BUILDING FROM STRENGTH

27th Annual CITIC CLSA Flagship Investor's Forum

The a2 Milk Company Limited

AGENDA

ABOUT US

The a2 Milk Company

The a2 Milk Company at a glance

- New Zealand company with dual listing on NZX (ticker ATM) and ASX (ticker A2M)
- 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$)

$1.73B

FY20 revenue ↑ 33% vs FY19

31.7%

FY20 EBITDA margin

52.39c

FY20 EPS[1] ↑ 34% vs FY19

$13.5B

Market capitalisation[2]

[1] *Basic earnings per share (EPS)*
[2] *Based on share price of NZ$18.28 at 8 September 2020 (quoted securities only)*

What makes us unique

Single-minded focus

Focussed investment in brand, IP and growth

Unique, modern and premium brand

Capital-smart approach

Innovative and agile approach

Australia and New Zealand sourcing for Asia Pacific

Our key strategic priorities

MAXIMISE SUSTAINABLE GROWTH FROM CORE PRODUCTS IN CORE MARKETS

BROADEN PORTFOLIO IN CORE MARKETS

EXPAND IN OTHER TARGETED MARKETS

BUILDING TOWARDS SUSTAINABLE BRAND LEADERSHIP

DELIVERING THE ORGANISATION OF THE FUTURE


RESULTS HIGHLIGHTS
Strong results across all markets and product groups

FY20 Highlights

- Total revenue of $1.73 billion, an increase of 32.8%
- EBITDA of $549.7 million, an increase of 32.9%
- Net profit after tax of $385.8 million, an increase of 34.1%
- Basic earnings per share (EPS) of 52.39 cents, an increase of 33.5%
- EBITDA to sales margin of 31.7%
- Operating cash flow of $427.4 million and a closing cash balance of $854.2 million
- Marketing investment of $194.3 million targeting opportunities in China and the USA
- Group infant nutrition revenue of $1.42 billion, up 33.8%
- China label infant nutrition sales more than doubling to $337.7 million and distribution expanded to ~19.1k stores
- USA milk revenue growth of 91.2% and distribution expanded to ~20.3k stores

Notes:
All figures quoted in New Zealand Dollars (NZ$) and all comparisons are with the 12 months ended 30 June 2019 (FY19), unless otherwise stated.
All figures are quoted based on all operations of the Group, including discontinued operations, unless otherwise stated.
Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-GAAP measure. However, the Company believes that it assists in providing investors with a comprehensive understanding of the underlying performance of the business. A reconciliation of EBITDA to net profit after tax is shown on Slide 30.
Marketing investment only included continuing operations.

COVID-19 impact – FY20 and current observations

FY20

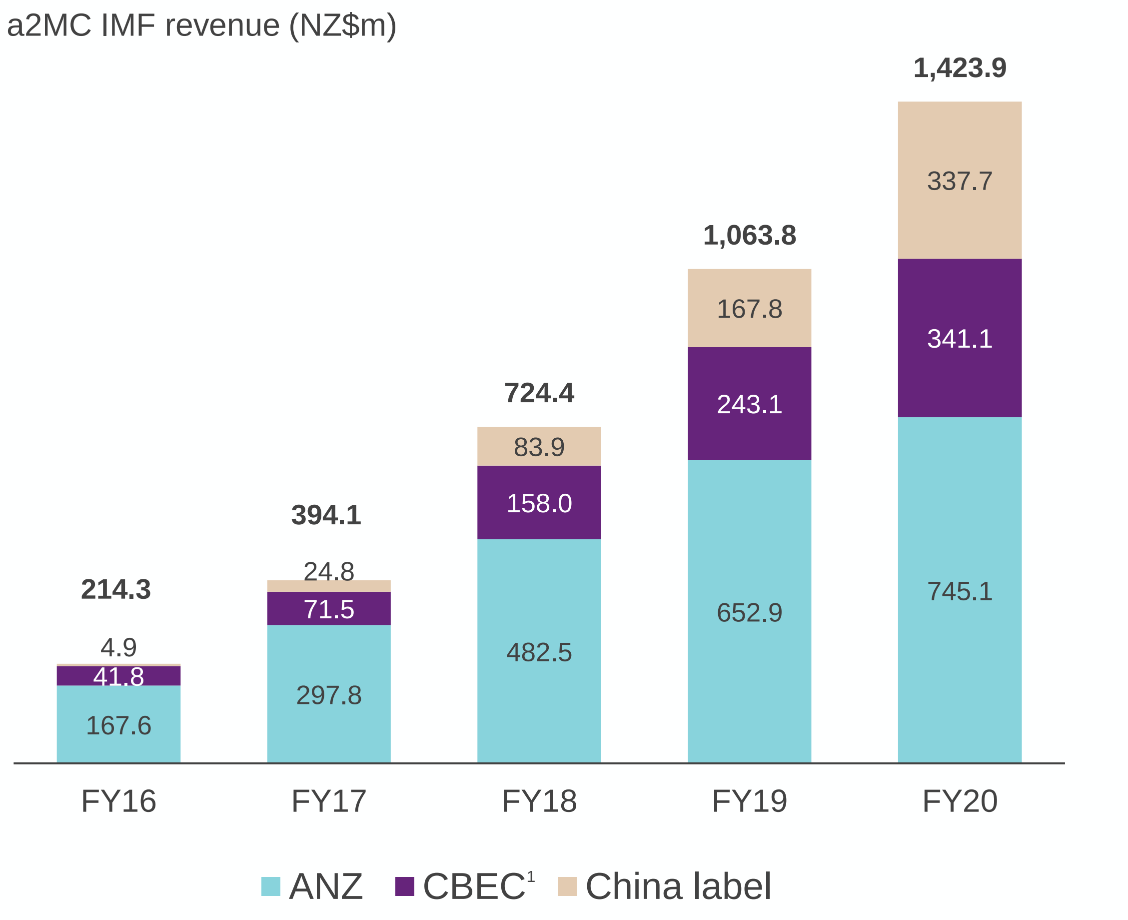
- Staff safety, wellbeing programmes in place, and flexible and remote work practices enacted
- COVID-19 caused disruptions and changing consumer behaviour including:
  - Shift from offline to online, in particular in China in 3Q20
  - Pantry stocking of infant nutrition in 3Q20 across online and resellers, a proportion of which unwound in 4Q20, unable to estimate the full extent
  - Total USA market saw in-store foot traffic reduced, consumer purchasing limitations and we were unable to access stores with our in-store merchandisers
- Short term changes to our sales and marketing programme in China during 3Q20
  - In-store Mother Baby Store (‘MBS’) promotional people began a home-delivery service
  - Softening of retail daigou due to reduced tourism from China and international student numbers
  - Partial redeployment of in-store activation marketing into online live streaming events
- Estimated COVID-19 had a modest positive impact in FY20 on both revenue and EBITDA

Current observations

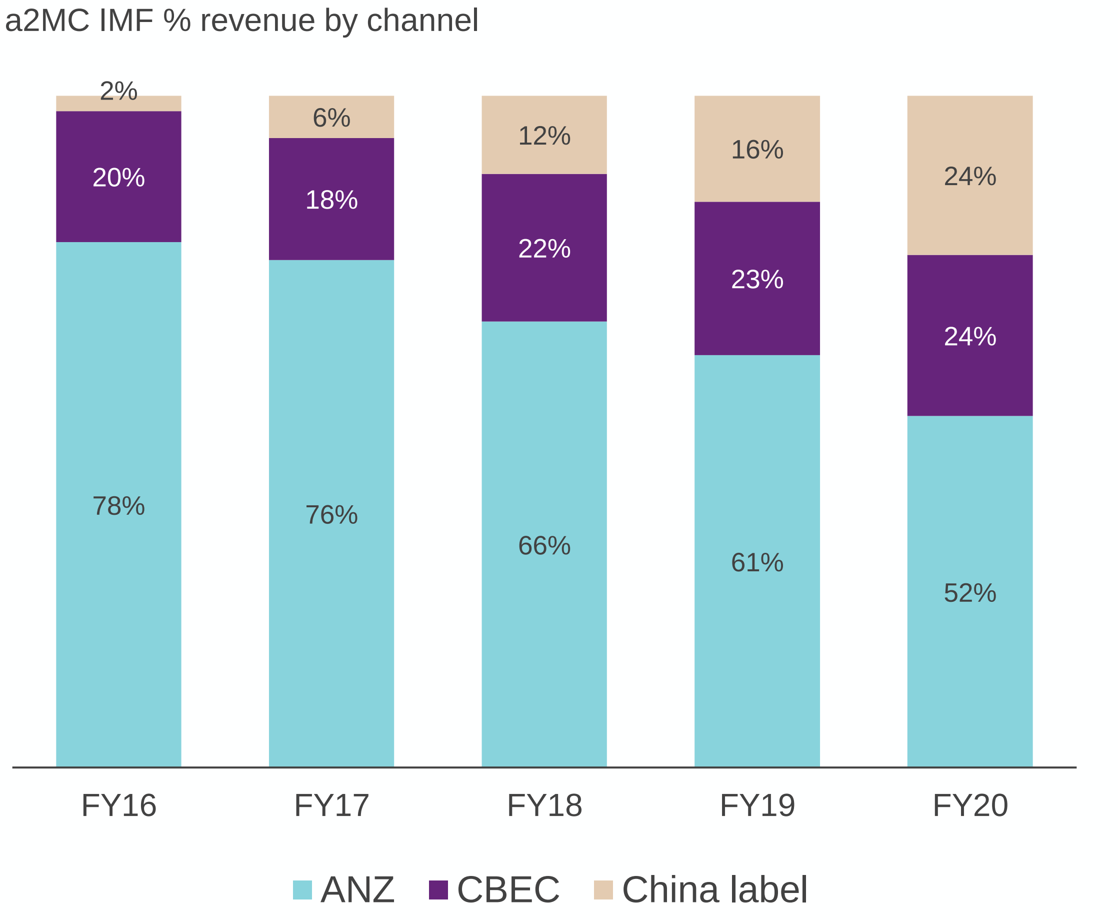
- Unwind of 3Q20 pantry stocking in the early part of FY21
- Softness in retail daigou continuing due to reduced tourism from China and international student numbers
- Some disruption being seen in the corporate daigou / reseller channel resulting from Stage 4 lockdown in Victoria

China-based retail channels now account for 48% of total infant nutrition

Revenue growing across all channels



China-based channels strengthening



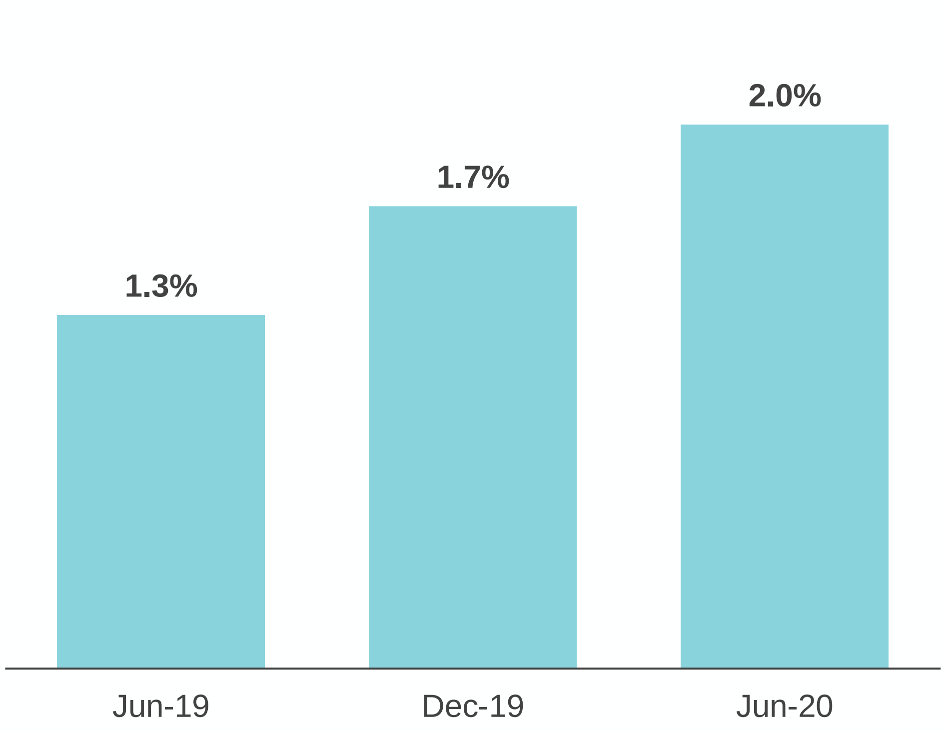
[1] *CBEC = Cross border e-commerce.*

Focused on our "one brand, two labels" strategy for infant nutrition

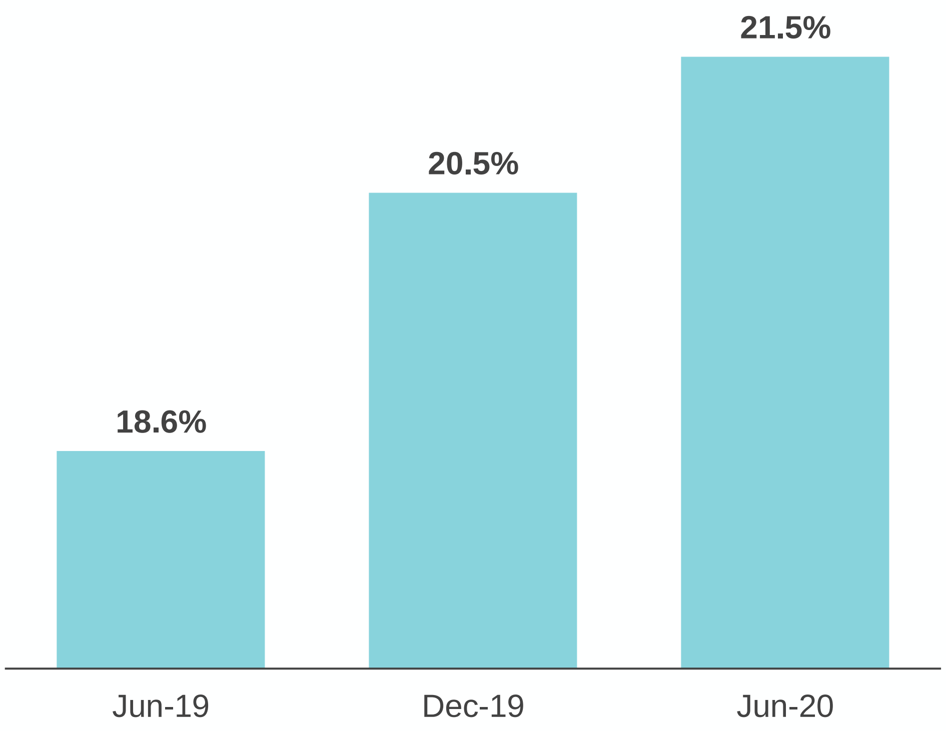
- Portfolio approach to developing 'one brand with two labels' across key consumer retail channels: MBS, CBEC and resellers in ANZ
- China label range delivers our super premium positioning, in particular in higher tier cities and MBS; whilst our English label which is premium priced within the reseller and online channels, is more accessible for some consumers
- Our focused portfolio strategy has engaged strongly with our consumers and still has significant growth potential
- China based channels now account for 48% of total infant nutrition sales
- Executing on strategy and with 2.0% share in MBS, significant opportunity for further growth

Growing market share positions in our key China-based retail channels

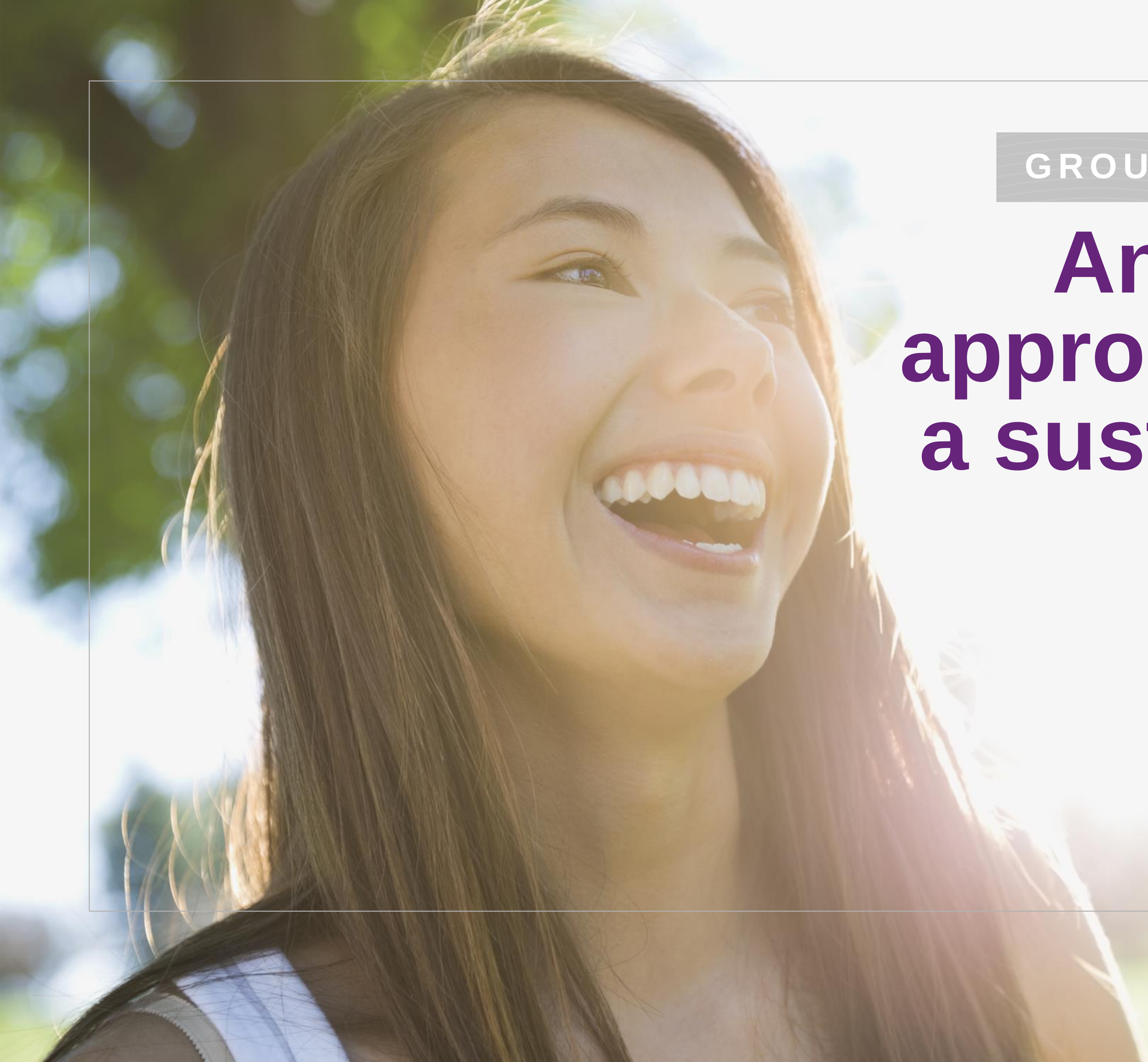
Nielsen MBS value share (%)[1]



Smartpath CBEC market share (%)[2]



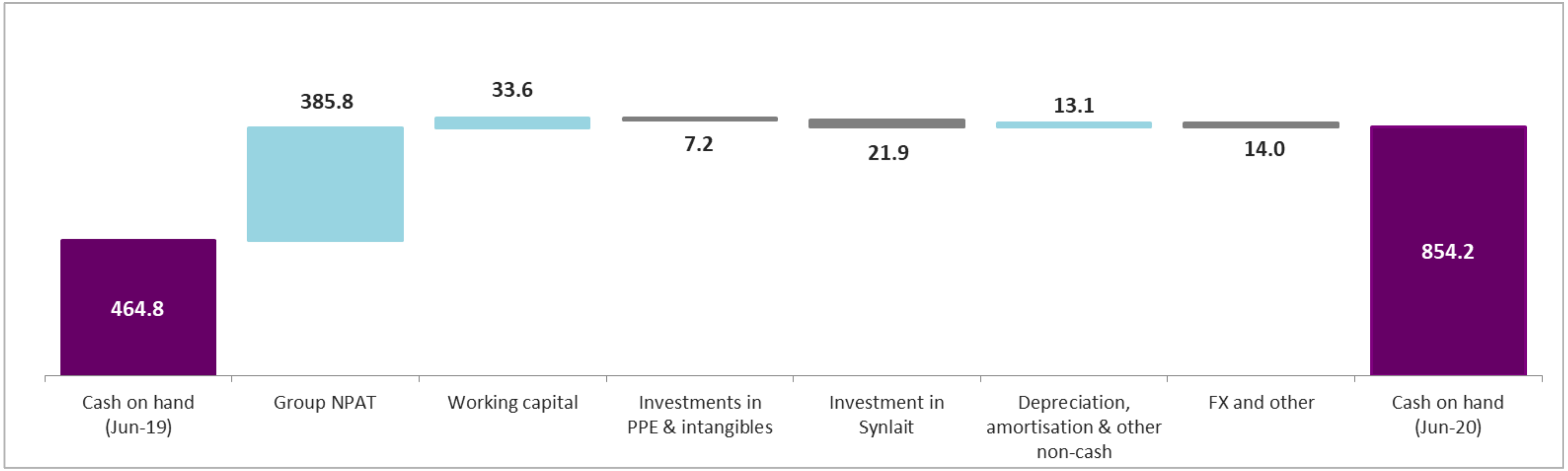
[1] *Nielsen MBS 12 month value share.*
[2] *Smartpath CBEC 12 month value share.*



GROUP STRATEGIC UPDATES

An integrated approach to building a sustainable future

Robust balance sheet with substantial cash balance



- FY20 operating cash flow of $427.4 million and closing cash balance of $854.2 million
- Balance sheet strength provides us options to fund future growth and potential participation in manufacturing

Capital allocation framework prioritises investment in growth initiatives

Operating cash flow generation

Capital funding

Grow the core business in existing markets	Expand the boundaries	Balance sheet strength & flexibility
• Investment in building our business in China • Assess participation in IMF manufacturing • Enabling investment in systems, infrastructure, quality, safety and expertise • Organic growth – existing and new products / new retail channels	• Adjacent new product categories in existing markets • Geographic expansion of existing products into new markets • Assess complementary M&A to drive further growth within core markets	• Capacity to support business growth and risk management initiatives • Maintain a conservative cash reserve to manage in an uncertain environment

Excess cash flow

Shareholder returns

Mataura Valley Milk

Overview

- On 21 August, announced engaged in discussions with Mataura Valley Milk (MVM), to explore options to participate in manufacturing at MVM's facility in Southland, New Zealand.
- Non-binding indicative offer to acquire a 75.1% interest in MVM, for approximately NZ$270 million, based on an enterprise value of circa NZ$385 million.
- MVM has agreed to provide us a period of exclusivity to conduct confirmatory due diligence and negotiate definitive transaction documentation.

Strategic rationale

- Mitigate risk by providing both supplier and geographic diversification.
- MVM is a recently constructed and commissioned state of the art nutritionals facility, which will complement our existing supply relationships.
- The plant has been independently validated by industry experts as being capable of producing the highest quality nutritional products.
- It is well located for access to a growing productive milk pool supported by favourable climatic conditions and water availability.
- Currently majority owned by a respected China state owned enterprise – China Animal Husbandry Group – which will continue as a minority holder.

OUTLOOK

FY21 and medium-term target

Outlook

FY21

- Globally, there continues to be uncertainty resulting from COVID-19, and the potential for moderation of economic activity. This could impact consumer behaviour in our core markets, as well as participants within the supply chain, most notably in China
- Notwithstanding these uncertainties, overall for FY21, we anticipate continued strong revenue growth supported by our continued investment in marketing and organisational capability
- FY21 EBITDA margin is expected to be in the order of 30% to 31% reflecting
  - Higher raw and packaging material costs partially offset by price increases
  - Increase of marketing investment
  - FX benefit of prior year not expected to be replicated
  - 3Q20 COVID-19 benefit not replicated
- FY21 Capex is currently expected to be $50 million due to our ERP investment and capital projects supporting fresh milk processing in Australia

Medium-term target

- As previously announced, the Board considers it appropriate that the Company target an EBITDA margin in the order of 30% in the medium-term. This assumes the market performance and mix of our products remains broadly consistent and the competitive environment evolves as anticipated. We will keep the balance between growth and investment under constant review

QUESTIONS

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