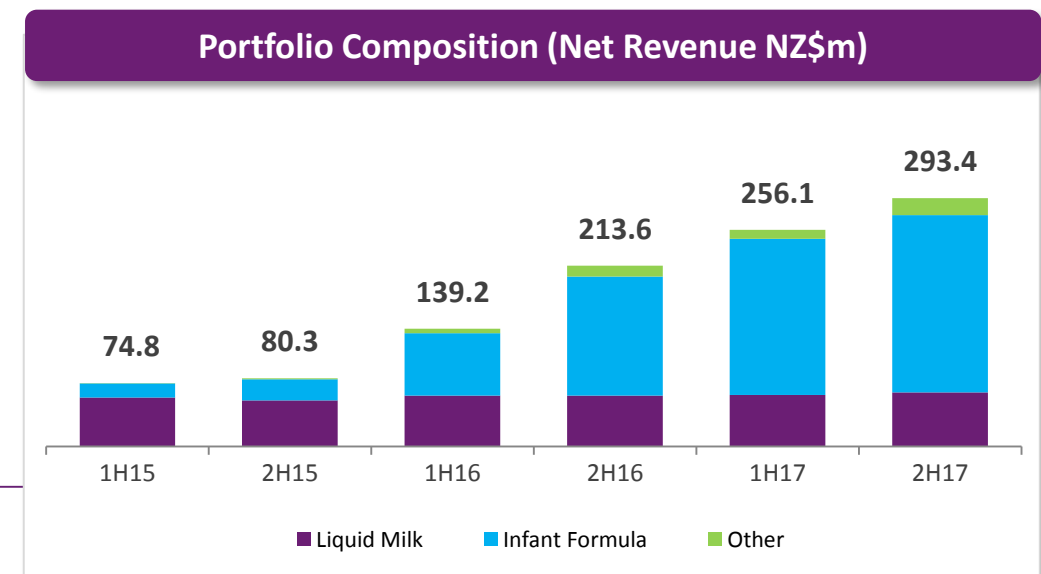
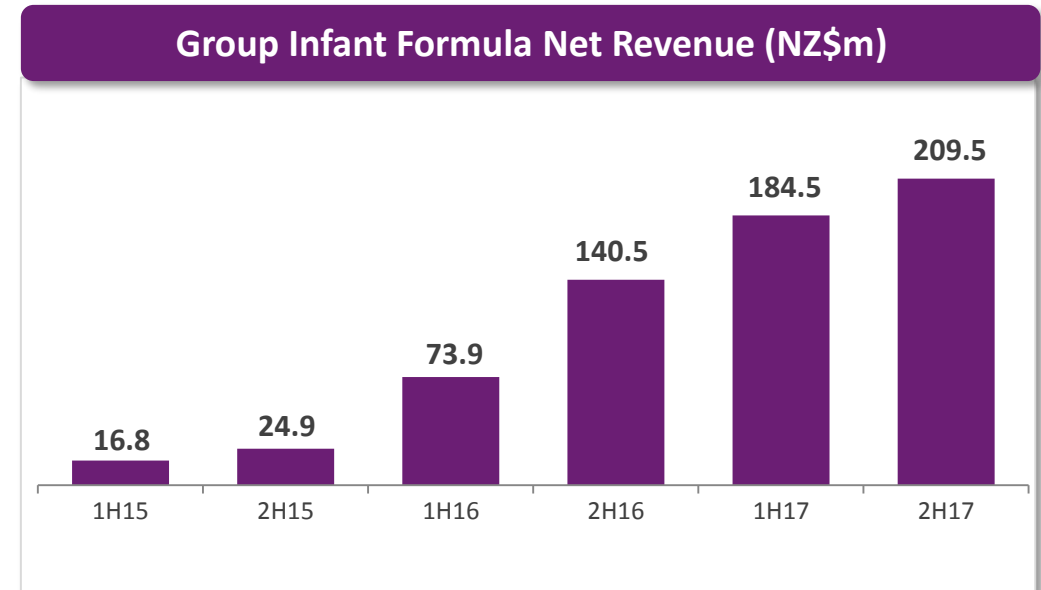
¹EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation, and is shown before non-recurring items



Continued strong growth in sales and market share for a2 Platinum®

- Group infant formula revenue of NZ\$394.0 million, compared to NZ\$214.4 million for FY16
- Infant formula accounts for 72% of Group revenue
- Significant growth in Australian marketplace:
 - Fastest growing Australian infant formula brand by value¹
 - Number 2 infant formula brand in the Australian market¹
 - Value market share growing from ~16% to ~26% (MAT)¹
- Continued success of a2 Platinum® in China a function of our multi-product, multi-channel strategy:
 - Direct sales into China increased significantly in cross border e-commerce channels (CBEC) and mother baby retail stores (MBS)
 - China achieved ~150% growth of infant formula sales from FY16
 - China Label accounted for ~6% of Group infant formula sales in FY17, strengthening to ~8% in 2H17
- Synlait Milk Limited:
 - Enhanced supply agreement completed in August 2016 provides surety of supply
 - a2MC acquired 8.2% shareholding (March 2017)

¹Australian Grocery and Pharmacy Scan 52 weeks to 30 June 2017



FY17 regional performance

ANZ

- Exceptional ANZ business performance; revenue \$439.6m (+48.3%)
- ~78% growth in a2 Platinum® infant formula
- a2 Milk™ fresh milk revenue up ~5.5%
- Strong growth in whole milk powder
- Skim milk powder introduced (May 17)
- a2MC highest brand advertising spend¹
- Continued to pay a premium to farmers

China

- Strong sales and earnings momentum; revenue \$88.9m (+132.9%)
- Infant formula consumption value share of 3.5%²
- Strong growth across mother baby retail and CBEC channels
- Increased local China team capability
- Managed expansion in structured way, supported by in-market consultants

USA

- Progress in building brand awareness, growing rate of sale and expanding footprint region-by-region
- Distribution to ~3,000 stores
- ‘Love Milk Again’ campaign launched
- Continued focus on return on investment
- Financial outlook now assumes ~US\$25M forward investment before positive monthly EBITDA in FY20

UK

- Achieved first annual operating profit
- ‘a2tonishing™’ marketing campaign continued
- Distribution gains to ~1,600 stores and growth in rate of sale
- Assessing incremental opportunities in Europe and Middle East

¹ Highest brand advertising spend for both infant formula and fresh milk categories for FY17

² Kantar Infant Formula market tracking of China Key and A cities for quarter ending 30/06/17 vs prior year of 2.1% (Kantar track a substantial proportion of the total market)

Intellectual property and R&D

- The Company recognises increased interest in A1 protein-free products
 - Focus on patents, trade marks and proprietary know-how across chosen markets, building on first mover advantage
 - a2MC will continue to actively enforce its intellectual property rights
- Research projects progressed during FY17:
 - Significant human study in China (n=600) builds upon digestive benefit findings from an earlier study published in FY16 – now published
 - Clinical study in China amongst pre-school children examining digestive and cognitive function submitted for publication; results consistent with recent adult findings
 - Human clinical study in association with Monash University Australia examining the benefits of a2 Milk® on irritable bowel syndrome
 - Clinical examination of benefits of A1 protein-free milk to gut and systemic inflammation at USA Pennington Biomedical Research Centre
 - First acute human study supported by New Zealand Government grant now complete, a second study building on initial findings has been initiated
- In September 2016 the *Nutrition Journal* reported that consumption of a2 Milk™ increases natural production of the body's key antioxidant, Glutathione (GSH) in self diagnosed milk-intolerant Chinese consumers
 - GSH is widely recognised for its association with a range of health benefits

FY18 update



FY18 regional performance¹

ANZ

- a2 Milk™ fresh milk performing well, pleasing 1Q18² growth on pcp
- a2 Platinum® infant formula continues to be significant contributor
- Successful launch of a2 Platinum® Stage 4, strong consumer take-up
- Strong growth in a2 Milk™ branded milk powders (skim, whole milk)
- The Australian Federal Court action remains in progress; a2MC remains confident of achieving a successful outcome. The scheduled hearing date has been vacated from November 2017 until the New Year with a date to be determined

USA

- Continuing distribution build in core regions and natural channel
- Rate of sale build in Publix and other key retailers backed by earned media and “Love Milk Again” advertising campaign
- Achieving national earned media including “CBS This Morning” national TV news feature during October and strong press coverage
- Investigating new product opportunities for this market

China and other Asia

- Building local team to support ongoing sales growth
- Remain focussed on distribution expansion through MBS³ (offline)
- Consumption share for a2 Platinum® infant formula brand continues to strengthen; ~4.1% Kantar value share up from ~3.5%⁴
- China Food and Drug Administration (CFDA) registration achieved for China label infant formula
- Recent launch of Australian fresh milk into Singapore, first SEA initiative progressing well

UK

- Pleasing progress in rate of sale for fresh milk
- Continued growth in distribution footprint
- Results include a2 Platinum® infant formula sales in the wholesale channel in line with pcp
- Continuing to assess incremental opportunities in Europe and the Middle East

¹ 4-month FY18 (4M18) update to be provided at the Company's Annual Meeting, 21 November 2017

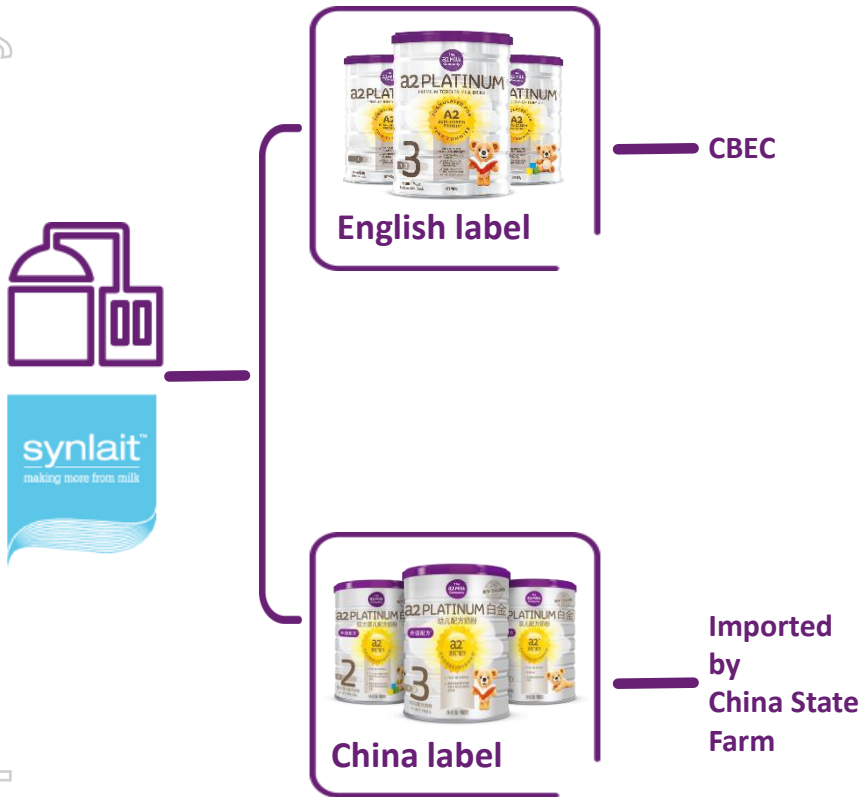
² 1st Quarter FY18

³ Mother Baby Store (MBS)

⁴ Kantar Infant Formula market tracking of China Key and A cities for latest quarter ending 08/09/17, up from 3.5% quarter ended 30/06/17 (Kantar track a substantial proportion of the total market)

China infant formula regulatory environment

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English label product sold through CBEC platforms

- Recent commentary from China State Council suggests:
 - Further 1 year extension to grace period of China CBEC policy to end of December 2018
 - Establishment of new experimental zones to promote development of CBEC
- Further announcements relating to infant formula within the CBEC channel expected

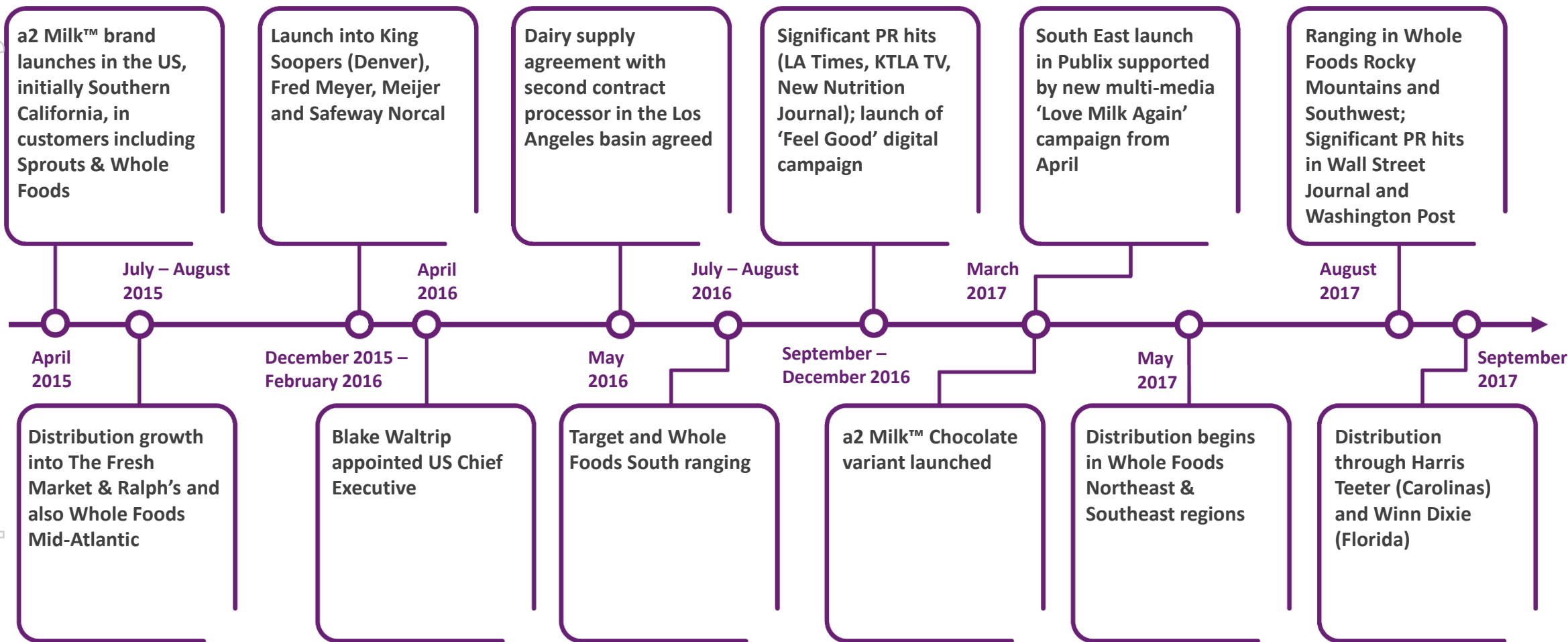
China label product sold through traditional import mode

- CFDA¹ registration achieved September 2017 by Synlait Milk for the importation of a2MC infant formula into China from 1 January 2018
- Registration process included product testing, formulation & ingredient assessment and packaging changes in response to new labelling requirements
- The Company will transition from the existing China label to the newly registered product in market during 2H18

Infant formula regulations cover Stages 1-3; exclude Stage 4

¹ CFDA: China Food and Drug Administration

Momentum has continued to build in the US since launch



Public relations coverage USA

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<https://www.cbsnews.com/videos/a2-milk-draws-consumer-praise-dairy-industry-skepticism/>



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thea2milkcompany.com



Appendix



Geographic financial performance

NZ\$ million	FY17		FY16		Movement %	
Operating Segment	Segment Revenue	Operating EBITDA ¹	Segment Revenue	Operating EBITDA ¹	Segment Revenue	Operating EBITDA ¹
Australia & New Zealand	439.6	155.3	296.3	84.7	48.3%	83.4%
China & other Asia	88.9	32.8	38.2	9.2	132.9%	257.6%
Corporate and other	-	(24.4)	-	(18.8)	-	30.2%
Total excluding US & UK	528.5	163.7	334.5	75.1	58.0%	118.0%
US & UK ²	21.0	(22.5)	18.3	(20.5)	15.1%	9.8%
Total Group	549.5	141.2	352.8	54.6	55.8%	158.6%

Infant formula (included in Group total)

394.0

214.4

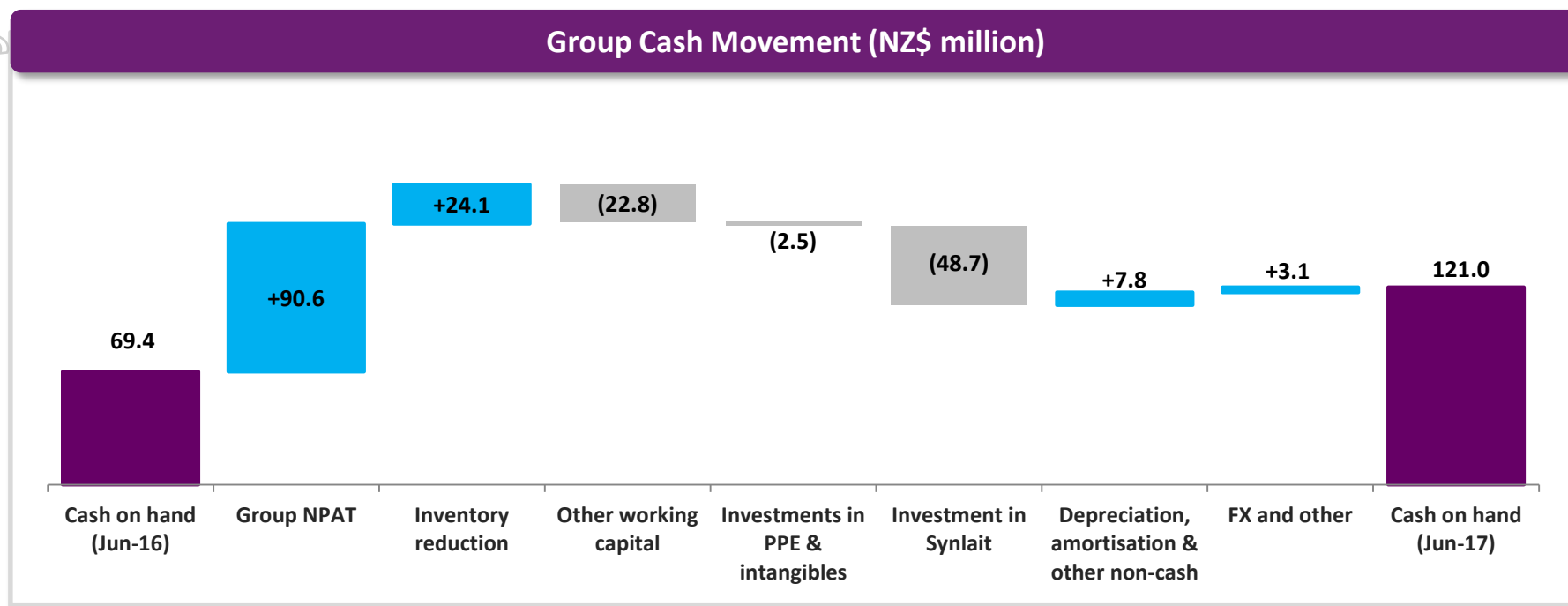
83.8%

¹Operating EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation

²UK & US Operating EBITDA includes \$2.2 million in impairment charges in FY17



Cash position



- Cash on hand reflects continued earnings momentum
- Inventory reduction reflects strong infant formula demand exceeding stock availability
- Working capital movement driven largely by increase in trade debtors and prepayments relating to infant formula
- Includes acquisition of shareholding in Synlait
- Working capital outlook assumes a planned increase in infant formula inventory in FY18

Reconciliation of non-GAAP measures

NZ\$ million	FY17	FY16
ANZ segment EBITDA	155.3	84.7
China & other Asia segment EBITDA	32.8	9.2
US & UK segment EBITDA	(22.5)	(20.5)
Corporate & other segment EBITDA	(24.4)	(18.8)
EBITDA ¹	<u>141.2</u>	<u>54.6</u>
Depreciation & amortisation	(2.7)	(2.8)
EBIT ¹	138.5	51.8
Net interest income	0.8	0.5
Income tax expense	(48.7)	(21.9)
Net profit for the period	<u>90.6</u>	<u>30.4</u>

¹EBITDA and EBIT are non-GAAP measures, but the Company believes they provide investors with a comprehensive understanding of the underlying performance of the business



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