



## The a2 Milk Company | 2020 Annual Meeting | Chair's address | 18 November 2020

### **Welcome**

Welcome ladies and gentlemen wherever in the world you may be.

My name is David Hearn, and as Chair of your Board I have the privilege of chairing this most unusual a2 Annual Meeting for the fiscal year ended June 2020, which is online for us all for the first time.

Clearly, we would have much preferred being able to hold this meeting in person in New Zealand, but, unfortunately, the world isn't exactly how we'd like it to be at the moment.

We really appreciate your patience with us as we, alongside many other organisations, continue to navigate such an unprecedented situation.

Also please be aware that we would still welcome your participation and encourage you as usual to vote and ask questions online as soon as you can, and we will address them later in the meeting.

On behalf of the Board of The a2 Milk Company Limited, I would therefore now like to welcome you formally to The a2 Milk Company's Virtual Annual Meeting.

I am satisfied that, in accordance with the constitution of the Company, a quorum is present (albeit online) – and I would therefore like to declare the meeting formally open.

### **Introduction of Directors, CEO and Advisors**

First of all, I would like to introduce the Company's Directors and CEO who are joining us today.

We have:

- **Julia Hoare**, the Company's Deputy Chair, joining us from Auckland,
- **Warwick Every-Burns**, joining us from Sydney,
- **Jesse Wu**, joining us from Shanghai
- **Pip Greenwood**, joining us from Auckland, and
- **Geoffrey Babidge**, our CEO, also in Sydney.

Also joining us today are representatives from the Company's legal advisors, and our Auditors, Ernst & Young.

In addition, a number of members of our senior management team and other colleagues are also listening online.

### **Apologies**

For the record, we have received no apologies in advance of this meeting.

### **Agenda**

The agenda for the meeting is as follows:

Firstly, I will make some short introductory comments and I will then ask Geoffrey Babidge to review the last year and recent performance in his CEO's Address.

We will then proceed to the formal business of the meeting, comprising receiving and considering the Company's Financial Statements and Reports; followed by voting on the resolutions contained in the Notice of Meeting, and concluding with Q&A.

### **Notice of Meeting**

The formal business is set out in the Notice of Meeting, which has been circulated to all shareholders.

I will proceed on the basis that the Notice of Meeting is taken as read.

There are copies of the Notice of Meeting and the Annual Report available online on our website should you wish to refer to them.

### **Proxies**

I have been advised that 1,053 valid proxies have been received representing more than 483 million (or 65 %) of the total number of votes able to be cast at the meeting.

### **Minutes of the previous Annual Meeting**

Also, for the record, the minutes of the last Annual Meeting, held on 19 November 2019, have been signed by me as the Chair of that meeting, as a correct record of those proceedings.

These minutes are available to shareholders from the Company on request.

So, with those important procedures completed, I would like to take the opportunity to provide you with a few introductory remarks...

### **Chairman's Speech**

It is with great pleasure that I can announce that the 2020 fiscal year was another outstanding year for The a2 Milk Company.

As we reflect on our 20-year history, I am reminded of what a remarkable journey it has been.

We have grown to become one New Zealand's largest listed companies and we are extremely proud of our New Zealand heritage - as we are of the way we have developed our Trans-Tasman markets, the tremendous growth we are achieving in China, and the additional opportunities we are developing in North America and other parts of Asia.

That said, FY20 was a year in which our business faced several changes and challenges.

Despite this, we were still able to stay focused and find inventive ways to continue to deliver upon our strategy.

The resilience we have created within our Company over many years has provided us a solid foundation on which to continue building on our strengths.

Like most, if not all, other organisations, we knew coming into fiscal 21 that we would again need to use all of our agility and ingenuity to manage through the volatility and uncertainties that the global pandemic is causing.

As we know, this year is testing us, as it is many organisations, but I have confidence that the strong foundations which underpin our business will continue to assist us as we navigate these short-term external challenges for however long they are with us.

I firmly believe the elements that have made us a strong Company over the years, the elements that matter, remain strong to this day and continue to position us well for the future.

We anticipated that in the early part of the fiscal year we would continue to experience some unwinding of the pantry stocking that occurred in China earlier this calendar year.

We did also anticipate that there would be continuing short term softness in retail daigou, primarily due to reduced tourism from China and dramatically fewer international student numbers.

However, we did not anticipate the strict and prolonged lockdown in Victoria which has impacted our corporate daigou/reseller channel significantly.

As a consequence, with weakness in pricing and uncertainty for the duration of the lockdown, we have seen a significant downturn in this channel, and whilst we believe it will ultimately be temporary, it will have an impact on our performance this year, which we made clear to the market as soon as the extent became apparent.

However, it is important to recognise that we are most definitely not alone in combatting this challenge.

A number of our major international competitors have recently provided updates indicating they have also experienced similar levels of disruption with sales of infant formula into China, with some apparently facing significantly greater adverse effects.

But despite these short term challenges, we believe this will ultimately be a temporary issue which will improve as the channel mix re-adjusts, the restrictions ease, pricing stabilises and of course as the unprecedented impact of the pandemic begins to recede.

In fact, I am pleased to be able to report that we are seeing some very early signs of improvement in the last few weeks.

We have a plan in place and are confident that there is a path to restore this channel, which we firmly believe remains an attractive and strategically important channel for our business, even though it will take time to recover.

So, whilst the daigou channel is having some short term, COVID-related, challenges, we believe longer term it is still one of our key strategic channel priorities.

We are also encouraged by the excellent underlying brand health metrics we are seeing in our internal reporting such as consumer awareness levels and brand shares as reflected in the strong performance in the mother and baby store channel.

Geoff will go into this in more detail shortly.

Shareholders should take comfort, as does the Board, in the faith that we have in our fundamental business model, our strong unique a2 brand and our exceptional people right through the organisation.

We have managed through challenges before, and while the uncertainties and impacts of COVID-19 are unique, we are confident that the team will find a way through.

I'd now like to take a moment to discuss the company's cash position.

Over the past several years, we have experienced rapid growth and, consequently, developed a robust balance sheet with significant cash reserves.

This has created a wide range of options for us to fund our future growth.

In February this year, as part of the Board's ongoing review of the most appropriate use of capital, we determined that we would continue to prioritise investment in growth and other strategic initiatives, and therefore will not be returning capital directly to shareholders in the short term.

A key example of this approach is visible in our recently announced indicative offer, to acquire a controlling stake in the Mataura Valley Milk business.

This represents an important strategic opportunity not only to strengthen the security of our infant nutrition supply chain alongside our successful long term relationship with Synlait, but also at the

same time to provide us with direct access to the future technology and innovation developments which will enable us to remain a market leader in this critical category.

I would also like to comment that the approach we have taken in structuring this acquisition – in proposing to acquire a controlling but not 100% stake and retaining a highly regarded additional Chinese partner into the mix – is another example of our ‘capital smart’ approach to investment.

The Mataura deal, if successfully completed, will deliver a world class plant in operation without the usual time and risks that developing a greenfield opportunity on our own would inevitably entail – and at a cost lower than were we to build a greenfield site on our own.

All of which makes it a financially smart as well as a strategically sound investment.

Geoff will say more about Mataura in his address, but the Board continues to be encouraged about this opportunity for our Company going forward.

Whilst it is easy to forget in the midst of all of the challenges and issues that we are all facing this year, we should not forget that fiscal 20 was another stellar record performance in all aspects and I would like to acknowledge the whole a2 team for the contribution they have all made in making that happen.

On behalf of the Board, I would also like to both recognise and thank our CEO Geoff Babidge for the significant contribution he has made to the Company since he stepped back into the business at short notice in December last year.

I said at the time we were fortunate to have someone like Geoff who could assist in this way, and that could not be more accurate when we reflect on what has transpired since then.

As you are aware, we have announced the appointment of David Bortolussi as our Managing Director and CEO, which I and the Board are excited about.

David has many strengths that make him well suited to leading the Company at this stage of its growth, including extensive international leadership experience in the consumer and retail sector.

David will commence in the role early in 2021, and we will have the opportunity to hear from him briefly later today.

Finally, it would be remiss of me not to also acknowledge the announcement we made earlier today about Jesse Wu.

I can honestly say on behalf of the entire Board and management team, that Jesse has been an outstanding director since he joined the Board in May 2017.

His general management experience together with his obvious deep understanding of the Chinese

culture and commercial environment has been of invaluable assistance to both the Board and management as we have successfully developed our business in the region.

Despite this, Jesse and I have been discussing for some time, that his commitments, both personal and professional, have grown over the years and are reaching the point where they have become incompatible with his role on the a2 Board which takes up a significant amount of time, especially when the travel logistics are added to the meetings themselves.

Jesse feels, understandably, that the time has now come for him to step down in order to take care of his other priorities.

That said, in typically supportive style, Jesse has agreed to stay on until around the end of the calendar year in order that we have the opportunity to at least identify his replacement so that the Board is not left without any relevant China experience to rely upon for too long.

In addition, I am delighted to be able to report that Jesse has also agreed to take up an on-going role of special advisor to the Chairman so, although we will not benefit from Jesse's input at every Board meeting, we will continue to be able to access his knowledge, experience and wisdom in the future.

I also wish to acknowledge the support provided by our Executive Committee, the broader management team and all our staff, including our partners, in ensuring we didn't miss a beat in FY20 and are working even harder towards delivering a challenging FY21 outcome.

Finally, I would also like to thank my fellow directors for managing a significant increase in workload this year.

Our Board has been structured in such a way to ensure we have a high degree of diversity and experience with strong local insights into our markets.

For better or worse, this also means we are geographically diverse.

It has required careful planning and flexibility to ensure our effectiveness through the challenges posed by COVID-19 – and a lot of time talking into our laptops!

To all our shareholders, I thank you for your continued support for this business.

Wherever you are joining us from today in this virtual environment, we hope you and your families are safe and in good health.

I'll now hand over to Geoffrey Babidge who will deliver his CEO address.