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1 May 2019
NZX/ASX Market Release

Trading update and presentation at Macquarie Australia conference

The a2 Milk Company is participating in the Macquarie Australia Conference in Sydney today, including a presentation to be delivered at the conference this morning.

The presentation includes a number of updates and new information including:

- Trading performance for the 9 months to 31 March 2019 (slide 7)
- Updated outlook statement for FY19 and FY20 (slide 11)
- Regional updates for Australia & New Zealand, China and USA (slides 8 to 10)
- References to a new product to be launched in Q4 FY19 (slide 7)

The presentation is provided as an attachment to this announcement and will be available on the Company's investor website.

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Macquarie Australia Conference 2019

Sydney | 1 May 2019

a2 Milk™, a2 Platinum™ and The a2 Milk Company™ are trade marks of The a2 Milk Company Limited

The a2 Milk Company at a glance

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- Premium branded dairy nutritional company
- Uniquely focused on products containing the A2 beta casein protein type
- Our strong, modern brand is building momentum in the two largest consumer markets in the world

(all figures NZ$)

$613m

1H19 Revenue ↑ 41% vs 1H18

20.9c

1H19 EPS[1] ↑ 53% vs 1H18

$12.3b

Market capitalisation[2]

[1] *Basic earnings per share (EPS)*
[2] *Based on share price of NZ$16.77 at 30 April 2019 (quoted securities only)*

Macro consumer trends support our momentum

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Growing consumer demand for health and wellness products

Food safety, naturalness and provenance

Growing middle class in Asia

What makes us unique

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Global strategic supply partnerships

We continue to be well supported by our key strategic supply partners

Synlait

- Foundation infant nutrition partnership
- Exclusive supply rights for infant nutrition into ANZ & China
- 5 year minimum supply agreement signed July 2018
- Building capacity to support future growth:
  - Auckland canning facility
  - Pokeno facility

Fonterra™

- Emerging markets & multi-products partnership
- Exclusive supply rights for infant formula and other products into new markets
- *a2 Milk*™ branded fresh milk launched in NZ (Aug-18)
- Building capacity to support future growth with the development of milk pools in Australia and New Zealand

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Business updates & FY19 Outlook

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Group

1H19 highlights

- Record financial results in 1H19, continuing strong momentum
- Record market share positions underpin strong results in each region
- Step changing investment for the long term health of our brand and core markets

3Q19 trading performance (9 months to 31 March 2019)

- Group revenue of NZ$938 million[1], up 42% on prior corresponding period
  - Reflecting continued sales growth in nutritional products and liquid milk

2H19 updates

- Accelerating strategic investment in consumer insights, brand and organisational capability
- Building both depth and breadth of organisational capability and infrastructure; number of new senior and broader team hires, focusing on China, NPD and capacity for continued growth and resilience
- Launch of *a2 Smart Nutrition*™ in Australia and China cross border e-commerce (CBEC) during 4Q19; fortified nutritional powdered milk drink targeting children 4-12 years

[1] *Unaudited management results, 9 months to March 2019 ("3Q19")*

Australia & New Zealand

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1H19 highlights

- Continued strong performance across all key product segments: liquid milk, infant formula and other nutritional products with strong underlying brand health
- *a2 Milk*™ branded fresh milk achieved record value market share
- *a2 Platinum*® infant formula remains brand market leader
- No. 1 advertised brand in both milk and infant formula categories
- Other nutritional products revenue grew 37% on prior year

2H19 updates

- Continued strong infant formula and milk sales with growth in market share:
  - *a2 Milk*™ branded fresh milk, value market share of ~11.0%[1] (up from 10.8% Dec 2018)
  - *a2 Platinum*® infant formula value market share of ~36.8%[2] (up from 35.7% Dec 2018)

[1] *Aztec Australian Grocery Weighted Scan rolling 12 months ending 24/03/19*

[2] *Aztec Australian Grocery Weighted Scan rolling 12 months ending 24/03/19*

China

1H19 highlights

- Infant formula consumption market share grew across China
- Our unique multi-channel strategy continued to provide strength
- China label revenue +83% through Mother Baby Stores (MBS)
- Cross border e-commerce (CBEC) remains a key pathway
- Accelerated marketing investment to further grow brand awareness, to leverage high loyalty and trust

2H19 updates

- Continued strengthening of infant formula market share position
  - 6.0% Kantar Tier 1, Key A, B, C & D cities market value[1] (up from 5.4% Dec 2018)
- China MBS store distribution at ~13,600 stores (up from ~12,250 stores Dec 2018)
- Pleasing progress for both China label and English label CBEC infant formula sales
- Up-weighted 2H19 marketing program on track
- Li Xiao, Chief Executive Greater China, commenced 29 April 2019

1 Kantar Infant Formula market consumption tracking of China Tier 1, Key A, B, C and D cities rolling 12 months ending 22 March 2019 by value

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USA

1H19 highlights

- *a2 Milk*™ building sales velocities
- Distribution increased from ~6,000 stores (Jun18) to over 10,000 stores (Dec 18), driven by national distribution within Kroger supermarket chain, three new regions within Costco; additional Vons and Safeway stores and further Walmart distribution
- Distribution increased to ~12,400 stores (Jan 19) driven by building brand awareness and new store planogram reset timings within the respective retail chains
- National brand advertising delivered further increases in brand awareness and rate of sale

2H19 updates

- Continuing positive momentum in sales velocities and distribution growth for liquid milk
- Distribution increased to ~12,700 stores (Mar 19)
- Portfolio extension to include premium and natural coffee creamers end FY19
- Focused on increasing distribution and improving in-store productivity in relatively newer stores

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FY19 & FY20 outlook

- We invested strongly in the first half in both internal and external capability. This has continued in the second half and this rate of investment will continue in FY20
- Following a very strong first half performance, and encouraged by growing market share in China, we are reinvesting the benefits of scale into increased marketing activities in the second half. This is intended to drive brand awareness, predominantly in China, and the US. With this investment on track, we are expecting to further increase our marketing investment in FY20
- Volume phasing associated with regulatory changes at the end of Q3, pulled forward orders which we expect will balance out through Q4. Consequently, we reiterate our revenue growth outlook for the second half to continue broadly in line with the first half
- Second half EBITDA margins will consequently be lower than first half, with full year FY19 EBITDA as a percentage of sales expected to be approximately 31-32%. This is due largely to:
  - Marketing investment in 2H19 to approximately double 1H19
  - Continued investment in building organisational capability; and
  - A slightly weaker Australian Dollar (vs New Zealand Dollar)
- We do not anticipate any significant impact to gross margin percentage during FY19 as a result of recent increases in dairy pricing as reflected in Global Dairy Trade Indices. However, these increases are likely to have some impact to gross margin percentage in FY20

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Appendix

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Record first half results, step changing investment for the future

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Record financial results in 1H19, continuing strong momentum

- Group revenue: $613.1 million[1] +41.0%; EBITDA[2]: $218.4 million +52.7%
- Net profit after tax: $152.7 million +55.1%
- Strong balance sheet with closing cash balance: $287.9 million

Record market share positions underpin strong results in each region

- Infant formula consumption market share in China of 5.7%[3]; China label revenue +82.6%, brand leadership in Australia at 35.7%[4]
- US sales growth +114.1% (USD) and over 10k store distribution
- Australian fresh milk value share 10.8%[5], revenue +11.7% (AUD)

Step changing investment for the long term health of our brand and core markets

- Accelerating strategic investment in consumer insights, brand and organisational capability
- Marketing spend +75% in first half (#1 priority China, #2 priority USA)
- Number of new senior and broader team hires, focussing on China, NPD and capacity for continued growth and resilience
- Building both depth and breadth of organisational capability and infrastructure

[1] *All figures quoted in New Zealand Dollars (NZ$) and all comparisons are with the six months ended 31 December 2017 (1H18), unless otherwise stated*
[2] *Operating EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation*
[3] *Kantar Infant Formula market tracking of China Tier 1 and Key A cities for 12 months ending 28 December 2018 by value*
[4] *Aztec Australian Grocery and Pharmacy Scan 12 months ending 30 December 2018*
[5] *Aztec Australian Grocery Weighted Scan 12 months ending 30 December 2018*

1H19 results highlights

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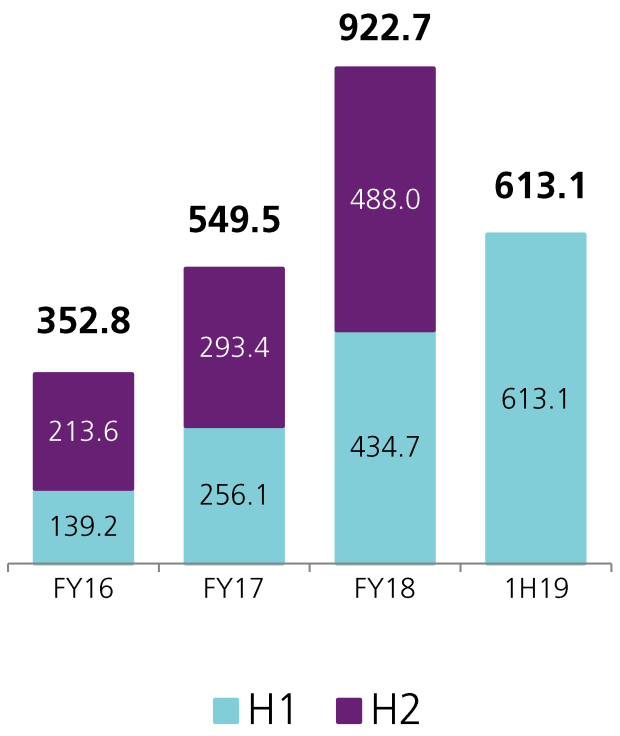
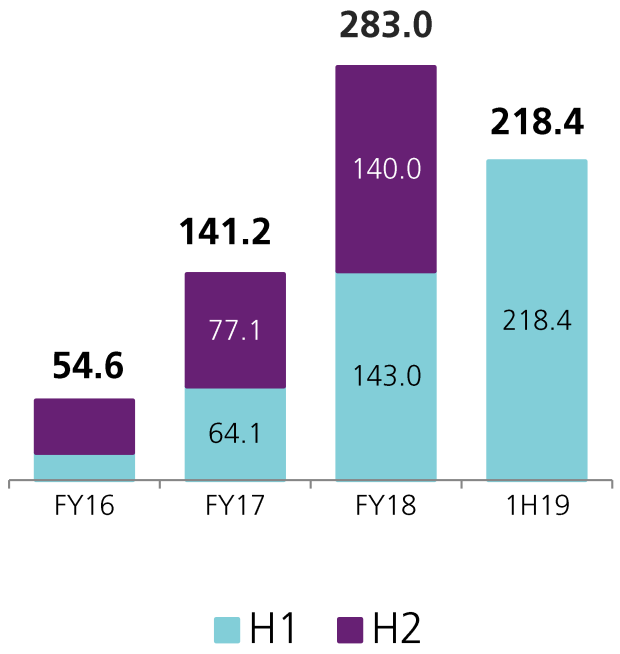
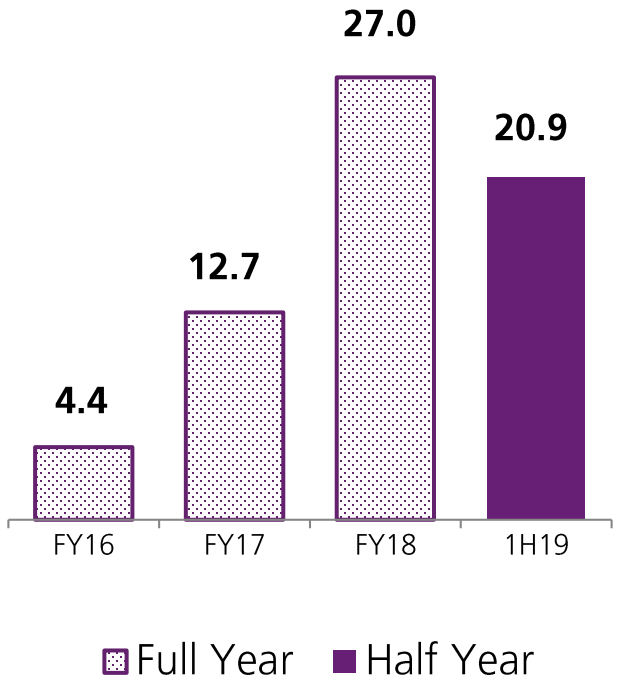
Group revenue (NZ$ million)[1]



Group EBITDA[2] (NZ$ million)



Basic Earnings Per Share (cents)



[1] *The Company's financial year ends 30 June; H1 refers to the first half period from 1 July to 31 December; H2 refers to the second half period from 1 January to 30 June*
[2] *EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation, and is shown before non-recurring items*

1H19 financial summary – step changing investment

NZ$ million	1H19	1H18	% change
Revenue	613.1	434.7	+41%
Gross margin	340.6	216.5	+57%
Distribution	(14.8)	(13.0)	+14%
Marketing	(45.5)	(26.0)	+75%
Employee costs	(27.4)	(16.4)	+67%
Administration & other	(34.5)	(18.0)	+91%
EBITDA	218.4	143.0	+53%
EBIT	217.4	141.9	+53%
NPAT	152.7	98.5	+55%

- Reflects continuing strong growth across key regions
- GM of 55.6% reflects benefits of scale and mix (higher proportion of infant formula sales), partially offset by currency movements (most notably a weaker AUD)
- Increased marketing investment primarily to support growth in China and the US
- Employee cost increases reflect capability build in core markets and corporate
- Reflects strategic investment in consumer insights and costs to support business expansion

NZ$ million	Dec-18	Jun-18	% change
Cash on hand	287.9	340.5	-15%
Inventory	72.8	64.1	+13%

- Cash on hand reflects strong NPAT contribution, offset by investment in Synlait
- Increase in infant formula inventories; includes $35.3m of goods in transit

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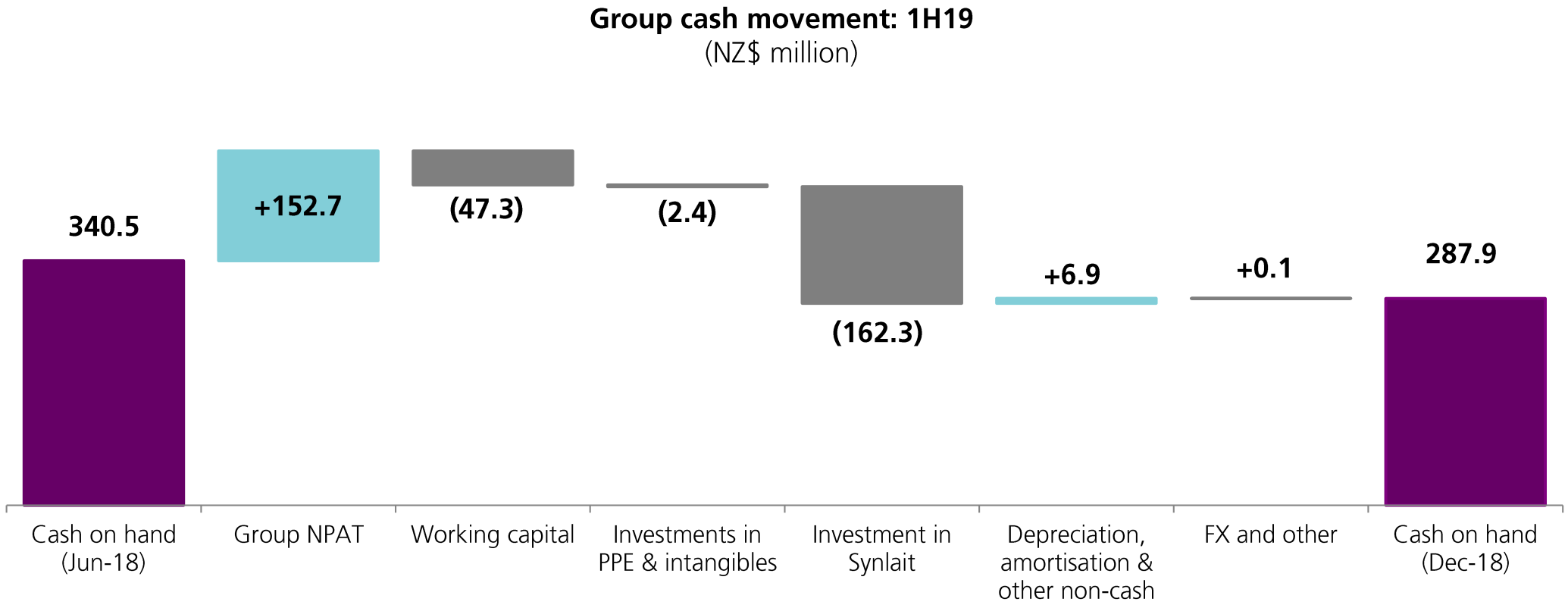
1H19 cash position – strong balance sheet



- Working capital movement reflects timing of tax and supplier payments, impact of revenue phasing on debtors and increased infant formula inventory
- Increased investment in Synlait to 17.4% shareholding in August 2018

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Geographic and product segment performance

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Geographic segment revenue & EBITDA							Product segment revenue		
NZ$ million		Australia & New Zealand	China & other Asia	UK & USA	Corporate	Total Group	Liquid milk	Infant nutrition	Other
1H19	Revenue	418.4	171.7	23.0	-	**613.1**	83.4	495.5	34.2
	EBITDA[1]	192.0	68.4	(14.6)	(27.4)	**218.4**			
	EBITDA %	45.9%	39.9%	NM	-	**35.6%**			
1H18	Revenue	304.3	114.4	16.0	-	**434.7**	69.4	341.0	24.3
	EBITDA	116.4	48.3	(8.4)	(13.3)	**143.0**			
	EBITDA %	38.3%	42.3%	NM	-	**32.9%**			
% Change	Revenue	37.5%	50.1%	43.1%	-	**41.0%**	20.2%	45.3%	40.4%
	EBITDA	64.9%	41.6%	NM	105.2%	**52.7%**			

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

Reconciliation of non-GAAP measures

NZ$ million	1H19	1H18
Australia & New Zealand segment EBITDA	192.0	116.4
China & other Asia segment EBITDA	68.4	48.3
UK & USA segment EBITDA[1]	(14.6)	(8.4)
Corporate EBITDA	(27.4)	(13.4)
EBITDA[1]	218.4	143.0
Depreciation/amortisation	(1.0)	(1.1)
EBIT[1]	217.4	141.9
Net interest income	1.6	0.8
Income tax expense	(66.3)	(44.2)
Net profit for the period	152.7	98.5

[1]EBITDA and EBIT are non-GAAP measures. However, the Company believes they assist in providing investors with a comprehensive understanding of the underlying performance of the business

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China regulatory environment

- The Chinese government issued a number of regulatory updates in 1H19 with respect to e-commerce and CBEC across all products and services. A new e-commerce law (effective 1 Jan 2019) and CBEC policy framework (effective 31 March 2019) together confirmed:
  - A strengthening of compliance obligations for e-commerce operators (domestic and CBEC)
  - English label infant formula and milk powder products can continue to be sold via CBEC as imports for personal use[1]
  - A continuation of preferential tax rates for imports via CBEC bonded warehouse zones
  - An increase to the number of approved CBEC bonded warehouse zones across China
- Synlait Milk facility registrations progressing:
  - Late December 2018, Synlait Milk obtained registration renewal of its Dunsandel plant with the GACC[2] allowing Synlait to continue to export canned infant formula to China; Auckland plant has achieved GACC dairy registration and is progressing with the GACC infant nutrition process

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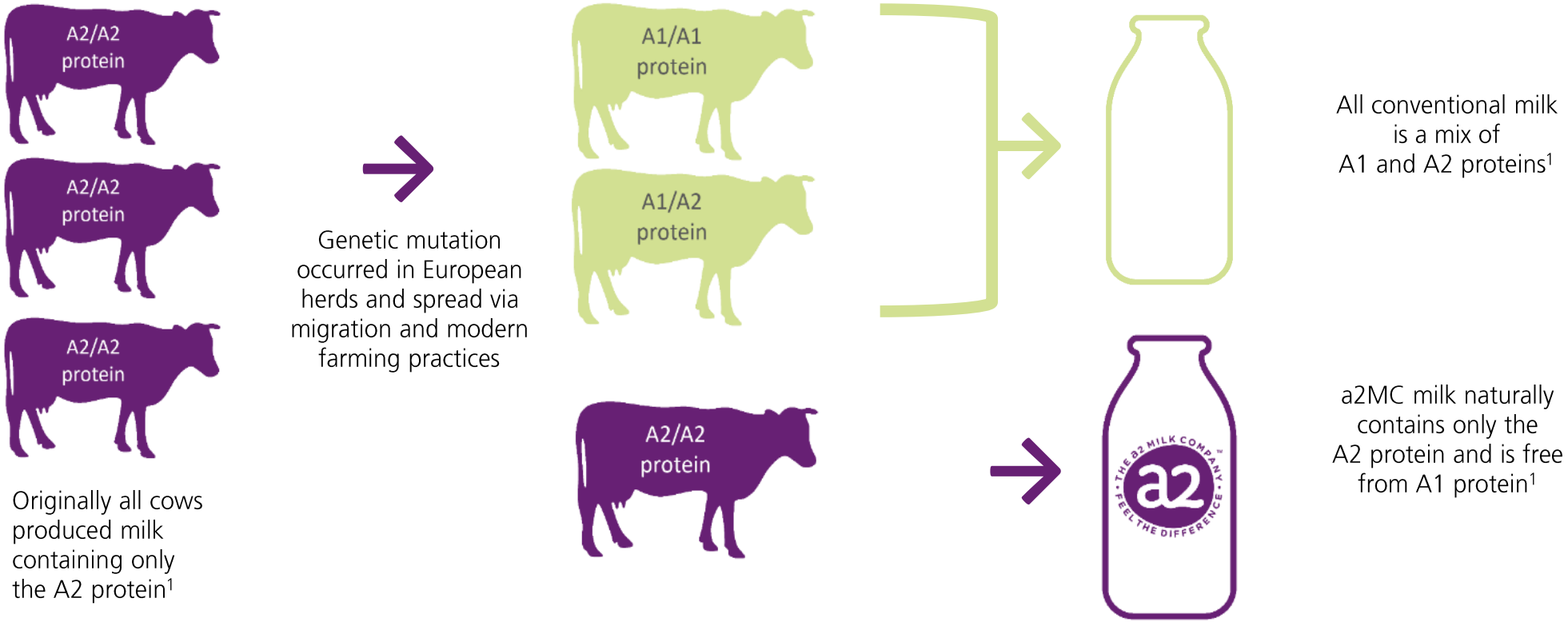
[1] *Provided CBEC participants adhere to the responsibilities as outlined in the policy framework by 31 March 2019*
[2] *General Administration of Customs of the People's Republic of China*

What is the a2 Milk® brand difference?

- The brand difference starts with specially selected cows
- The a2 Milk Company has significant years of knowledge and experience and takes great care in bringing our consumers the very best quality dairy nutritional products always free from the A1 protein
- A1 and A2 proteins digest differently - many people who have issues digesting conventional milk find they can enjoy a2 Milk®



[1] *A1 and A2 protein refers to A1 and A2 beta casein protein types respectively*

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Up-weighted 2H19 marketing program on track

Increased advertising and media exposure driving brand awareness and trial

China

USA

Australia

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Disclaimer

This presentation dated 1 May 2019 provides additional comment on the Interim Report for the six months ended 31 December 2018 of The a2 Milk Company Limited (the "Company" or "a2MC") and accompanying information released to the market on the same date. As such, it should be read in conjunction with the explanations and views in those documents.

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