



# 2022 INTERIM RESULTS

21 FEBRUARY 2022

The a2 Milk Company Limited

## Disclaimer

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This presentation dated 21 February 2022 provides additional commentary on the Interim Report for the 6 months ended 31 December 2021 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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# 1H22 Result overview and additional updates<sup>1</sup>

- Continuing challenging market conditions but making good progress in stabilising sales and expect to deliver revenue growth this year
- Results summary
  - Revenue marginally lower than 1H21 in line with guidance, down 2.5% on pcp to \$661 million, up 24.8% on 2H21
  - EBITDA<sup>2</sup> down 45.3% on pcp to \$97.6 million, EBITDA margin 14.8% in 1H22 (17.3% ex-MVM) vs 26.4% in 1H21
  - NPAT including non-controlling interest was down 53.3% on pcp to \$56.1 million
  - Closing net cash was \$667.2 million with high operational cash conversion during 1H22
- Operational highlights
  - China label IMF sales down due to inventory rebalancing, but consumer offtake strong and market share increased to a new high
  - English label IMF sales down but with improved trajectory in ANZ reseller channel
  - ANZ liquid milk sales up with market share increased to a new high
  - USA liquid milk sales down due to the loss of distribution in a club customer
  - MVM acquisition completed in partnership with China Animal Husbandry Group and insourcing of a2MC product commenced
- Strategy update
  - Actions to address IMF channel inventory have had a significant positive impact
  - Brand health metrics have improved further following a 37.3% increase in investment on pcp
  - Growth strategy completed and implementation underway with good early progress across key initiatives
- FY22 revenue outlook improved but not expected to translate into higher earnings as the Company significantly increases brand and other reinvestment consistent with its growth strategy

<sup>1</sup> All figures are in New Zealand Dollars (NZ\$) unless otherwise stated

<sup>2</sup> 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 number 41

# Recap of a2MC's refreshed growth strategy with updates provided throughout

<b>Purpose</b>	To enrich lives by harnessing the nutritional wonders of nature					
<b>Ambition</b>	Rebuild a2MC into an exciting, innovative and sustainable growth company					
<b>Goals</b>	<b>People</b> Create the safest and most diverse, inclusive and engaging place for our people to thrive	<b>Sustainability</b> Support our farmers, protect our planet and cows, rethink packaging and contribute to our communities	<b>Consumers</b> Bring the unique benefits of pure and natural a2 Milk™ to as many consumers as possible	<b>Shareholders</b> Create long-term, enduring value for shareholders and a trusted, transparent relationship		
<b>Strategic priorities</b>	<b>1 Invest in people and planet leadership</b> <ul style="list-style-type: none"> <li>Invest in our people to enable them to thrive</li> <li>Take direct action to lead the industry in GHG emissions reduction and farming practices</li> </ul>	<b>2 Capture full potential in China IMF</b> <ul style="list-style-type: none"> <li>Gain more control over CL and EL distribution and get closer to our consumer</li> <li>Increase investment in our brand, digital marketing and E-comm</li> </ul>	<b>3 Ramp-up product innovation</b> <ul style="list-style-type: none"> <li>Expand our CL and EL IMF product portfolios</li> <li>Enter adjacent product categories in relevant markets to drive growth</li> </ul>	<b>4 Transform our supply chain</b> <ul style="list-style-type: none"> <li>Expand CL registered market access</li> <li>Utilise MVM capability</li> <li>Develop China supply capability over time</li> </ul>	<b>5 Accelerate path to profitability</b> <ul style="list-style-type: none"> <li>Take action to realise potential in USA</li> <li>Expedite insourcing and 3<sup>rd</sup> party volume to significantly increase MVM utilisation</li> </ul>	
<b>Enablers</b>	Brand strength		Science & innovation	Strategic relationships		Capability development
<b>Values</b>	 Bold Passion	 Pioneering spirit	 Humility	 Respect	 Integrity	

A young boy with brown hair is shown in profile, drinking from a clear glass filled with milk. He is wearing a light-colored t-shirt with blue and orange horizontal stripes. The background is a blurred outdoor setting with a green lawn and a white house with a porch. The text "FINANCIAL OVERVIEW" is overlaid in large, white, sans-serif capital letters across the center of the image.

# FINANCIAL OVERVIEW

## Income statement impacted by lower IMF sales, MVM and increased investment

NZ\$ million <sup>1</sup>	1H22	1H21	% change
Net Sales Revenue	658.8	676.5	(2.6%)
Gross margin	304.5	340.5	(10.6%)
GM %	46.2%	50.3%	
Other Revenue & Income <sup>2</sup>	2.8	2.5	11.2%
Distribution	(24.7)	(22.6)	(9.6%)
Marketing	(92.5)	(67.4)	(37.3%)
Administration & Other	(99.6)	(75.9)	(31.1%)
Profit Before Tax	90.5	177.1	(48.9%)
Income Tax Expense	(34.4)	(57.0)	39.7%
<b>NPAT</b>	<b>56.1</b>	<b>120.0</b>	<b>(53.3%)</b>
- Attributable to owners of the Company	59.6	120.0	(50.3%)
- Attributable to non-controlling interests	(3.5)	0.0	
Group Revenue <sup>3</sup>	660.5	677.4	(2.5%)
<b>EBITDA<sup>4,5</sup></b>	<b>97.6</b>	<b>178.5</b>	<b>(45.3%)</b>
EBIT <sup>5</sup>	89.3	175.3	(49.0%)
EPS – diluted (cents)	8.0	16.2	(50.4%)

<sup>1</sup> All figures quoted in New Zealand Dollars (NZ\$) and all comparisons are with the 6 months ended 31 December 2020 (1H21) unless otherwise stated. Numbers may not add down due to rounding

<sup>2</sup> Other revenue & income comprises royalty, licence fee and rental income of \$1.749 million and net finance income of \$1.063 million

<sup>3</sup> Group Revenue comprises Net Sales Revenue and other revenue

<sup>4</sup> EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation

<sup>5</sup> Earnings before interest, tax, depreciation and amortisation (EBITDA), Earnings before interest and tax (EBIT)

<sup>6</sup> Gross margin percentage is calculated by dividing gross margin by net sales revenue

- **Net sales revenue** lower than pcp impacted by the lower birth rate and rapidly changing market dynamics in China, as well as reflecting actions taken in 1H22 to continue rebalancing channel inventory for China label IMF and reduced promotional activity in English label IMF, offset by the inclusion of MVM revenue
- **Gross margin** percentage of 46.2%<sup>6</sup> including MVM with underlying gross margin of 50.7% excluding MVM
- **Distribution** costs increased driven by significantly higher freight rates in the USA due to driver shortages
- **Marketing** investment was a step-up from pcp consistent with growth strategy to increase brand investment in China for the benefit of China and English label product with a significant tactical campaign in 2Q22 cycling reduced investment in 1H21 due to COVID-19 disruption
- **Admin & other** reflects investment in capability, re-instatement of bonuses and long-term incentives, professional services fees, legal fees and higher insurance costs
- **NPAT** reflects a higher effective tax rate than in 1H21 due to the extent to which USA and MVM losses can be utilised and relative size thereof, as well as the inclusion of MVM with the non-controlling interest of \$3.5 million reducing reported NPAT

## Geographic and product segment revenue performance as expected

Revenue (NZ\$ million)		ANZ	China & Other Asia	USA	MVM	Total Group
1H22	Liquid milk	87.1	5.5	32.3	-	124.9
	IMF	179.9	291.1	-	-	471.0
	Other	16.3	9.7	0.2	38.6	64.7
	<b>TOTAL</b>	<b>283.3</b>	<b>306.3</b>	<b>32.4</b>	<b>38.6</b>	<b>660.5</b>

1H21	Liquid milk	86.9	3.7	34.1	-	124.7
	IMF	209.5	316.6	-	-	526.1
	Other	20.8	5.7	0.1	-	26.6
	<b>TOTAL</b>	<b>317.2</b>	<b>326.0</b>	<b>34.2</b>	-	<b>677.4</b>

% Change <sup>1</sup>	Liquid milk	+0.2%	+50.3%	(5.4%)	-	<b>+0.2%</b>
	IMF	(14.2%)	(8.1%)	-	-	<b>(10.5%)</b>
	Other	(21.6%)	+69.2%	+86.5%	-	<b>+143.3%</b>
	<b>TOTAL</b>	<b>(10.7%)</b>	<b>(6.0%)</b>	<b>(5.2%)</b>	-	<b>(2.5%)</b>

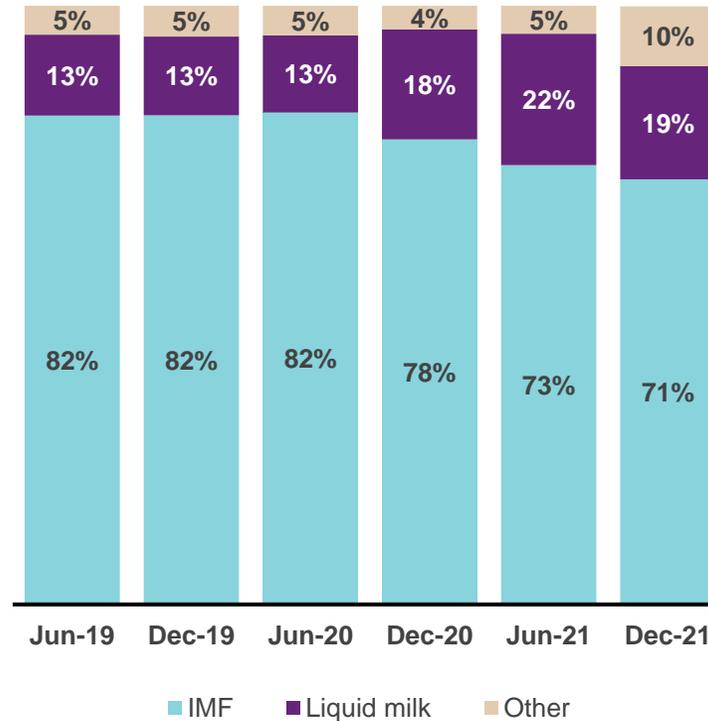


# Gross margin of 46.2% reflecting evolving business mix

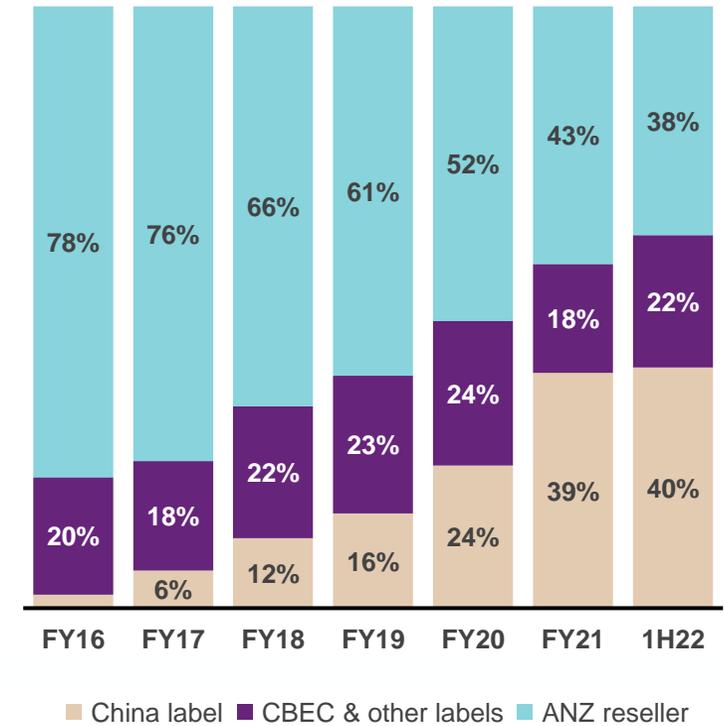
## Gross margin drivers

- Gross margin percentage of 46.2% including MVM, with underlying gross margin of 50.7% excluding MVM
- MVM has a dilutive impact on GM% owing to current negative margin on commodity products, including manufacturing depreciation within COGS
- Several other factors have contributed to 1H22 GM% namely the inclusion of MVM, adverse product mix and cost headwinds, particularly raw milk and freight costs partially offset by price increases

## 1H22 higher proportion of other products with inclusion of MVM



## 1H22 higher proportion of China label IMF

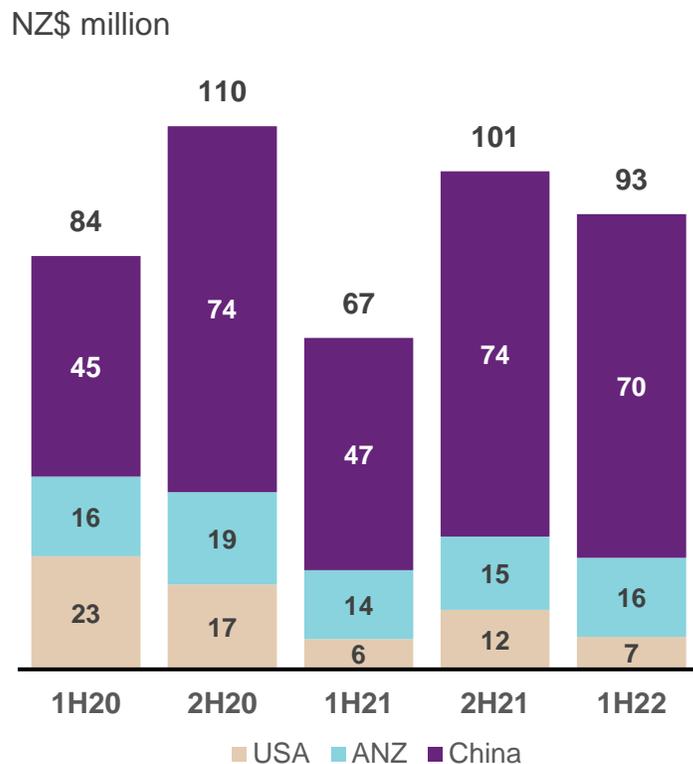


# Marketing investment increased significantly consistent with growth strategy

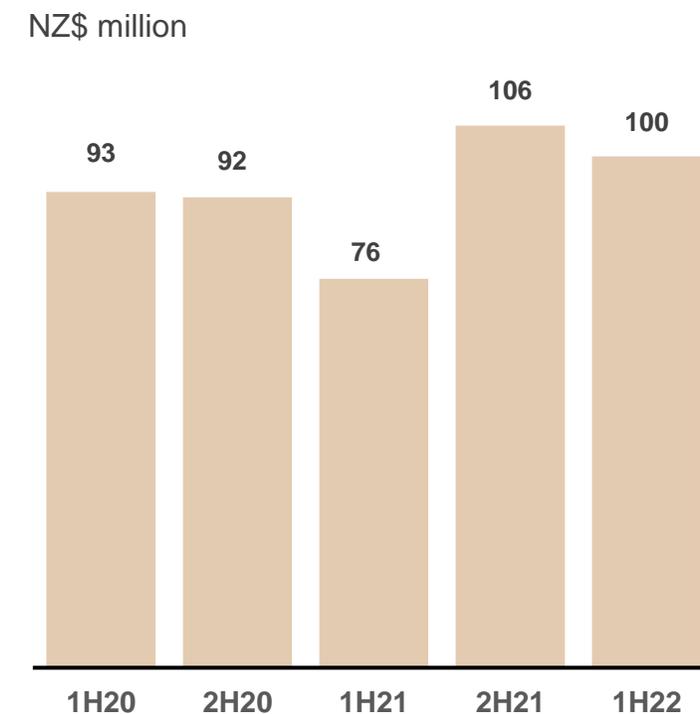
## Marketing and SG&A drivers

- Group marketing investment +37.3% in 1H22 vs pcp reflecting a significant step-up in China ATL brand investment as well as BTL activation in line with refreshed growth strategy
- Incremental increase in ANZ and USA marketing investment in connection with new brand campaigns launched in 1H22
- Higher SG&A costs driven by capability investment, re-instatement of short and long term incentives, professional services fees, legal fees and higher insurance costs

## Marketing investment increased vs pcp



## Administrative and other expenses



## Balance sheet remains strong post MVM acquisition

NZ\$ million	1H22	2H21	% change
Cash and short-term deposits	747.2	875.2	(14.6%)
Trade and other receivables	79.6	65.3	22.0%
Inventories	127.9	112.2	14.0%
Other current assets	94.2	44.3	112.8%
<b>Total current assets</b>	<b>1,048.9</b>	<b>1,096.9</b>	<b>(4.4%)</b>
Property, plant & equipment	243.3	17.2	1,317.6%
Intangible assets	109.4	15.1	622.4%
Other non-current assets	210.9	242.8	(13.1%)
<b>Total non-current assets</b>	<b>563.6</b>	<b>275.1</b>	<b>104.9%</b>
<b>TOTAL ASSETS</b>	<b>1,612.5</b>	<b>1,372.0</b>	<b>17.5%</b>
Trade and other payables	313.7	266.3	17.8%
Other current liabilities	73.7	8.4	777.9%
<b>Total current liabilities</b>	<b>387.4</b>	<b>274.7</b>	<b>(41.0%)</b>
<b>Total non-current liabilities</b>	<b>78.4</b>	<b>13.4</b>	<b>(486.9%)</b>
<b>TOTAL LIABILITIES</b>	<b>465.9</b>	<b>288.1</b>	<b>(61.7%)</b>
<b>NET ASSETS</b>	<b>1,146.6</b>	<b>1,084.0</b>	<b>5.8%</b>

- **Cash balance** of \$747.2 million after purchasing MVM for \$268.5 million, partially offset by net cash inflows from operating activities
- **Inventory** incorporates \$30.8 million of MVM stock. Excluding this, inventory is lower than pcp and all distributor stock is in line with target levels
- **Other current assets** includes income tax receivables of \$40.9 million, and prepayments of \$52.8 million mostly related to IMF production and MVM farmer payments
- **Property, plant & equipment** includes \$228.9 million of manufacturing assets purchased as part of the MVM acquisition
- **Intangible assets** includes \$94.1 million of goodwill arising on the acquisition of MVM which has been allocated to the China and ANZ cash generating units
- **Debt** of \$80 million associated with the MVM acquisition as a consequence of the ownership structure. This includes a term facility of \$30 million and a \$50 million China Animal Husbandry Group (CAHG) loan
- Consolidated **net cash** position of \$667.2 million (ie cash of \$747.2 million less debt of \$80 million)

## High operating cash flow driven by working capital movements

NZ\$ million	1H22	1H21	% change
<b>Cash flows from operating activities</b>			
Receipts from customers	673.4	684.6	(1.6%)
Payments to suppliers and employees	(546.1)	(627.5)	(13.0%)
Net interest flows and taxes paid	(28.9)	(66.3)	(56.4%)
<b>Net operating cash flows</b>	<b>98.4</b>	<b>(9.2)</b>	<b>nm</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary	(213.7)	-	nm
Payment for listed investment	-	(39.8)	nm
Payment for investment property	-	(16.4)	nm
Payment for other assets	(2.5)	(7.9)	(69.1%)
<b>Net cash flows from investing activities</b>	<b>(216.3)</b>	<b>(64.1)</b>	<b>237.2%</b>
<b>Net cash flows from financing activities</b>	<b>(15.3)</b>	<b>-</b>	<b>nm</b>
<b>Net decrease in cash</b>	<b>(133.1)</b>	<b>(73.3)</b>	<b>81.7%</b>
Cash at the beginning of the period	875.2	854.2	2.5%
Effect of exchange rate changes on cash	5.2	(6.3)	nm
<b>Closing cash at the end of the period</b>	<b>747.2</b>	<b>774.6</b>	<b>(3.5%)</b>

- **Cash flows from operating activities**

- High operational cash conversion of 130%<sup>1</sup>, driven by an improvement in non-tax working capital and includes the timing benefit of advance payments from certain customers due to COVID-19 impacts
- Outflows relating to the timing of tax instalments, some of which are expected to be recouped as refunds within the next 12 months

- **Cash flows from investing activities**

- Consideration for 75% interest in MVM (net of cash balances acquired)
- Payments in relation to other assets (primarily purchases of property, plant and equipment)

- **Cash flows from financing activities**

- Treasury shares purchased on market during the period, available solely to participants in Group employee share plans

<sup>1</sup> Calculated as (Net operating cash flow before tax and interest flows) / EBITDA



REGIONAL  
PERFORMANCE

## China IMF challenging market dynamics and trends continue

- IMF market dynamics in China continue to be challenging. Following an 18.1% decrease in births in 2020, there was a further 11.5% decrease in 2021 to 10.6 million<sup>1</sup>
- Several years of fewer newborns is having a cumulative impact on the size of the IMF market. The overall IMF market in China decreased by 5.0% in volume terms in 1H22<sup>2</sup>, with the decline in early stage products partly offset by growth in Stage 4
- China IMF market value decreased 3.3%<sup>2</sup> as the impact of reduced volume and increased promotional activity was only partly offset by the ongoing premiumisation trend (including consumers trading-up and new product innovation) and the mix shift to higher-priced China label channels. However, the ultra-premium segment in China remained in growth with the A2 protein segment performing significantly above market
- Within the IMF market, there is a strong divergence in performance between Key&A and BCD cities, with Key&A market value down 6.6%<sup>2</sup> and BCD market value broadly flat
- Brands that resonate with consumers continue to perform well in this climate, in particular, domestic brands Feihe, Junlebao and Yili, as well as a2<sup>®</sup> which is one of the few international brands continuing to grow share
- The market trends observed are in-line with the Company's expectations and reaffirm the strategic priorities identified to deliver on IMF growth ambitions
- Despite the challenging China IMF market dynamics, a2MC performance in 1H22 in China label IMF was encouraging and performance in English label IMF was stabilising



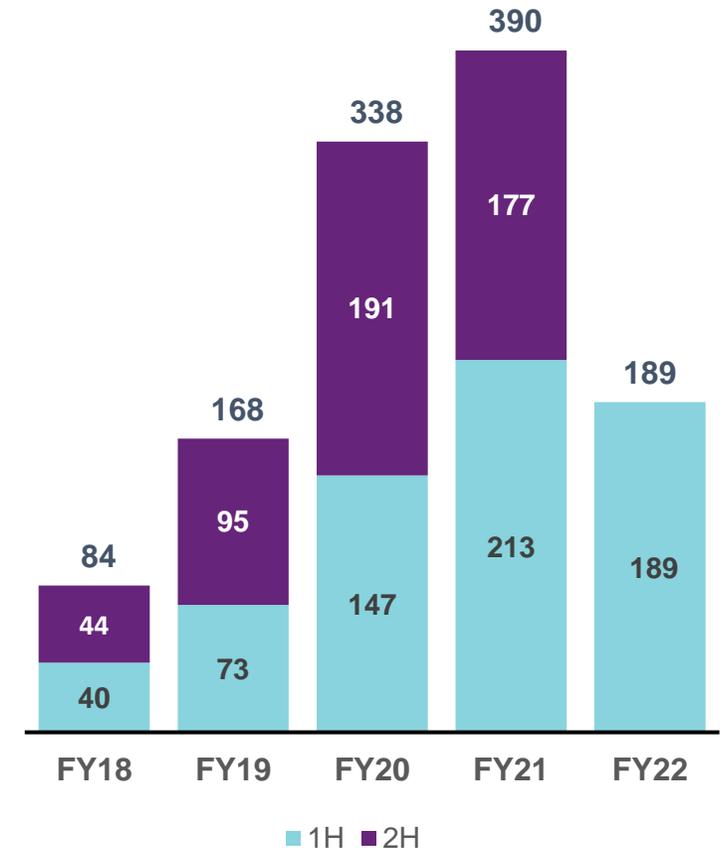
# China label IMF sales impacted by inventory rebalancing but consumer offtake strong

## Strong underlying consumer demand

- Although 1H22 net sales revenue of a2 至初® China label infant nutrition was down 11.4% vs pcp to \$188.7 million, this was largely driven by planned efforts to rebalance inventory levels through the Company constraining sales to distributors during 1Q22. Sales in 1Q22 were down significantly on pcp and 2Q22 sales increased vs pcp
- Importantly, Nielsen data indicates a2MC retail sales within MBS stores were up 11% and Smart Path data suggests DOL sales were up 17% in 1H22 vs pcp
- This is reflected in the Company's channel shares on an MAT basis, with MBS value share increasing to 2.6%<sup>1</sup> and DOL value share increasing to 2.1%<sup>2</sup>. Performance in more recent months is stronger with MBS monthly value share in December reaching a new high of 3.2%
- Strong consumer offtake and market share is being driven by the Company's growth strategy, including increased BTL investment in brand ambassadors, mama classes, roadshows and in-store activations, as well as increased ATL investment in an integrated marketing campaign in 2Q22 with revised marketing mix with greater emphasis on digital and OOH

## China label net sales revenue

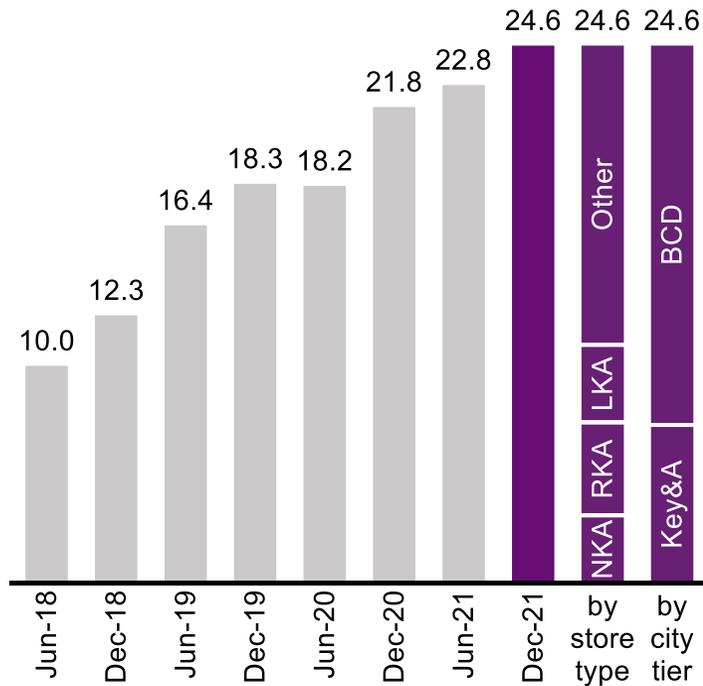
NZ\$ million



# Distribution expanded with improvement in like-for-like sales

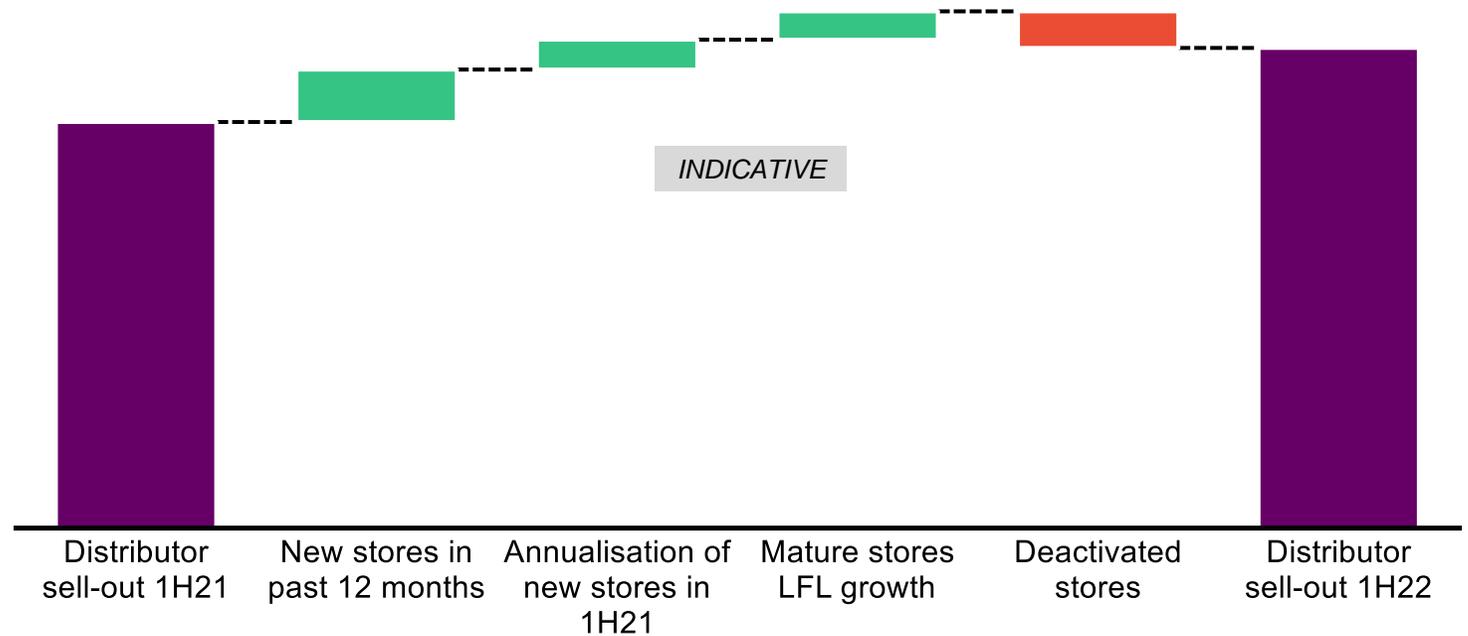
## Expanding store footprint

a2MC China distribution (store count '000)<sup>1</sup>



## Improvement in growth in LFL stores

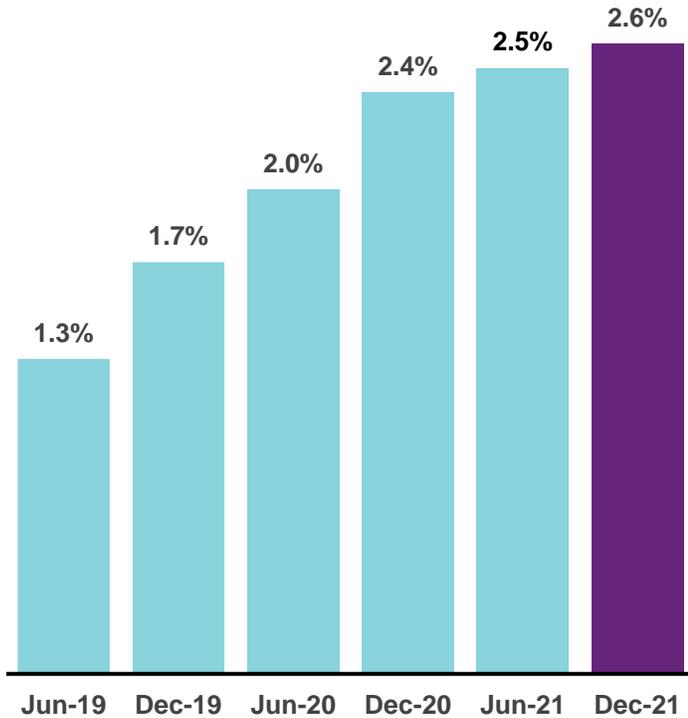
a2MC CL IMF distributor sell-out to stores (units)<sup>1</sup>



# Growth reflected in MBS share gains in both Key&A and BCD cities

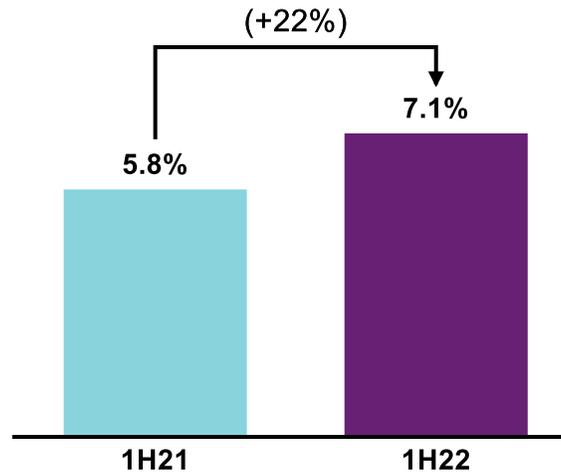
## National MBS value share

a2MC MBS MAT value share (%)



## Key&A MBS value share

a2MC Key&A 6-month MBS value share (%)

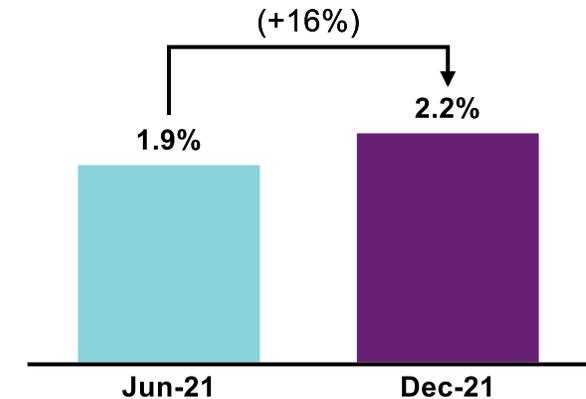


### Growth drivers

- **Key&A MBS market value:** Declined by 18% on a 6-month basis in 1H22 vs 1H21
- **a2MC retail sales:** Remained flat during this period, resulting in share gains

## BCD MBS value share

a2MC BCD 6-month MBS value share (%)



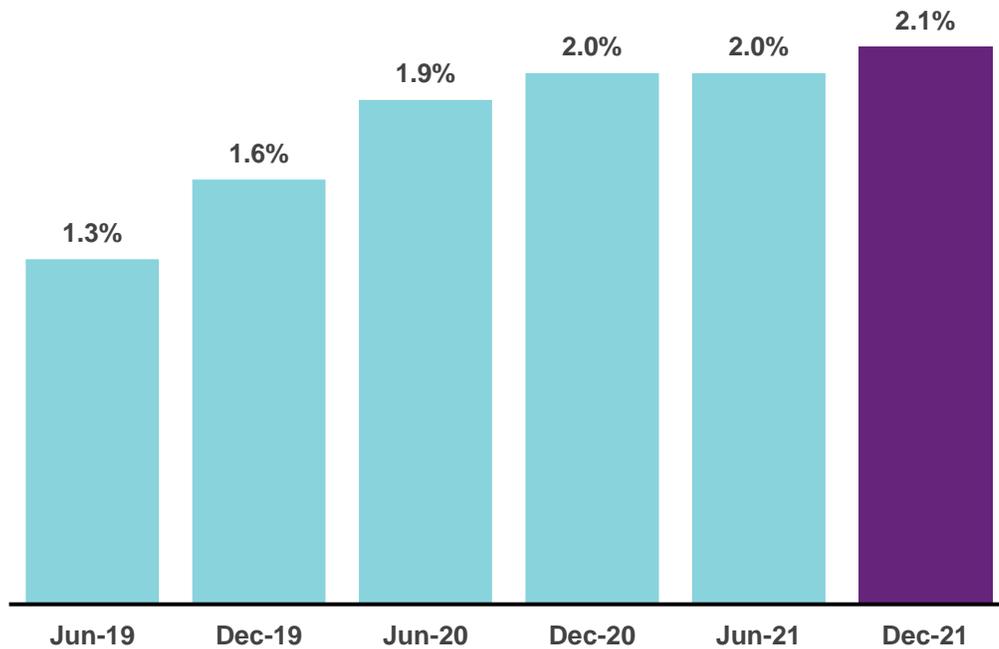
### Growth drivers

- **BCD MBS market value:** Grew by 3% on a 6-month basis in 1H22 vs 1H21
- **a2MC retail sales:** Grew at 18% during this period, resulting in share gains

# Increasing DOL market share with high growth in priority platforms

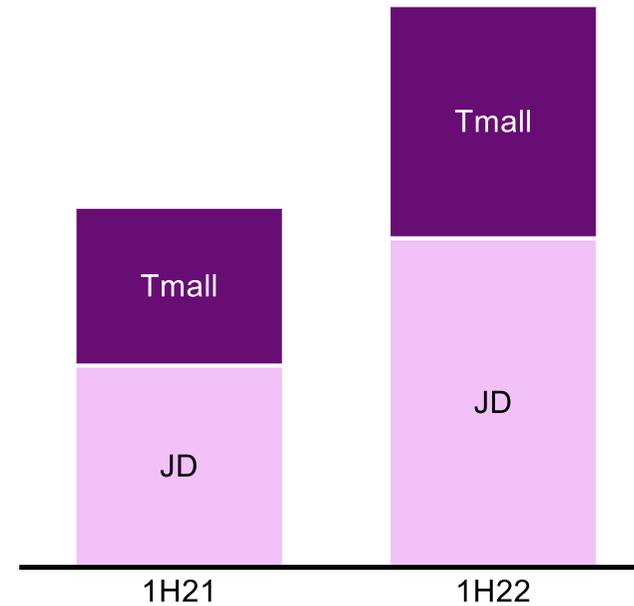
## DOL value share

a2MC DOL MAT value share<sup>1</sup>



## DOL growth in priority platforms

a2MC CL IMF distributor sell-out to priority platforms (units)<sup>2</sup>



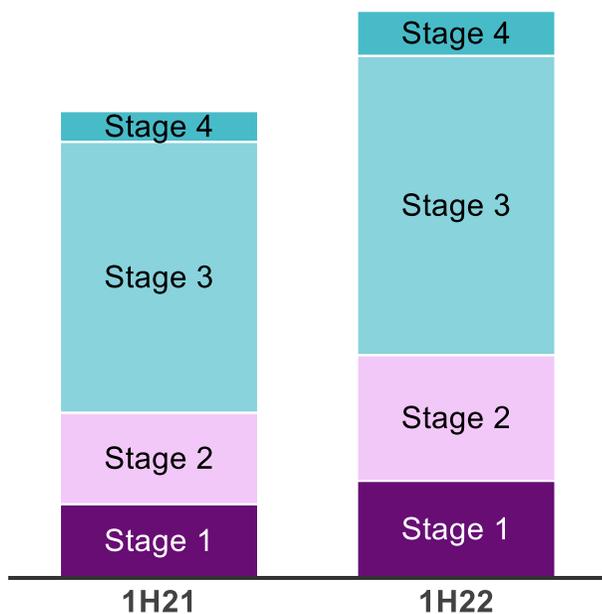
<sup>1</sup> Smart Path China IMF online market tracking: domestic online platform sales (by value)

<sup>2</sup> a2MC internal data 1H21 vs 2H22

# Share gains experienced across all stages in MBS and DOL

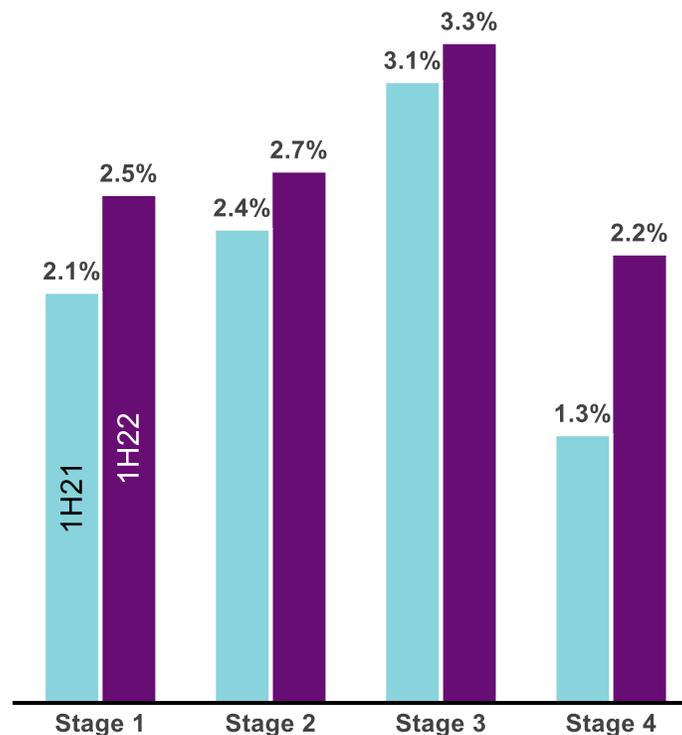
## Positive growth in early stage products

a2MC CL IMF distributor sell-out by stage (units)<sup>1</sup>



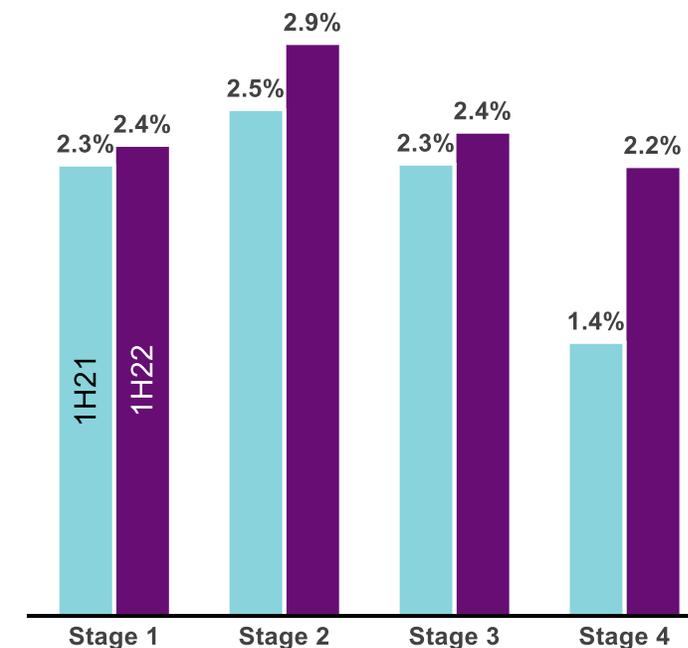
## MBS share by stage

MBS MAT value share by stage (%)<sup>2</sup>



## DOL share by stage

DOL MAT value share by stage (%)<sup>3</sup>



<sup>1</sup> a2MC internal data 1H21 vs 2H22

<sup>2</sup> Nielsen MBS retail measurement service: mother and baby stores only retail sales (by value) across stages. 1H21 vs 1H22

<sup>3</sup> Smart Path China IMF online market tracking: domestic online platform sales (by value) 1H21 vs 2H22

# Share growth supported by increased ATL and BTL brand investment

## Integrated marketing campaign in 2Q22

- Launched integrated marketing campaign in 2Q22, with investments across the funnel to drive awareness, engagement and ultimately, purchase
- Campaign increased reach with **OTT** across 61 cities, **OOH** covering 41 cities and **digital activation** generating 938K clicks
- Digital content engaged consumers, generating brand buzz, word-of-mouth and increased brand rankings in social channels such as **RED** and **Babytree**
- Campaign also extended into sales channel activation, including 22,000+ **POSMs**, 200+ **roadshows** and **multi-screen** exposure in e-commerce channels such as Tmall, JD and VIP



## BTL activation stepped up in 1H22

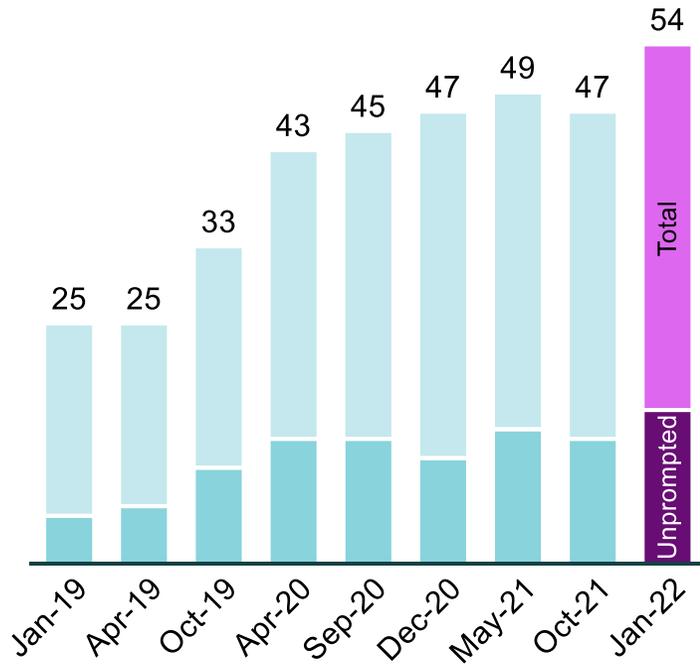
- **Roadshows:** 619 high impact events run in 1H22 (+46% vs 1H21) designed to build awareness and engagement
- **Mama Classes:** 30.1K events run in 1H22 (+49% vs 1H21) to provide an opportunity for deeper brand education
- **Brand Ambassadors:** 5.3K a2MC in-store consultants as at the end of 1H22 to provide mothers with advice, sales and support
- **In-store experiences:** a2MC rolled out 96 flagship stores in 1H22



# Brand health metrics improved post 2Q22 campaign investment

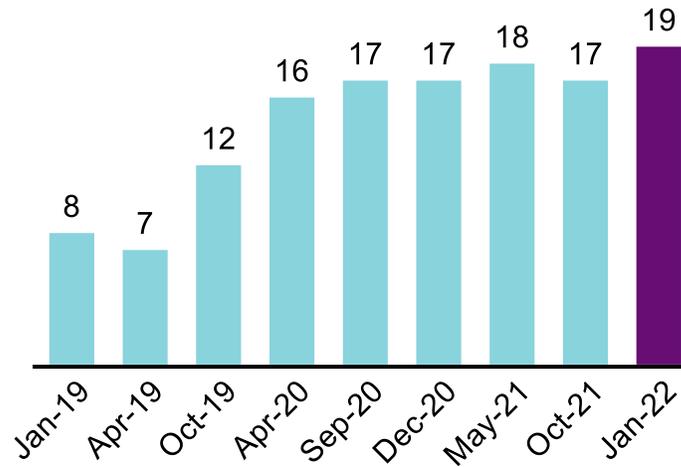
## Brand awareness

a2MC brand awareness (%)



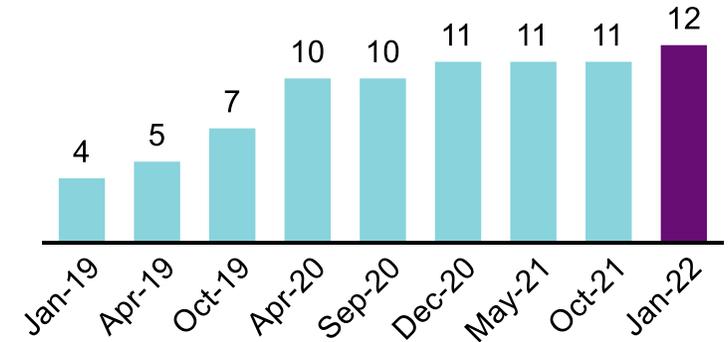
## Ever trialed

a2MC ever trialed (%)



## Brand used most often

a2MC brand used most often (%)



# Summary of progress against China label IMF strategic priorities

## CL IMF Strategic priorities

- 1 Continue to invest in and nurture our brand
- 2 Achieve full potential in key accounts
- 3 Capture opportunity in lower tier cities
- 4 Accelerate online growth
- 5 Broaden our IMF portfolio

## Update on progress

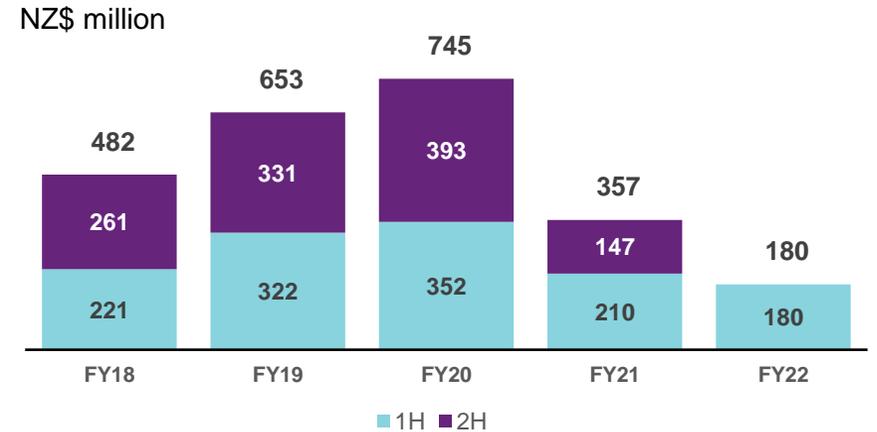
- **Ran successful integrated marketing campaign**, together with increased BTL, delivering significant gains in brand health
- **Expanded key account management team** to broaden deployment of proven playbook
- **Launched in-market pilots** to optimise approach to winning share in lower tier cities
- **Increased investment in digital**, to accelerate growth online, particularly Tmall and JD
- **Improved penetration of China label Stage 4**, delivering share gains from those efforts

# English label IMF sales stabilising in 1H22 with early signs of recovery

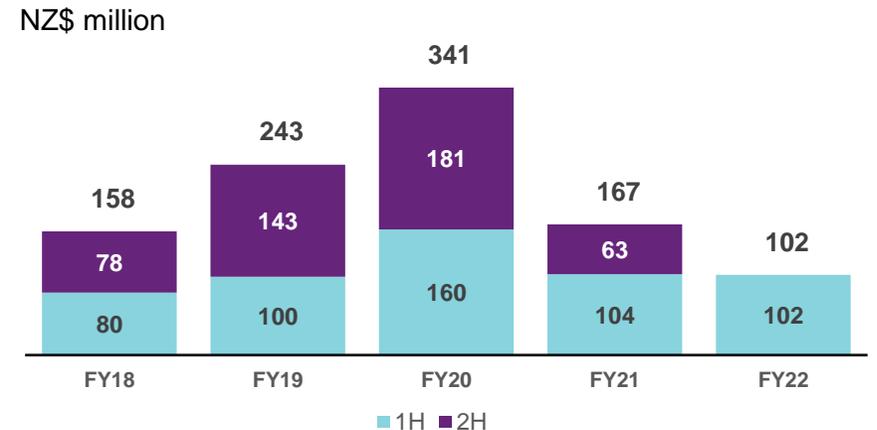
## English label channel dynamics and sales drivers

- Reduced births and challenging channel dynamics impacted English label market volume; down 13% vs pcp (compared with 5% for the overall IMF market)
- There are signs that the channel is recovering – pricing for English label IMF (for a2MC and other brands) has improved and there is a notable increase in engagement from resellers
- To support channel recovery, a2MC carefully allocated supply to manage inventory levels, reduced promotional activity and provided more support to ANZ resellers. These actions have led to improvements in product freshness, continued uplift in pricing and inventory levels remaining within target levels throughout the period
- The evolving channel trends throughout the half are reflected in a2MC’s performance:
  - **ANZ resellers:** 1H22 net sales revenue of \$179.9 million was down 14.2% vs pcp and daigou market share declined to 20.2%, with an improvement in momentum throughout the half
  - **CBEC:** 1H22 net sales revenue of \$102.4 million was broadly flat (down 1.1% vs pcp), with sales being slightly weighted to 1Q22 due to “11/11” sales event. This was a relatively good result given that there was limited a2MC funded promotional activity during 11/11 this year compared to the prior year. CBEC value share reduced to 19.5%, but with improved channel economics

## ANZ English label IMF net sales revenue

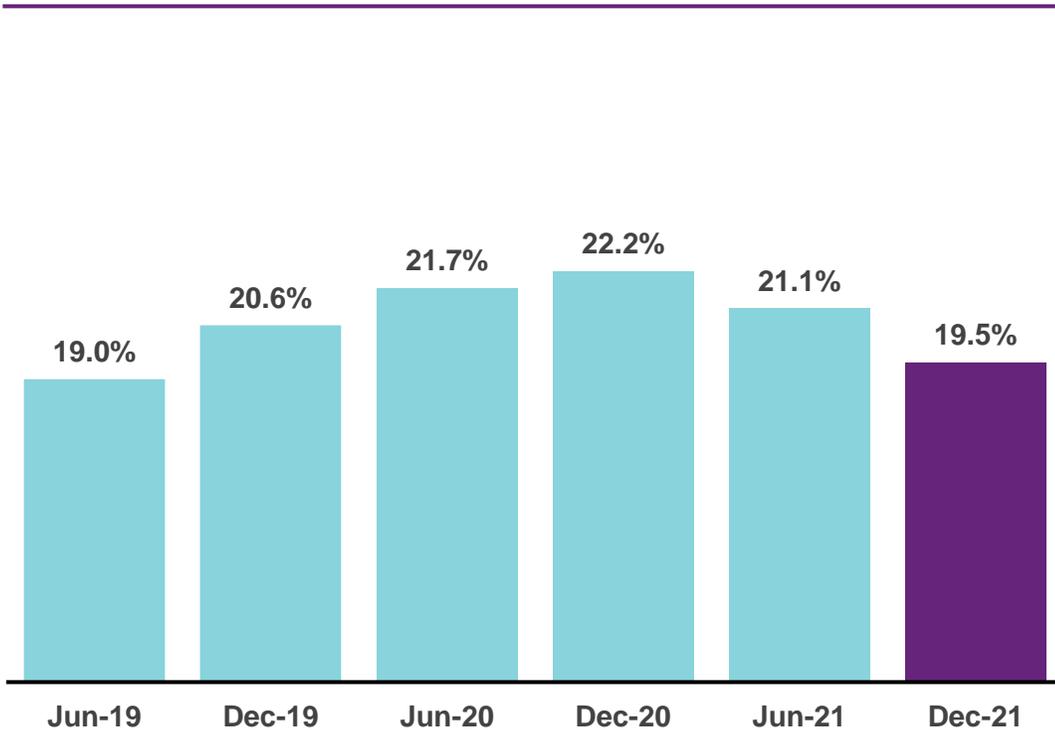


## CBEC English label IMF net sales revenue

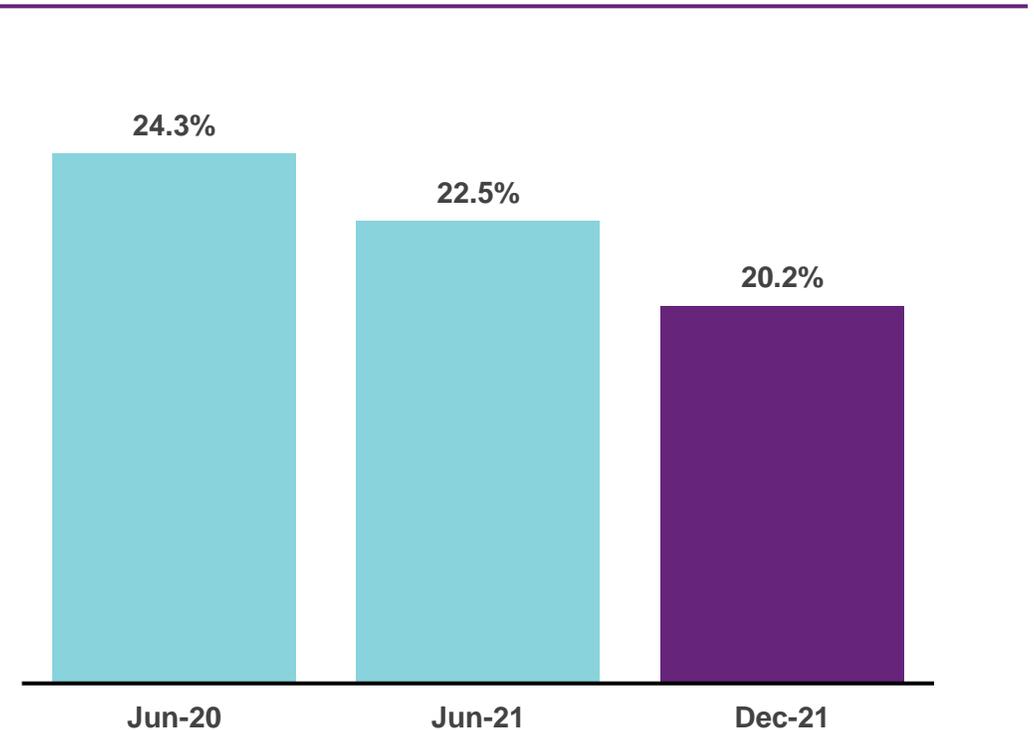


# English label market share decreased in 1H22 due to reduced promotional activity and careful supply allocation

### CBEC MAT market value share<sup>1</sup>



### Daigou MAT market value share<sup>2</sup>

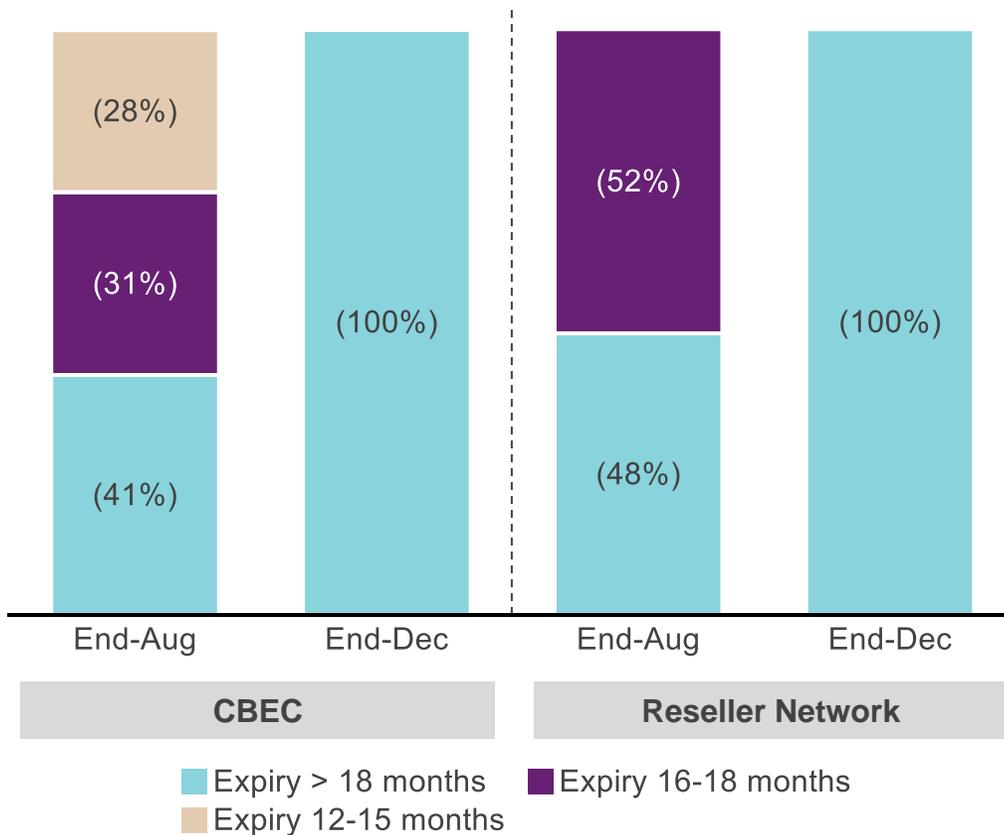


<sup>1</sup> Smart Path China IMF online market tracking: for CBEC only retail sales (by value)

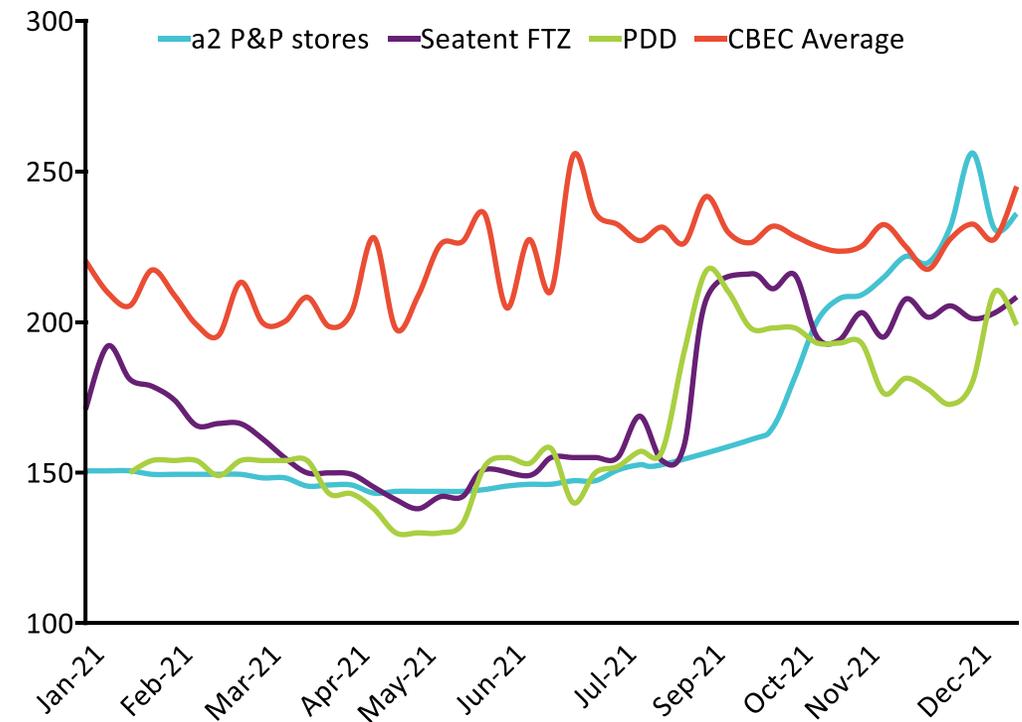
<sup>2</sup> Kantar Worldpanel 0-6 years old Baby & Kids panel: National IMF market tracking (Key & A + BCD cities)

# Actions taken in 2H21 to address excess channel inventory have resulted in improved channel health indicators

## Age profile of distributor EL inventory holdings (Dec-21)

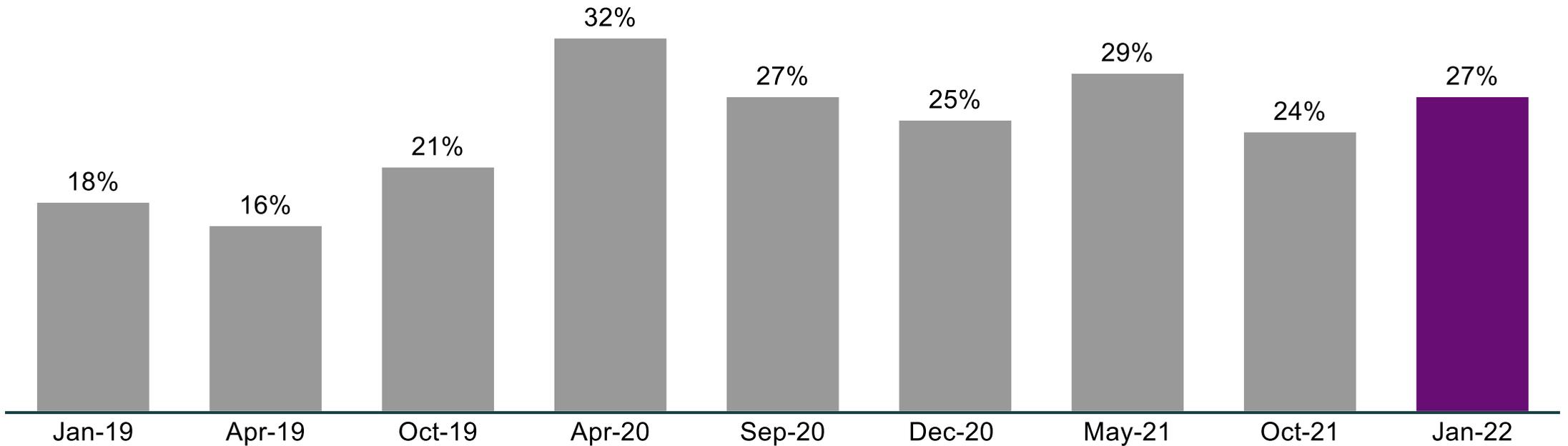


## EL Stage 1 market pricing (RMB/tin)



# Some improvement in English label brand awareness post 2Q22 brand campaign but overall remained relatively flat

Total a2MC EL brand awareness



# Investment in brand content increased to support reseller network

## Advertising in key WeChat outlets

a2™ brand content in articles by key Australian-Chinese WeChat media accounts



Daigou communication WeChat account within articles

## Driving brand visibility in reseller network



Brand content on eStores

Brand content for display in Gift Stores



## Engaging and supporting Daigou directly



Online brand content repository ("Merchant App") established for Daigou use

Daily direct content communications with Daigou on WeChat



# Focused on driving online new user growth, with encouraging 11/11 results

## 11/11 Activation overview – English label



Co-ordinated Out-site and In-site activation to drive traffic

13 'Live Talk' Sessions hosted by Paediatricians

1,376 Hours of Livestreams; 10 Livestreams with major KOLs

## 11/11 Performance – English label

**1.32m**

English label IMF tins sold through 11/11 sales period (+0.4m vs 6/18 2021)

**185<sub>RMB</sub>**

English label IMF promotion price per tin on major CBEC platforms (incl. Tmall, JD, VIP, Kaola) (+30 RMB vs 11/11 2020)

**71k**

New users recruited across Tmall Flagship Store and JD (+52k vs 6/18 2021)

**#1**

CBEC IMF Flagship store on Tmall (#2 in 11/11 2020)

# Summary of progress against English label IMF strategic priorities

## EL IMF Strategic priorities

- 1 Maintain tight control of English label inventory across channels
- 2 Remain the preferred brand for the English label reseller network
- 3 Accelerate online growth with omni-channel mindset
- 4 Focus on developing O2O channel
- 5 Broaden our IMF portfolio

## Update on progress

- **Stabilised English label pricing** through careful allocation of supply, with market pricing up 20-50% across all stages vs July-21
- **Improved product freshness**, with reseller and CBEC distributors' holdings at >18 months shelf life
- **Increased brand support to resellers**, also enabling consistent comms across channels
- **Maintained online brand rankings and increased new users** whilst reducing promotional activity during 11/11
- **Grew sales in Emerging Markets** with 1H22 Net Revenue in Korea +90% vs pcp

## Mixed performance in Other nutritional product segment

### ANZ performance

- Overall net sales revenue decline of 21.6% to \$16.3 million
- Impacted by challenges in ANZ reseller channel

### China & Other Asia performance

- Overall net sales revenue increase of 69.2% to \$9.7 million
- Grew liquid milk in China and Other Asia by 50.3% and other nutritional products by 69.2% demonstrating progress in executing against adjacent growth opportunities outside of IMF
- Increased distribution in modern trade and new product launches including UHT product and fresh milk supporting growth

### Growth potential

- Further growth potential across new channels, particularly in offline China retail channels



# Continued growth in ANZ liquid milk sales and market share

## Performance

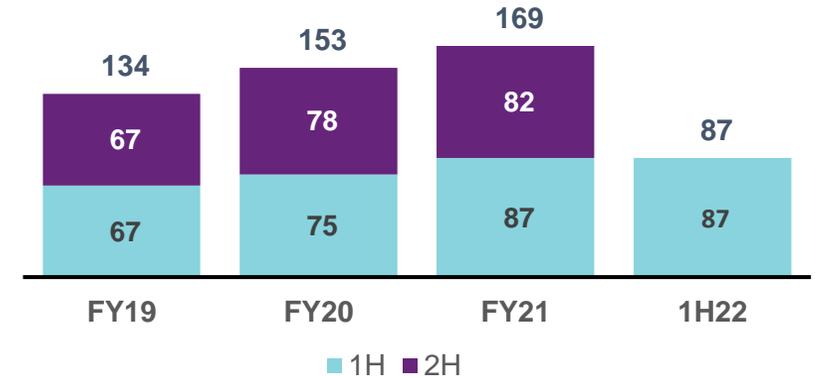
- Australia liquid milk net sales revenue increased marginally, up 0.2% to \$87.1 million
- Australia achieved a market share of 12.4%<sup>1</sup> – a new high
- Volumes +2.8% supported in 1H22 by ongoing COVID-19 lockdowns and increased levels of in-home consumption
- Net sales revenue impacted by adverse foreign exchange currency movement with constant currency sales up 2.5%
- Successful trials of a2 Milk® UHT leading to a national launch in 3Q22
- Price increase implemented across all customers in 2Q22
- a2 Milk™ by Anchor™ achieved retail sales value growth of 8.4% in New Zealand

## Investment in brand and strong presence

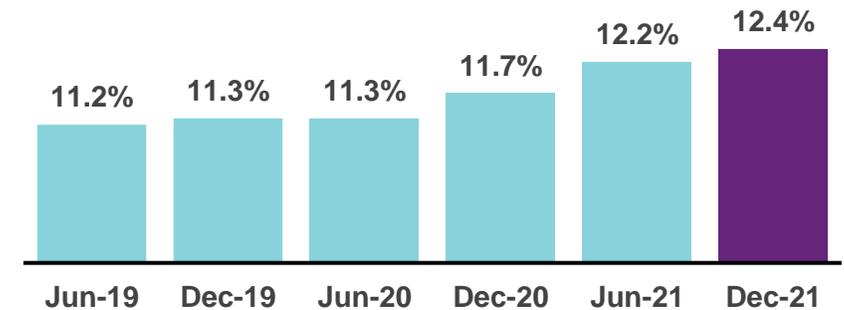
- The a2 Milk® brand continues to be the only fresh milk brand ranged in all major Australian supermarket chains
- Largest brand advertiser in the fresh milk category in Australia

## Liquid milk net sales revenue (Australia)

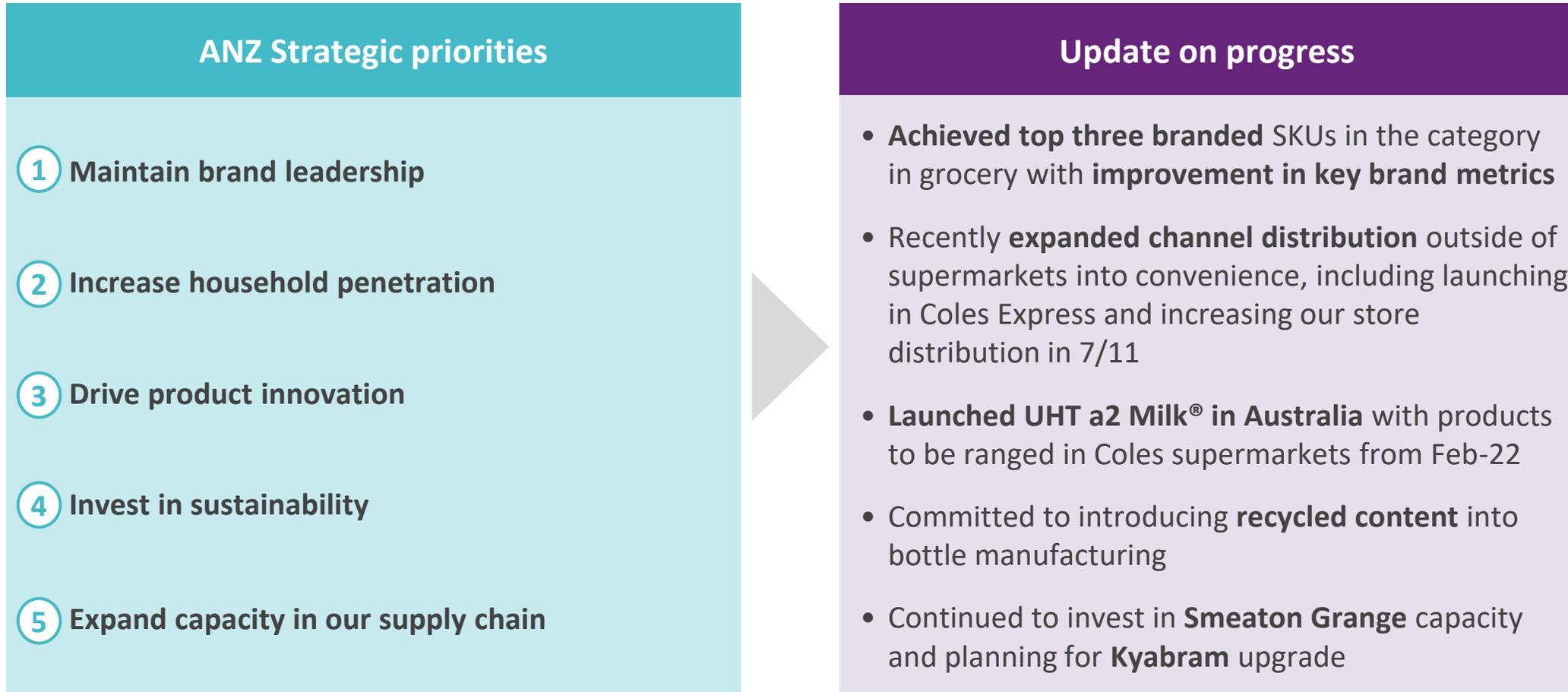
NZ\$ million



## Australian milk market value share<sup>1</sup>



# Summary of progress against ANZ strategic priorities



# USA result driven by loss of club customer, higher freight costs and adverse FX

## Performance

- Revenue decreased by 5.2% to \$32.4 million
- EBITDA loss of \$16.4 million, \$4.8 million higher than pcp
- Result driven by the loss in certain regions of a major club channel customer due to private label substitution and higher freight costs
- On a constant currency basis, revenue decreased by 2.6%
- Volume growth for 1H22 was down 3%, but increased 13% excluding the major club channel customer
- Continued growth in mainstream grocery channel with key accounts

## Change in execution approach

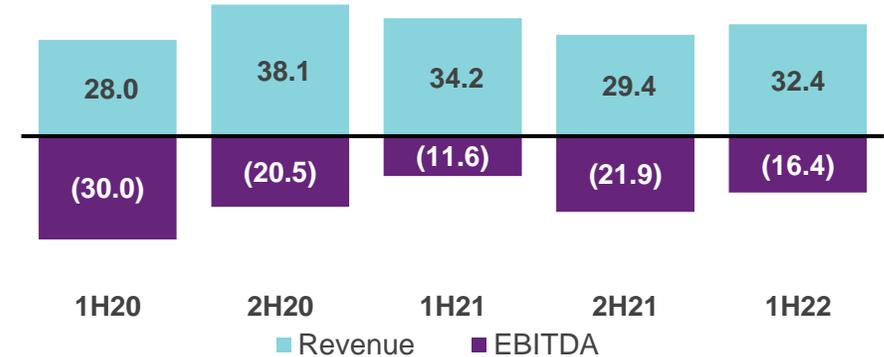
- Following utilisation of higher trade investment in FY21 resulting in increased range, facings and shelf positioning, commenced roll-back of price promotion
- Recently announced 11% list price increase effective in 4Q22

## Innovation

- Two new products launched during the period – Hershey’s a2 Milk® and a2 Milk® Half and Half, both have seen significantly higher than expected listings in trade

## Revenue and EBITDA

NZ\$ million



## Distribution over time (store count<sup>1</sup>)



<sup>1</sup> Restated store count metrics based on expanded data set from external data provider

# Summary of progress against USA strategic priorities

## USA Strategic priorities

- 1 Educate consumers on the a2 Milk<sup>®</sup> difference
- 2 Increase conversion and household penetration
- 3 Continue to drive in-store velocities
- 4 Extend brand into new categories
- 5 Explore participation in manufacturing



## Update on progress

- **New marketing campaign** launched to drive increased awareness and new consumers to brand
- **Average velocities** within key accounts grew in 1H22
- **Launched a2 Milk<sup>®</sup> Half and Half** which has now been accepted in over 6.0K stores with velocities exceeding expectations in majority of accounts
- **Launched Hershey's a2 Milk<sup>®</sup>** which has now been accepted in over 4.7K stores including over 500 Sam's club stores

# Strengthening supply chain capability with MVM investment

## Performance

- First time MVM included in a2MC financial reporting in partnership with China Animal Husbandry Group
- Net sales revenue of \$38.6 million and an EBITDA loss of \$10.0 million recorded for the five months of a2MC ownership
- MVM's infant nutrition customers have been impacted by China IMF market dynamics with almost all production relating to commodity product during 1H22

## Actions being taken to improve MVM utilisation and profitability

- a2 Milk® whole milk powder production commenced in 2Q22 with the intention of MVM supplying 100% of a2MC's needs within 12 months
- Steps taken to accelerate in-sourcing of certain English label IMF product from Synlait and to prioritise future innovation in the category at MVM
- Commenced planning for a laboratory and blending and canning capability at MVM to create an integrated facility for English label and to enable potential China label registrations in the future
- Third party blending and canning services being sourced in the meantime
- Additional external business development opportunities being pursued



**mataura**  
VALLEY MILK

Part of The a2 Milk Company



# Real focus on sustainability during 1H22 across the business

## Targets and commitments

- Announced targets and commitments across key focus areas in sustainability
- Included targets of reducing Scope 1 & 2 greenhouse gas emissions to net zero by 2030 and Scope 3 emissions to net zero by 2040

## Investing to significantly reduce our GHG emissions

- Investing in a new high pressure electrode boiler at MVM to replace coal-fired boiler on the site by October 2023 and reduce MVM's processing emissions to almost zero
- Contribution to convert Boiler 2 at Synlait's Dunsandel site from coal-fired to biomass, significantly reducing carbon emissions at the site

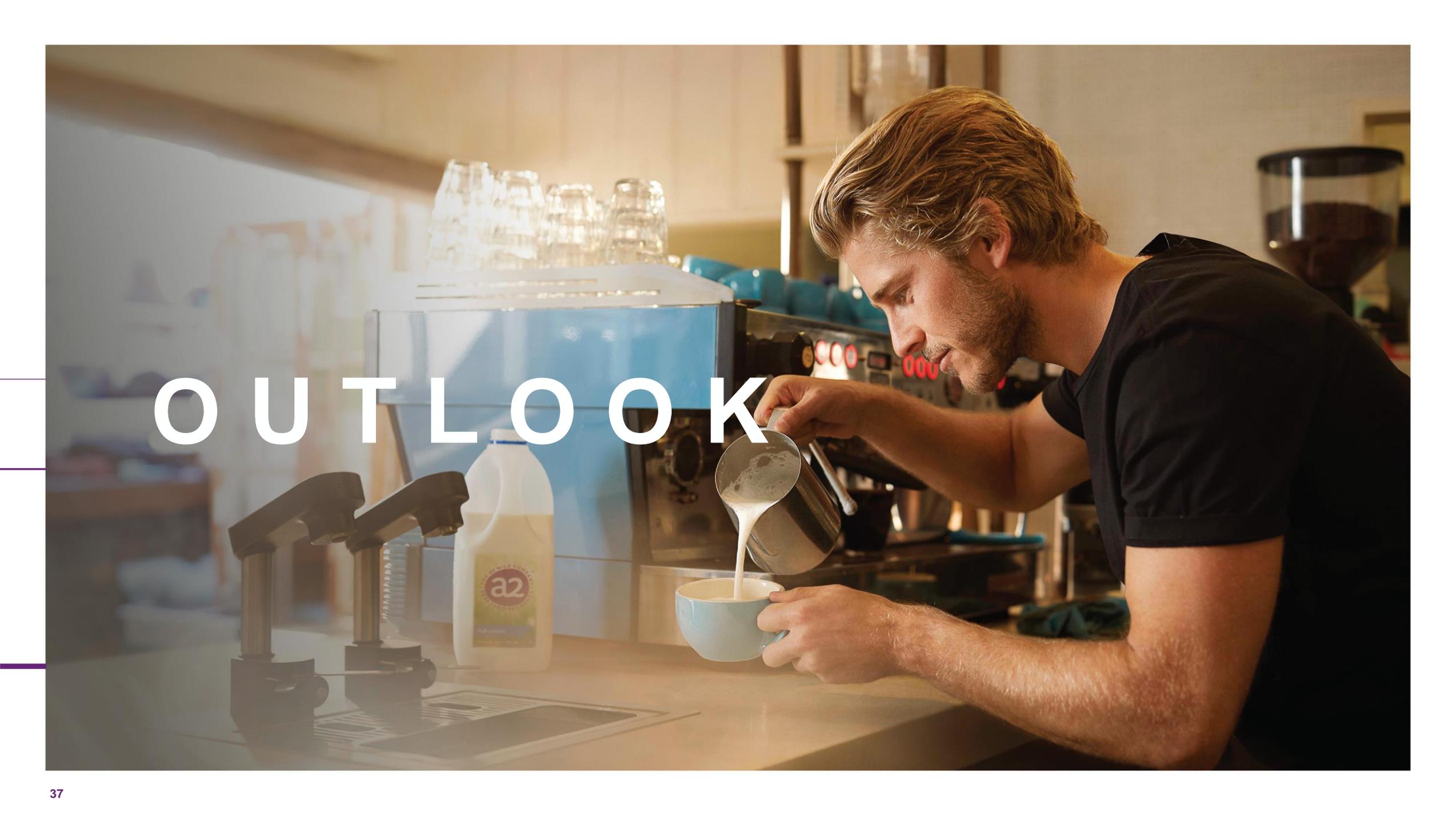
## Committed to making a meaningful change in our packaging

- Aligned to APCO targets for products sold in all markets
- Sustainable packaging targets incorporated into new product development pipeline process

## Support the communities in which we operate

- China: Partnered with rural schools and Guangming Daily to provide nutrition stations to help drive better educational outcomes for children
- ANZ: Sponsorship of Foodbank School Breakfast Program to support 47 schools in some of Australia's most remote, indigenous communities
- USA: Supported Feed the Children back to school campaign; provided disaster relief support for families affected by fires in Boulder





# OUTLOOK

# Outlook

See full outlook statement contained in results announcement dated 21 February 2022

- The Company's revenue growth outlook for FY22 has improved
- However, this expected improvement in revenue is not expected to translate into higher earnings in FY22 as the Company increases its investment to drive growth
- Revenue in 2H22 (including MVM) is still expected to be significantly higher than 2H21, but with growth now expected on 1H22 and for FY22 ahead of initial expectations due mainly to growth in China label and English label IMF
- Whilst there is some trading upside and downside potential, COVID-19 impacts on supply chain have increased and are a key risk in 2H22 in addition to other industry and business risks previously disclosed



# QUESTIONS





## Reconciliation of non-GAAP measures

NZ\$ million	1H22	1H21
Australia & New Zealand segment EBITDA	96.2	117.5
China & Other Asia segment EBITDA	59.4	94.4
USA segment EBITDA	(16.4)	(11.6)
MVM segment EBITDA	(10.0)	
Corporate EBITDA	(31.6)	(21.7)
EBITDA <sup>1</sup>	97.6	178.5
Depreciation / amortisation	(8.2)	(3.2)
EBIT <sup>1</sup>	89.3	175.3
Net interest income	1.1	1.7
Income tax expense	(34.4)	(57.0)
Net profit for the period (including non-controlling interest)	56.1	120.0



# Geographic segment revenue and EBITDA

NZ\$ million		ANZ	China & Other Asia	USA	MVM	Corporate	Total Group
1H22	Revenue	283.3	306.3	32.4	38.6	-	660.5
	EBITDA	96.2	59.4	(16.4)	(10.0)	(31.6)	97.6
	EBITDA %	34.0%	19.4%	(50.7%)	(26.0%)	nm	14.8%
1H21	Revenue	317.2	326.0	34.2	-	-	677.4
	EBITDA	117.5	94.4	(11.6)	-	(21.7)	178.5
	EBITDA %	37.0%	29.0%	(34.0%)	-	nm	26.4%
% change	Revenue	(10.7%)	(6.0%)	(5.2%)	nm	-	(2.5%)
	EBITDA	(18.1%)	(37.1%)	41.5% <sup>1</sup>	nm	45.8% <sup>1</sup>	(45.3%)



# Standard a2MC glossary of terms

Acronym	Meaning	Acronym	Meaning	Acronym	Meaning
a2MC	The a2 Milk Company Limited	ESL	Extended shelf life	OOH	Out of home
ANZ	Australia and New Zealand	FX	Foreign exchange	OTT	Over the top
APCO	Australian Packaging Covenant Organisation	FY	Financial year	O2O	Offline to online
ASP	Average selling price	GAAP	Generally accepted accounting principles	PCP	Prior corresponding period
ATL	Above the line marketing	GB	“Guo Biao”, national standards of China	POSM	Point of sales marketing
AUD	Australian Dollar	GHG	Greenhouse gas	P&P	Pick and pack
B2C	Business to consumer	GM	Gross margin	RKA	Regional key accounts
BCD	Lower tier cities in China	HK	Hong Kong	RMB	Official currency of China
BHT	Brand Health Tracker	IMF	Infant milk formula	ROI	Return on investment
BTL	Below the line marketing	IT	Information Technology	RRP	Recommended retail price
BU	Business unit	KA	Key accounts	RTM	Route-to-market
C2C	Consumer to consumer	Key&A	Upper tier cities in China	S1	Stage 1 infant milk formula
CAHG	China Animal Husbandry Industry Co., Ltd.	KG	Kilogram	S2	Stage 2 infant milk formula
CBEC	Cross-border e-commerce	KOL	Key opinion leader	S3	Stage 3 infant milk formula
CL	China label	LFL	Like-for-like	S4	Stage 4 infant milk formula
CNADC	China National Agriculture Development Group Corp.	LKA	Local key accounts	SAMR	State Administration for Market Regulation
COGS	Cost of goods sold	MAT	Moving annual total	SG	Smeaton Grange
CRM	Customer relationship management	MBS	Mother & baby stores	SG&A	Selling, general and administrative expenses
CSFA	China State Farm Holdings Shanghai Co., Ltd.	MNC	Multinational corporation	SKU	Stock keeping unit
DC	Distribution centre	MT	Modern trade	SP	Super premium
DOL	Domestic online channel	MVM	Mataura Valley Milk Company	TP	Taobao Partner
DT	Distributor	ND	Numeric distribution	TRIFR	Total recordable injury frequency rate
EBIT	Earnings before interest and tax	NKA	National key accounts	UHT	Ultra-high-temperature treated milk
EBITDA	Earnings before interest, taxes, depreciation and amortisation	NPAT	Net profit after tax	UP	Ultra premium
EECA	Energy Efficiency and Conservation Authority	NPD	New product development	USD	United States Dollar
EL	English label	NPS	Net Promoter Score	WD	Weighted distribution
EPS	Earnings per share	NZD/NZ\$	New Zealand Dollar	YoY	Year-on-year
		NZX	New Zealand Exchange		



[www.thea2milkcompany.com](http://www.thea2milkcompany.com)

