更上一个台阶
Stepping it up.

The a2 Milk Company Limited
Investor Strategy Day and China Market Immersion | Shanghai | 17 and 18 September 2019
Welcome

Objectives for the next two days:

• Provide more colour on our business and priorities as we head into a period of significant investment to support continued growth

• Share key insights into all our core markets – with a particular focus on consumer and channel trends in Greater China and the US

• Give you an opportunity to meet and get to know our senior leaders

• Engage you in the China market through our eyes – bringing key insights to life through in-market experiences
Welcome and overview of our journey ahead
Celebrating the Australian fresh milk business
Accelerating focus and investment in Greater China
Confidence in US as a second growth engine
Close and Q&A
What we want you to take away from this experience

- Consumer-led with deep market understanding
- Re-imagining our future business
- Stepping up our growth investment
- Protecting what makes us special
Increased consumer-led focus on fewer bigger regions.
We’ve had an extraordinary journey...

Here’s a snapshot of our journey:

- **Company founded**: FY00
- **Shift from licensing to operational; a2 Milk™ relaunches in Aus**: FY07
- **Transferred listing to NZX main board**¹:** FY11
- **a2 Milk™ launches in UK and Ireland**: FY11
- **Synlait Manufacturing agreement for IMF**: FY12
- **China distribution agreement for IMF with China State Farm**: FY13
- **IMF launched in ANZ and China**: FY14
- **a2 Milk™ launched in the US**: FY15
- **Comprehensive strategic relationship announced**: FY15
- **IMF launched in ANZ and China listing**: FY15

1. Listed on the NZX alternative market (NZAX) in 2004 and transferred listing to NZX mainboard in 2012

**IP Creators** | **Australian branded fresh milk focus** | **Expanding product range and distribution footprint** | **Stepping it up**
---|---|---|---
Company founded | Shift from licensing to operational; a2 Milk™ relaunches in Aus | Transferred listing to NZX main board¹ | IMF launched in ANZ and China listing
*a2MC historical revenue (NZ$m)*

<table>
<thead>
<tr>
<th>Year</th>
<th>a2MC historical revenue (NZ$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY00</td>
<td>42.4</td>
</tr>
<tr>
<td>FY07</td>
<td>64.1</td>
</tr>
<tr>
<td>FY08</td>
<td>94.7</td>
</tr>
<tr>
<td>FY09</td>
<td>110.8</td>
</tr>
<tr>
<td>FY10</td>
<td>155.1</td>
</tr>
<tr>
<td>FY11</td>
<td>352.8</td>
</tr>
<tr>
<td>FY12</td>
<td>549.5</td>
</tr>
<tr>
<td>FY13</td>
<td>922.7</td>
</tr>
<tr>
<td>FY14</td>
<td>1,304.5</td>
</tr>
</tbody>
</table>

¹ Listed on the NZX alternative market (NZAX) in 2004 and transferred listing to NZX mainboard in 2012
The next phase of our evolution as a company is important

- The growth potential is significant – and very energising
- It builds on all that has come before us, but requires stepping up
- We are investing to establish broader consumer reach and greater resilience and capacity as an organisation
- We will measure our success on several critical metrics in each of our markets including:
  - Brand awareness, trial and loyalty conversion
  - Share of category consumption
  - Absolute revenue growth
  - Healthy underlying gross margins by product categories

We are pursuing the two biggest consumer markets in the world

<table>
<thead>
<tr>
<th>Population</th>
<th>Category</th>
<th>IMF</th>
<th>Fresh milk</th>
<th>Fresh milk + IMF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,393m</td>
<td>IMF</td>
<td>327m</td>
<td>Fresh milk</td>
<td>Fresh milk + IMF</td>
</tr>
<tr>
<td>327m</td>
<td>Fresh milk</td>
<td>25m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Key ingredients for the ongoing success of our business

1. **Focus** – core markets and existing products first, new products second, new markets third

2. **Accelerating investment** to increase and deepen consumer understanding and engagement:
   - Significant increase in brand awareness leading to increased levels of trial and loyalty conversion
   - Bandwidth as an organisation to continue at pace across a more diverse business portfolio and agenda
   - Technology to support growth and fast-paced innovation

3. **Adaptability** to continue to evolve the settings of our rapidly changing business

4. **Preservation** of our passionate belief and the core values of our culture, focused on remaining a big “little” company
We have sharpened our strategy and increased our focus

Maximise growth from existing products in core markets

- Greater China and the US are significant markets with sizeable and growing premium categories
- We have high consumer loyalty, yet relatively low awareness – indicating significant growth opportunity
- ANZ remains strategically important – creating brand value and channel pathways into Asia

Broaden our product portfolio in core markets

- Our core markets have sizeable adjacent categories – once meaningful brand awareness is achieved
- New products leverage our existing infrastructure, channels and proprietary know-how – yet also require investment in new capability

Expand into other targeted markets

- Expansion into new markets will occur over time
- Continued market testing in SE Asia and extending the Korean range to include infant nutrition with Yuhan
-Exiting the UK will allow further focus on our existing core markets and over time more attractive new markets
Accelerating investment to increase and deepen consumer engagement

Deep consumer insights reveals our brand proposition is unique and resonating strongly

- Our consumer research gives us confidence that consumers connect with our brand proposition
- We have put in place systems to continue to listen, monitor and adapt to our consumers

‘Test and Learn’ at the heart of our approach

- We apply a “test and learn” approach to investment
- This enables us to better understand effectiveness in a contained setting before full-scale investment

Market dashboards enable ongoing adjustment to investment settings

- Consumer behaviour is always evolving
- Proprietary dashboards allow us to monitor effectiveness of our marketing investment and ensure we continually raise the bar
Accelerating the development of our organisation is important

 Investing in more great people

• New skills and added capacity are critical enablers to the delivery of our strategy
• Expanding our team rapidly, but in line with our purpose and values, is critical
• Bespoke recruitment model fits our culture – already delivering marked improvement in diversity and inclusion

Step-changing our people experience

• First time for “People” function means a unique opportunity to anchor our values, behaviours and our culture across all parts of the organisation
• Taking a fresh approach and using digital engagement tools and closed loop feedback to drive fast decisions and continually improve

Investing in Technology

• Opportunity to step-change our information systems and data usage
• Priorities driven by critical path capability needs as well as governance requirements
### Our strategic partners enable fast growth and adaptability

<table>
<thead>
<tr>
<th>Synlait</th>
<th>Fonterra</th>
<th>CSFA Holdings Shanghai Co., Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Foundational partnership for infant nutrition</td>
<td>- Relatively new partnership spanning multiple products and emerging markets</td>
<td></td>
</tr>
<tr>
<td>- Supply rights for defined infant nutrition products into ANZ &amp; China</td>
<td>- a2 Milk™ branded fresh milk launched in NZ (Aug-18)</td>
<td></td>
</tr>
<tr>
<td>- Committed production capacity from Synlait and well established process to manage significant continued growth</td>
<td>- Ingredients production began in 2019</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Building capacity to support future growth with the development of milk pools in Australia and NZ</td>
<td>- Strong partner for the company’s infant nutrition products in mainland China since 2013</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Exclusive import agent for our China label infant nutrition products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Signed renewal contract in December 2018</td>
</tr>
</tbody>
</table>
Preserving the essence of who we are…

**OUR PURPOSE:**

We enrich lives by harnessing the nutritional wonders of nature.

**OUR VALUES:**

**Bold passion**
Driven to realise our amazing potential as a company and individuals.

**Pioneering spirit**
Unconventional open-minded thinking that re-imagines the possibility – outcome driven.

**Humility**
We’re never done growing, discovering and have a willingness to continually iterate and learn.

**Respect**
Seek to understand difference in all its forms.

**Integrity**
Do the right thing for our consumers, partners, people… and our cows.
Celebrating our Australian fresh milk business.
Australia fresh milk goes from strength to strength

- Continued impressive growth in revenue and earnings over the last five years; supporting our expansion plans
- FY19 saw the highest growth in fresh milk since FY15 with value market share of 11.4% and achieved a 10-year CAGR of over 20%
- Growing brand awareness and highest loyalty of any other milk brand
- Our strong fresh milk foundations in Australia have enabled our opportunities more broadly
I would like to let you know how great I feel since switching to a2 Milk™. I suffer from an upset stomach after drinking regular milk. Now I have none of these symptoms. What a life saver!

Lisa

Since switching to a2 Milk™, I’m able to enjoy dairy again. I would never consider drinking any other milk. Thanks a2 Milk™!

Robert

I drank so much milk when pregnant and I honestly believe a2 Milk™ is the best! Tastes so good! And it’s the only milk my kids drink too.

Mel
Consistent brand investment has led to strong awareness and brand loyalty
Accelerating focus and investment in Greater China.
Greater China key messages

1. The infant formula category dynamics remain positive

2. Our business is consumer-led and we have put in place systems to continue to listen, monitor and adapt

3. We are stepping up our marketing investment – following intensive learning and data infrastructure development

4. We are channel agnostic – able to stay agile and adapt to changing consumer behaviour

5. Our growth opportunity remains significant – it will look different to the last 3 years
Infant formula category dynamics are attractive

There are several factors impacting infant formula category dynamics:

- **Population demographics**: structurally challenge the market as there are fewer women of childbearing age and as is the case elsewhere, women are having children later in life
- **Fertility rates**: are on the rise since China changed its one-child policy in 2014
- **Household penetration and usage**: increasing with growing household wealth
- **Premiumisation**: continues to promote growth, as families prioritise investment in their children above other spending, compounded by the “4-2-1” family structure
- **Brand fragmentation**: provides opportunity for brands with a proposition that resonates with consumers

Relative to other packaged goods categories, the dynamics in infant formula remain attractive
China’s birth rate has declined, although fertility rates are rising

The fertility rate increased from 1.61 to 1.63 (’14–’18) since one-child policy was changed in 2014...

...but the number of new births is still in decline due to

- Declining population of females at childbearing age after the long-standing one-child policy
- Women are getting married and having children older than historical levels, shifting the curve slightly

### Number of new births in China (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2014</th>
<th>2016</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female pop. of childbearing age (millions)¹</td>
<td>210</td>
<td>205</td>
<td>201</td>
<td>200</td>
</tr>
</tbody>
</table>

The CAGR for the period 2012-2016 was 12-16%, while for 2016-2018, it was 16-18%.

2%  -8%

¹Childbearing age defined as age 20-40;
Source: World bank, national statistics; literature research
More women are delaying starting a family to prioritise education and a career.

Many Chinese-educated women now want to have more than one child — but only after they have established a stable job.

Note: Tier 1 cities is best estimate
Source: Euromonitor, national statistics; literature research
The growing middle class in China contributes to category growth

China household breakdown by income levels
Millions of households

- High income: 396 (2008), 470 (2018), 528 (2028E)
- Upper mid: 78 (2008), 130 (2018), 180 (2028E)
- Lower mid: 178 (2008), 240 (2018), 300 (2028E)

% of HH delta ('18-'28E)
- High income: 10%
- Upper mid: 13%
- Lower mid: -1%
- Low income: -21%

~140 million households will move into the middle income brackets in the next decade

Note: Annual households disposable income breaks: low income ($0-10K), lower mid ($10K-35K), upper mid ($35K-65K), high income ($65K+) at constant currency in 2018
Source: Euromonitor
“4-2-1” family structure results in children receiving more attention and care

1990: traditional family structure

2018: inverted “4-2-1” family structure

Greater capacity for parents and grandparents to invest in their children (6 “pockets” 1 child)

Note: “4” represents the parents and parents-in-law, “2” represents the husband and wife, and “1” refers to the only child of the couple
Category fragmentation provides opportunity for brands that resonate

China

Others 63%

Top 5 brands 37%

Australia

Others 16%

Top 5 brands 84%

US

Others 17%

Top 5 brands 83%

Source: China: Kantarworld panel, 12 months ending July 2019; Australia: IRI 12 months ending Aug 2019; USA: non-WIC IMF IRI Mulo 12 months ending August 2019
Greater China key messages

1. The infant formula category dynamics remain positive

2. Our business is consumer-led and we have put in place systems to continue to listen, monitor and adapt

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4. We are channel agnostic – able to stay agile and adapt to changing consumer behaviour

5. Our growth opportunity remains significant – it will look different to the last 3 years
China is a big and complex consumer market with strong regional influences...
…and distinctive city tier dynamics

<table>
<thead>
<tr>
<th>Tier 1 cities</th>
<th>Tier 2 cities</th>
<th>Tier 3 cities</th>
<th>Tier 4 cities &amp; below</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 cities covering ~75m people</td>
<td>30 cities covering ~200m people</td>
<td>150 cities covering ~220m people</td>
<td>450 cities/1.6k counties covering ~900m ppl</td>
</tr>
</tbody>
</table>

**Shanghai**
- Wealthy
  - $17K GDP per capita
- Urbanised
  - 86% consumers living in urban area vs. 60% nationwide
- Connected
  - 1.4 smart mobile devices per person vs. 0.95 nationwide
- Educated
  - 80% college-aged population¹ receive higher education vs. 48% nationwide
- Fast-growing
  - 7.4% GDP growth (17-18) vs. 6.6% nationwide
- Service industry driven
  - Tertiary (service) sector contributes 60% of total GDP vs. 49% nationwide
- Population inflow
  - 4% population growth² vs. 1% in Tier 1 cities

**Suzhou**
- Relatively wealthy
  - $13K GDP per capita
- Fast-growing
  - 10.0% GDP growth (17-18) vs. 6.6% nationwide
- Talent shortage
  - 1.25 jobs available per applicant vs. 0.60 in Key cities
- Greater affordability of housing
  - House price to income ratio is 9 vs. 24 in Tier 1 cities

**Kunshan**
- Developing
  - $10K GDP per capita
- Fast-growing
  - 10.0% GDP growth (17-18) vs. 6.6% nationwide
- Talent shortage
  - 1.25 jobs available per applicant vs. 0.60 in Key cities
- Greater affordability of housing
  - House price to income ratio is 9 vs. 24 in Tier 1 cities

**Hai’an**
- Underdeveloped
  - $6K GDP per capita
- Rural
  - 42% consumers living in rural area vs. 40% nationwide
- Population outflow
  - Negative 3% population growth²
- Less developed retail
  - MT store # accounts for 5% as of total FMCG outlets vs. 18% in Tier 1&2 cities

**Note:** GDP per capita based on tier cities average, other metrics based on Shanghai, Suzhou, Kunshan, Hai’an as proxy;
¹College-aged defined as 18-22
²Population growth is calculated based on number of primary school students as proxy (2011-2016)
Source: National Bureau of statistics; Kantar; AC Nielsen; China Statics Yearbook

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Global macro factors apply across all consumer segments in Greater China

- Growing consumer demand for health and wellness products
- Growing focus on food safety, naturalness and provenance
- Rise of the middle class
- Rapid pace of digitalisation
Chinese consumers have an increased consciousness on health and wellness.

Rapid growth seen in consumer health sector...

**MARKET SIZE**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2018</th>
<th>2018 CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health supplement</td>
<td>17.6</td>
<td>28.2</td>
<td>+10%</td>
</tr>
<tr>
<td>USD/Capita</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gym and fitness services</td>
<td>2.3</td>
<td>4.5</td>
<td>+15%</td>
</tr>
<tr>
<td>USD/Capita</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health check-up</td>
<td>6.4</td>
<td>19.5</td>
<td>+25%</td>
</tr>
<tr>
<td>USD/Capita</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

...and health-related product categories

**2013-2018 CAGR**

<table>
<thead>
<tr>
<th></th>
<th>Healthy products</th>
<th>Less healthy products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bottled water</td>
<td>+13%</td>
<td>Carbonates +2%</td>
</tr>
<tr>
<td>Juice</td>
<td></td>
<td></td>
</tr>
<tr>
<td>100% Juice</td>
<td>+14%</td>
<td>Juice drinks (up to 24%) -3%</td>
</tr>
<tr>
<td>Snacks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nuts</td>
<td>+6%</td>
<td>Sugary snacks +2%</td>
</tr>
<tr>
<td>Edible oil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olive oil</td>
<td>+15%</td>
<td>Soy oil -1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1Includes sports nutrition, vitamins and dietary supplements, weight management and wellbeing, herbal/traditional products

Source: Euromonitor; Founder Securities; IHRSA; Frost&Sullivan
The pace of digitalisation is supporting the consumer economy

Mobile internet users largest in the world

<table>
<thead>
<tr>
<th>Region</th>
<th>Mobile internet users</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>820m</td>
</tr>
<tr>
<td>USA</td>
<td>260m</td>
</tr>
<tr>
<td>Europe</td>
<td>340m</td>
</tr>
</tbody>
</table>

% mobile-only internet users

- China: 20%
- USA: 5%
- Europe: 70%

% mobile payment of internet users

- China: 70%
- USA: 15%

Total mobile transaction value

- China: $40T
- USA: $0.16T

Digital finds its way into every aspect of people’s daily lives

WeChat example

1.1B daily active users, who spend 1.5 hrs everyday on average

Source: Euromonitor; iResearch; TechCrunch; PitchBook; VRVCA; CNNIC; People’s Bank of China; Forrester research

Above 2 hours for urban citizens

3 Above 2 hours for urban citizens

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Consumers engaging deeply with content; seamlessly linked into e-commerce

**Format**

**Live streaming**
- to activate history transaction data and drive more sales

**Channel**

**Leveraging social networks**
- for cheaper and easier new user acquisition

**Content**

**Co-branding / IP**
- to reach young consumers with viral buzz

**Examples**

- **Alibaba Taobao live stream:** generated $15B GMV in 2018, purchase rate 65%; 60K live streams (adding up to 150K hours) going on everyday

- **Lining x People’s Daily:** Co-branding outfits to echo ‘China Fashion’

- **Watsons x Netease Music:** Makeup products tailored for specific genre

**Red Book:**
- 85M MAU; 1B post exposure everyday in which 70% are UGC

Content-first approach encourages consumers to connect with brands on an emotional level, resulting in stronger loyalty, which also drives them to promote brands to their networks.
Our research shows five distinct consumer archetypes of mothers in China

- Our market can be characterised into **five consumer archetypes** defined by behavioural factors

- Most important attributes for a significant proportion of mums were linked to our brand proposition, hence we have **broad appeal across multiple archetypes**, but there are some different nuances in appeal for each consumer archetype that is guiding communication and channel strategy

- Each archetype has a mix of China and international label consumers

- We are focusing our choices with respect to brand positioning and targeted consumers to ensure we **invest where we can drive the biggest uplift**

- Our target consumers shop across all channels, and there is strong **strategic rationale to be across all channels** in some form over time

- **We are building one brand with three labels in infant nutrition** – China label, ANZ label and HK label (launching in 2H20)
Data and analytics allow us to stay ahead of evolving consumer behaviour

**Consumer insights mining and brand development**
- Regular, proprietary brand and consumer archetype tracking
- Deep usage & attitude, ethnography, qualitative and quantitative methods

**Brand health and consumption tracking**
- Proprietary, internal methodology developed to form the best possible view of category size, dynamics and brand performance
- Regular bespoke brand health tracking across multiple regions

**Marketing mix effectiveness**
- Market mix modelling to better understand short (and medium) term demand drivers across the sales and marketing mix levers
- Trialling data partnerships with key digital platforms
Greater China key messages

1. The category dynamics remain positive

2. Our business is consumer-led and we have put in place systems to continue to listen, monitor and adapt

3. We are stepping up our marketing investment – following intensive learning and data infrastructure development

4. We are channel agnostic – able to stay agile and adapt to changing consumer behaviour

5. Our growth opportunity remains significant – it will look different to the last 3 years
Consumers engage with multiple and diverse information sources and channels

**Sources of information**
- Word of mouth
- Key opinion leader/key opinion consumer
- Brand marketing on e-commerce platforms
- TV commercials/program sponsorships
- Out-of-home advertisement
- Events in MBS/modern trade retailers
- Sales consultants/promotional people
- In-store display

**Purchase channels**

### Domestic e-commerce platforms
- JD
- Tmall
- Babtree

### Cross-border e-commerce (CBEC)
- JD Global
- Tmall Global
- Kaola
- Yunji
- Pinduoduo
- Red

### Social e-commerce
- Taobao
- WeChat

### Daigou
- Taobao
- WeChat

### Mother and Baby Store (MBS)
- Babemart
- Kidswant
- Redbaby

### Modern trade retailers
- Ole
- Hema
- RT-Mart
Our marketing investment is focused on building awareness and conversion

- Different marketing approaches are tailored to distinct steps in the consumer’s path to purchase
- Primary focus is driving growth in brand awareness – given our relatively high loyalty this is shown to deliver ROI over time
- This is supported with activations in-store and online to drive conversion to trial
Data infrastructure and consumer insights provides confidence to invest

- We are building our investment profile from the bottom up, rather than a specific top down target

- We are testing, monitoring and iterating our approach to building brand awareness (directly and indirectly) by using our data tools

- Our proprietary dashboards monitor the effectiveness of each trial and campaign – triangulating multiple data sources and applying benchmarks to enable continuous learning loops
Greater China key messages

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- Sales consultants/promotional people
- In-store display

Physical store

Online

Purchase channels

Domestic e-commerce platforms
- JD
- Tmall
- Babytree
- Modern trade retailers
- JD Global
- Tmall Global
- Kaola
- Cross-border e-commerce (CBEC)
- Yunji
- Pinduoduo
- Red

Social e-commerce
- Daigou
- Taobao
- WeChat

Mother and Baby Store (MBS)
- Babemax
- Kidswant
- Redbaby
- Modern trade retailers
- Ole
- Hema
- RT-Mart
In the China IMF market, majority of sales occur in physical stores

**IMF value sales by channel**

<table>
<thead>
<tr>
<th>Channel</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical retail</td>
<td>70-75%</td>
</tr>
<tr>
<td>Online</td>
<td>25-30%</td>
</tr>
</tbody>
</table>

**Anticipated channel growth trends**

- **MBS drives continued strong growth in offline channels**
  - MBS will remain an important information source, support network and part of mothers’ daily lives
  - Curated selection of brands means MBS is differentially benefited by premiumisation trend
  - As chained stores grow share, quality of in-store experience drives further consumer engagement

- **Convenience and continued consumer demand for international-labelled products supports growth in online channels**
  - A significant number of consumers prefer to buy international-labelled products – growth in this segment drives growth online
  - Online “reach” and delivery networks mean consumers in lower tier cities can access brands not ranged in local MBS
  - Shift to “convenience” shopping supports growth in online IMF sales

*Source: Internal methodology*
China has the biggest, most dynamic retail landscape in the world

Online
a virtual community, providing “one click” access to a wide range from around the globe

Physical retail
a curated range of products combined with experiential elements, designed for family fun

Convergence
is evolving channels into ecosystems and the online and offline shopping experience is becoming more seamless and harmonized
Key channel trends and insights

**Online**
a virtual community, providing “one click” access to a wide range from around the globe

**Physical retail**
a curated range of products combined with experiential elements, designed for family fun

**Convergence**
is evolving channels into ecosystems and the online and offline shopping experience is becoming more seamless and harmonized
Macro factors enable China to be at the forefront of the digital revolution

- China has the largest, most digitally savvy population in the world
- Digitalisation is everywhere – there is more innovation, occurring at a faster pace, than in any other market
- Big online players have evolved beyond e-commerce platforms – they are now “do-it-all” unicorns, including expanding out of online and into offline channels
- Combination of consumer demand, innovation, competition and investment means Greater China is well placed to further widen its digital leadership
China’s e-commerce landscape is becoming more and more diverse

<table>
<thead>
<tr>
<th>Multi-category</th>
<th>Category specialised</th>
<th>Brand specialised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-</td>
<td>Specialised</td>
<td>Specialised</td>
</tr>
<tr>
<td>category</td>
<td>Brand</td>
<td>Brand</td>
</tr>
</tbody>
</table>

### B2C

<table>
<thead>
<tr>
<th>Domestic online (DOL)</th>
<th>Cross border EC (CBEC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alibaba</td>
<td>TMALL 天猫</td>
</tr>
<tr>
<td>Kaola (CBEC focus)</td>
<td>网易考拉</td>
</tr>
<tr>
<td>JD</td>
<td>JD.COM</td>
</tr>
</tbody>
</table>

### C2C

<table>
<thead>
<tr>
<th>Social EC</th>
<th>Daigou</th>
</tr>
</thead>
<tbody>
<tr>
<td>拼多多</td>
<td>淘宝网 Taobao.com</td>
</tr>
<tr>
<td>WeChat</td>
<td>京东全球购 JD Worldwide</td>
</tr>
<tr>
<td>小红书</td>
<td>全世界的好东西</td>
</tr>
<tr>
<td>云集</td>
<td>全球精品仓库</td>
</tr>
</tbody>
</table>

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## Summary of key e-commerce platforms

<table>
<thead>
<tr>
<th></th>
<th>B2C</th>
<th>C2C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Multi-category</strong></td>
<td>Vertical platform</td>
<td>Brand specialised</td>
</tr>
<tr>
<td>TMALL天猫</td>
<td>Proprietary logistics – 90% of orders delivered same or next day</td>
<td>Supplied and operated by the brands themselves</td>
</tr>
<tr>
<td>Alibaba Tmall</td>
<td>Top volume player driven by frequent discount</td>
<td>Brand building; 100% control on product and user experience</td>
</tr>
<tr>
<td>网易考拉</td>
<td>Online community for mums to exchange experiences</td>
<td>Content/community oriented platforms, led by Key Opinion Leaders and Key Opinion Customers</td>
</tr>
<tr>
<td>JD</td>
<td>One-stop-shop dedicated for the mum-and-baby category</td>
<td>Pin Duo Duo leverages personal networks to sell products</td>
</tr>
<tr>
<td>JD.com</td>
<td>Consumers more sensitive to price</td>
<td><strong>C2C channel for lower price imported goods from overseas</strong></td>
</tr>
<tr>
<td>蜜芽宝贝</td>
<td></td>
<td><strong>Limited visibility by brands</strong></td>
</tr>
<tr>
<td>Babytree/Miya</td>
<td></td>
<td><strong>Critical channel to build word-of-mouth</strong></td>
</tr>
<tr>
<td><strong>Top volume contributor</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DOL and CBEC channels co-exist</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Frequent platform-wide promotions</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Alibaba Tmall: Top volume contributor; Full-category platform specialised in CBEC; Quality guaranteed with brands official authorisation; Proprietary logistics – 90% of orders delivered same or next day; Top volume player driven by frequent discount; Consumers more sensitive to price.
- JD: Online community for mums to exchange experiences; One-stop-shop dedicated for the mum-and-baby category.
- Babytree/Miya: Supplied and operated by the brands themselves; Brand building; 100% control on product and user experience.
- Taobao/WeChat: Content/community oriented platforms, led by Key Opinion Leaders and Key Opinion Customers; Pin Duo Duo leverages personal networks to sell products; C2C channel for lower price imported goods from overseas; Limited visibility by brands; Critical channel to build word-of-mouth.
CBEC, social e-commerce and daigou are unique to China
Top 5 CBEC platforms account for ~80% of market

<table>
<thead>
<tr>
<th>Platform</th>
<th>Total CBEC share %</th>
<th>Number of bonded warehouses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tmall Global</td>
<td>~30%</td>
<td>34</td>
</tr>
<tr>
<td>Kaola</td>
<td>~25%</td>
<td>13</td>
</tr>
<tr>
<td>JD Worldwide</td>
<td>~10%</td>
<td>17</td>
</tr>
<tr>
<td>VIP Global</td>
<td>~10%</td>
<td>10</td>
</tr>
<tr>
<td>Little Red Book</td>
<td>~5%</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Internal analysis

Alibaba recently acquired Kaola and plans to integrate it with Tmall, giving Tmall a leading ~55% share of CBEC.
Viral social e-commerce operators are rewriting the ways to reach shoppers

- Changing the way that brands reach consumers through the use of social networks to drive e-commerce
  - Between networks via WeChat, Facebook and Instagram
  - Group buying via Pinduoduo
  - Peer recommendation via Yunji, Little Red Book

- Drives lower tier city penetration given mix of social network users

- Increases reach to younger consumers who favour social commerce over traditional e-commerce platforms
  - Mintel survey (May 2019) revealed 51% of people born after 1990 intend to use social commerce platforms more in the future (vs. 30% for traditional e-commerce)
Social e-commerce is outgrowing overall e-commerce

China social e-commerce market (B RMB)

Social e-commerce as % of total e-commerce\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>96</td>
<td>360</td>
<td>684</td>
<td>1,100</td>
</tr>
<tr>
<td>%</td>
<td>3%</td>
<td>7%</td>
<td>10%</td>
<td>12%</td>
</tr>
</tbody>
</table>

CAGR (14-18) 84%

During this period, total e-commerce grew at \(~30\%\) CAGR

Social e-commerce is a subset of e-commerce that involves social media, online media that supports social interaction, and user contributions to assist online buying and selling of products and services

\(^1\)Includes general e-commerce and social e-commerce

Source: Internal analysis
Daigou is a key channel for certain consumers and will continue to play an important role in our multichannel approach.

The daigou channel has existed for decades and continues to evolve.
Daigou retains its personal nature, but is now a modern sophisticated channel

- Evolving role of daigou within the selling process
- Improved logistics and supply chain capabilities
- Enhanced regulatory compliance
Key channel trends and insights

**Online**
a virtual community, providing “one click” access to a wide range from around the globe

**Physical retail**
a curated range of products combined with experiential elements, designed for family fun

**Convergence**
is evolving channels into ecosystems and the online and offline shopping experience is becoming more seamless and harmonized
There is a wide variety of physical retail store formats in China

**Speciality Mother and Baby Stores (MBS)**
- National chain MBS: 14 customers, ~4k stores
- Regional chain MBS: 200 customers, ~8k stores
- Independent MBS: ~110k stores

**Traditional trade**
- Independents

**Modern trade**
- Hypermarket
- Supermarket
- Convenience

Source: ACNielsen
MBS is more than a retail store...

One-stop shop for the mother and baby category with comprehensive collection of products

High engagement model with 1-on-1 professional consultation and ability to touch and feel products

Destination for kids to play and parents to learn and feel part of a wider community
There is significant variation across the MBS channel

National / regional chain MBS

Independent MBS
The MBS channel is consolidating; Key&A cities are leading the way

China MBS retail market value

National MBS players lead in different regions

More consolidated in higher tier cities:
~20% market share in Key & A cities; <5% in B/C/D cities

2018

Top 5 chains 10%

Western China (西北区+西南区)

Northern China (华北区)

Middle-South China¹ (中南区)

Eastern China (华东区)

²Excluding Hong Kong, Macau, and Taiwan; Region definition based on China National Bureau of Statistics; Top 5 players including: Kidswant; Babymax; Baby Bear; Aiyingdao; Leyou; Uses 20 Key & A cities as proxy for Key & A city market share

Source: Babemax prospectus; Official websites; Expert interviews; Internal data and analysis
As we grow our store footprint, we are equally focused on in-store execution.
Key channel trends and insights

Online
a virtual community, providing “one click” access to a wide range from around the globe

Physical retail
a curated range of products combined with experiential elements, designed for family fun

Convergence
is evolving channels into ecosystems and the online and offline shopping experience is becoming more seamless and harmonized
Pace of retail innovation in China is unprecedented globally

The China retail landscape has evolved rapidly since the 1990s

1990s

- Simple structure
- Department stores dominated the market (>60% share)
  - General store
  - Grocery

1996

- Modern trade booming
- Supermarkets
- MNC retailers activated
  - Super
  - Mini
  - Grocery

2006

- Hypermarkets
- MNC & Premium Local growing penetration
  - Super
  - Mini
  - CVS

2011-2016

- Diversified channel
  - Grocery
  - Hyper
  - Super
  - Mini
  - CVS
  - e-commerce

2017- now...

- Integrated online & offline
- O2O
- Fast delivery
- Stock in store
- Big data
- Advanced logistics
- New Retail
- New zone
Alibaba is leading channel convergence with their new offline Hema Fresh stores

Online/Mobile

Traffic & sales generator
Well developed app for product selection and online ordering
70%+ of total orders generated through online channel

Experience center
In-store food processing and dining right after purchase

Last mile delivery point
In-store product for 30-min delivery within 3km range area

Set clear roles of online and offline

Offline store

Achieve synergy with Ali’s ecosystem

Payment
Alipay as major viable payment

Customer insights
Sync Taobao ID to enable customer profile and enhance merchandising insights

Farm direct sourcing
Share sourcing with Tmall (e.g. same vegetable private label from same supplier)

Source: Hema store vist and mgt. interview as of 2018 Sep; literature research
Greater China key messages

1. The category dynamics remain positive

2. Our business is consumer-led and we have put in place systems to continue to listen, monitor and adapt

3. We are stepping up our marketing investment – following intensive learning and data infrastructure development

4. We are channel agnostic – able to stay agile and adapt to changing consumer behaviour

5. Our growth opportunity remains significant – it will look different to the last 3 years
While growing across all channels, revenue mix is changing and evolving

We are growing revenue across all our channels...

...changing the shape of our business

<table>
<thead>
<tr>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANZ</td>
<td>CBEC</td>
<td>China Label</td>
<td></td>
</tr>
<tr>
<td>214.3</td>
<td>394.1</td>
<td>724.4</td>
<td>1,063.8</td>
</tr>
<tr>
<td>41.8</td>
<td>24.8</td>
<td>83.9</td>
<td>167.8</td>
</tr>
<tr>
<td>167.6</td>
<td>297.8</td>
<td>482.5</td>
<td>652.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANZ</td>
<td>CBEC</td>
<td>China Label</td>
<td></td>
</tr>
<tr>
<td>2%</td>
<td>6%</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>20%</td>
<td>18%</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>78%</td>
<td>76%</td>
<td>66%</td>
<td>61%</td>
</tr>
</tbody>
</table>

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Significant opportunities to grow within the Greater China infant category...

- **The category dynamics remain positive, despite declining birth rates**
  - Household penetration and usage is increasing with growing household wealth
  - Premiumisation continues as families prioritise investment in their children
  - Brand fragmentation provides an opportunity for brands with a proposition that resonates with consumers

- **Our business is consumer-led and we have put in place systems to continue to listen, monitor and adapt**
  - The macro factors that have supported our growth in other markets are just as relevant in China
  - We have a deep, proprietary understanding of our consumers which is sharpening our brand proposition and business model
  - We have invested in data and analytics to ensure we stay ahead of evolving consumer behaviour

- **We are stepping up our marketing investment – following intensive learning and data infrastructure development**
  - The diversity of information channels that consumers engage with along the path to purchase require us to step up our marketing investment
  - Primary focus is growing brand awareness – our relatively high loyalty gives us confidence in the ROI of increasing awareness and driving trial
  - We are committed to testing, monitoring and iterating our approach to building brand awareness
  - Our brand awareness has risen several points over the last 12 months

- **We are channel agnostic – able to stay agile and adapt to changing consumer behaviour**
  - The pace of change in the China retail landscape is unparalleled; we must continue to be consumer-led and channel agnostic
  - Daigou will continue to grow and be an important channel option for consumers; accordingly, it will continue to be important for a2 Platinum®
  - Other online channels (CBEC, social e-commerce and domestic online) will also continue to collectively grow
  - Beyond driving increased physical distribution, we are also focused on improving our offline execution
Our broader portfolio of products in China play in very big categories.
Confidence in the US as a second growth engine.
US key messages

1. The US milk market is attractive
2. The category has distinct features
3. We are confident we can build our brand in a meaningful way
4. Sustained brand investment and ongoing innovation will be important
The US premium refrigerated milk market is significant…

Refrigerated milk market retail sales value (US$)

- NZ: $0.3bn
- Australia: $1.4bn
- UK: $3.3bn
- China: $4.6bn
- US: $12.8bn

Source: Euromonitor, World Bank, Kantar, internal analysis
…With significant and attractive potential for The a2 Milk Company

- 20-25% of milk category sales are in the premium segment.
- 100% of annual growth in premium segment is driven by non-organic milk brands.
- 32% of total grocery spend is on health and wellness products.
- 20% of packaged goods growth is coming from disruptive brands at an average premium of 3.9X.

Note: Health/wellness products include beverages and packaged foods; disruptive brands represent only 2% of the total CPG market; total US milk revenue excludes plant-based; consumers are trading up from conventional milk to premium brands.

Source: premium segment SPINS July 14, 2019; health and wellness and disruptive spend - Euromonitor.
US key messages

1. The US milk market is attractive
2. The category has distinct features
3. We are confident we can build our brand in a meaningful way
4. Sustained brand investment and ongoing innovation will be important
There are three distinct aspects of the US fresh milk market

1. The **premium milk segment is well-established**, with significant consumer choice and several other ‘disruptors’ chasing growth.

2. US consumers have distinctive purchase patterns; most critical is that they are **open to new** brands and comfortably purchase **multiple brands**.

3. The grocery retail landscape is **fragmented**; different channels have different roles in the eyes of the consumer – a combination is required to achieve scale.
The premium segment is well established

Premium milk set at Publix in Atlanta (58 SKUs across 15 brands)

20-25% of category sales are premium

 Grocery 23%  Mass 15-25%  Natural 67%

Note: % premium based on 12 months to 14 July 2019; mass is an estimate of Walmart and Target
Source: Store visit to Publix Ponce, April 2019; SPINS
US consumers have distinct purchase patterns in fresh milk

Consumers buy in repertoires
- Majority of households purchase more than one milk brand
- Differing needs of household members drives repertoire behavior
- A meaningful number of consumers have purchased a new brand/type of milk in past 6 months

Decisions are influenced at point of sale
- Majority of new milk decisions are made in store
- Fastest growing brands also provide media support

Consumer proposition drives choice
- Organic, lactose-free, plant-based milk categories etc drive choice
  - Fat content, pack size and brands are secondary considerations
- If out of stock, most consumers will switch brands to purchase a substitutable product

Stand out on the shelf is important

Consumers are open to trial new brands

We must have the right range to be considered

Source: Consumer survey 2019
Diverse retail landscape creates distinct experiences for our consumers

<table>
<thead>
<tr>
<th>Characterising channel features</th>
<th>Example banners</th>
<th>Est % of total milk by retail channel</th>
<th>Est % of premium milk within each channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural / Premium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• High emphasis on natural, organic products; strategically important</td>
<td>Whole Foods</td>
<td>4%</td>
<td>67%</td>
</tr>
<tr>
<td>• Premium store layouts</td>
<td>Sprouts Farmers Market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Big grocery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Multi-banner chains with 1000+ outlets</td>
<td>Kroger</td>
<td>65%</td>
<td>23%</td>
</tr>
<tr>
<td>• Includes wide brand assortment and often well-established private label</td>
<td>Publix, Albertsons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mass</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Large format stores with both grocery and includes conventional, premium and organic goods</td>
<td>Walmart</td>
<td>24%</td>
<td>15-25%</td>
</tr>
<tr>
<td>• Members-only warehouse style stores with emphasis on bulk purchases</td>
<td>Target</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Focused range in each category</td>
<td>Costco Wholesale</td>
<td>7%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Source: % total milk estimated based on SPINS/IRI data for Natural/Premium and Grocery, and reported consumer survey for Mass. And Club; % premium based on SPINS data, Mass is estimated as an average of Walmart and Target, Club is based on BJ's which would be broadly in line with Costco. Premium milk = total organic, lactose free, ultra-filtered milk, and a2 Milk™ brand.
US key messages

1. The US milk market is attractive
2. The category has distinct features
3. We are confident we can build our brand in a meaningful way
4. Sustained brand investment and ongoing innovation will be important
Our research shows there are six consumer segments across US milk

- Our consumer targets are the largest consumers of premium milk, although they are not exclusively premium milk buyers
- They often purchase multiple “milk” products and enjoy having a “family repertoire”
- Our consumer insights are informing our retail channel focus, communication strategy and new product opportunities
- $a2$ Milk™ consumption is adding to consumer repertoire choice
- We are playing for a meaningful position in the premium segment of the market, which will open up other opportunities for the brand
Our confidence continues to increase

Target consumers represent a significant % of category

Velocity gains of up to 45% in established stores

High loyalty rates

Social media engagement is 10x the nearest competitor

Sales have increased more than 100% CAGR over the past three years

Continued store expansion in all major retailers due to positive early performance

The most important objective in the near term is growing brand awareness and converting to trial. This will deliver significant velocity growth and ultimately a scale business in the US.

Source: Consumer survey; 2018 Equity Tracker; internal sources
We are expanding our national footprint

April 2015: Launch in California

Mar 2017: Southeast launch
Jan 2018: Northeast launch

2019: Emerging national footprint

Approx. store counts

December 2015 > 500 stores
January 2018 > 5,000 stores
June 2019 > 13,100 stores

Legend
- Broad distribution
- Limited distribution
- No distribution

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Our trajectory is in line with top tier ‘disruptive growth’ brands

Number of brands to reach US$25m revenue by length of time from launch

<table>
<thead>
<tr>
<th>Length of Time</th>
<th>Number of Brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3 years</td>
<td>7</td>
</tr>
<tr>
<td>3-5 years</td>
<td>15</td>
</tr>
<tr>
<td>5-10 years</td>
<td>24</td>
</tr>
<tr>
<td>10+ years</td>
<td>43</td>
</tr>
</tbody>
</table>

Note: Revenue data reflects brand within specific category; as a result, a single brand can be included multiple times if playing in multiple categories; Revenue data is from IRI and therefore only reflects revenue in traditional channels. Source: IRI; proprietary research analysis.
1. The US milk market is attractive
2. The category has distinct features
3. We are confident we can build our brand in a meaningful way
4. Sustained brand investment and ongoing innovation will be important
We will consistently invest in building strong awareness and brand loyalty.
New US packaging design has greater shelf impact...
...and greater modernity
The range now includes coffee creamers
Confidence in the US as a second growth engine

- **The US milk market is attractive**
  - The fresh milk market in the US is significant at $12.8bn
  - Premium milk segment is well-established at 20-25% of the category
  - Health and wellness is a growing theme in consumer choice

- **The US milk market has distinct features**
  - US consumers enjoy choice, have wider repertoires and are open to new brands
  - Diverse retail landscape creates distinct experiences for our consumers

- **We are confident we can build our brand in a meaningful way**
  - Our brand proposition resonates well with the most important premium consumer archetypes
  - We have high loyalty rates with consumers and are drawing from across a diverse range of product segments
  - Our 3-year revenue CAGR is >100% and our trajectory is in line with top ‘disruptive’ growth brands in the US
  - We have underlying healthy structural gross margin % and strong retail support

- **Sustained brand investment and ongoing innovation will be important**
  - Upgrading packaging, in-store focus and new communication campaign during FY20
  - From a strengthening core milk range we will expand into adjacent product opportunities
    - Coffee creamers launched in July 2019
    - Other new products to be introduced over time
The consumer is informing our way forward.
The next phase for The a2 Milk Company continues our evolution

• The growth potential is significant – and very energising

• It builds on all that has come before us, but requires stepping up

• We are investing to establish broader consumer reach and greater resilience and capacity as an organisation

• We will measure our success on four critical metrics in each of our markets:
  – Brand awareness, trial and loyalty conversion
  – Share of category consumption
  – Absolute revenue growth
  – Healthy underlying gross margins by product categories
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