

Welcome to

The a2 Milk Company™



Annual Meeting November 2015



David Hearn
Chairman



Geoffrey Babidge

Managing Director & CEO



Agenda

1. Year in review

- Financial performance
- FY15 Highlights
- Strategic initiatives
- ASX listing update

2. Regional update

3. Infant formula

4. Financial update

5. Close





Year in review



[Click here to view a film overview of the FY15 highlights](#)

Key financial summary

NZ\$ million	FY14	FY15	% change	
Revenue	110.8	155.1	+40%	
Gross margin	39.8	54.4	+37%	• Gross margin reflects higher milk costs in Australia in part offset by efficiency gains and contribution from infant formula
Administration	(12.0)	(15.4)	+28%	
Marketing	(9.8)	(10.3)	+5%	
Other expenses	(14.4)	(23.9)	+66%	• FY15 other expenses increased due to expansion into new markets and full consolidation of UK business for the first time
EBITDA before non-recurring items	3.6	4.8 ¹	+35%	
EBITDA	3.6	3.1	-13%	• NZD/AUD exchange movements reduced FY15 revenue by ~NZ\$3.2 million and EBITDA by ~NZ\$530k on pc
EBIT	2.1	1.2	-44%	
NPAT	0.0	(2.1)	n/a	• In first half FY14 the UK business was reported below the EBIT line as share of associate earnings
Cash on hand	16.0	6.1	-62%	

¹Non-recurring items include ASX listing costs of \$1.7 million in FY15

Reconciliation of non GAAP measures

NZ\$ million	FY14	FY15
Australia & New Zealand Segment EBITDA	4.5	5.7
China & other Asia Segment EBITDA	(1.7)	1.8
UK & USA Segment EBITDA	(2.2)	(7.7)
Corporate & other Segment EBITDA	3.0	3.3
EBITDA ¹	3.6	3.1
EBITDA before non-recurring items	3.6	4.8
Depreciation/Amortisation	(1.9)	(1.9)
EBIT ¹ before non-recurring items	1.7	2.9
Share of Associate loss	(1.4)	-
Non-recurring items	-	(1.7)
Net interest income	0.4	0.1
Income tax expense/income	(0.7)	(3.4)
Net Profit/(Loss) for the Period	0.0	(2.1)

¹EBITDA and EBIT are non GAAP measures. However, the company believes they provide investors with a comprehensive understanding of the underlying performance of the business

FY15 Highlights

ANZ

- Total gross revenue of AU\$148.4 million, an increase of 45% on pcpc
- Record operating EBITDA¹ of NZ\$30.0 million
- Successful launch of a2 Milk™ whole milk powder in June 2015

China

- a2MC assumed direct responsibility for sales and distribution of a2 Platinum® infant formula
- Local team in Shanghai increased to 8, local distributors increased to 25 (as at end August)
- New e-commerce focus and capability in China (JD.com, T mall Global)

UK

- Repositioned a2 Milk™ brand into premium specialty milk segment and improved margins
- Positive response from existing retailers, new ranging in J Sainsbury
- Established brand platform for broader product extensions

¹Before inter-company charges



FY15 Highlights

USA

- a2 Milk™ launched into Southern California from April 2015, retailer distribution building
- Developing internal capabilities and infrastructure
- Establishing committed local farmer base

Infant Formula

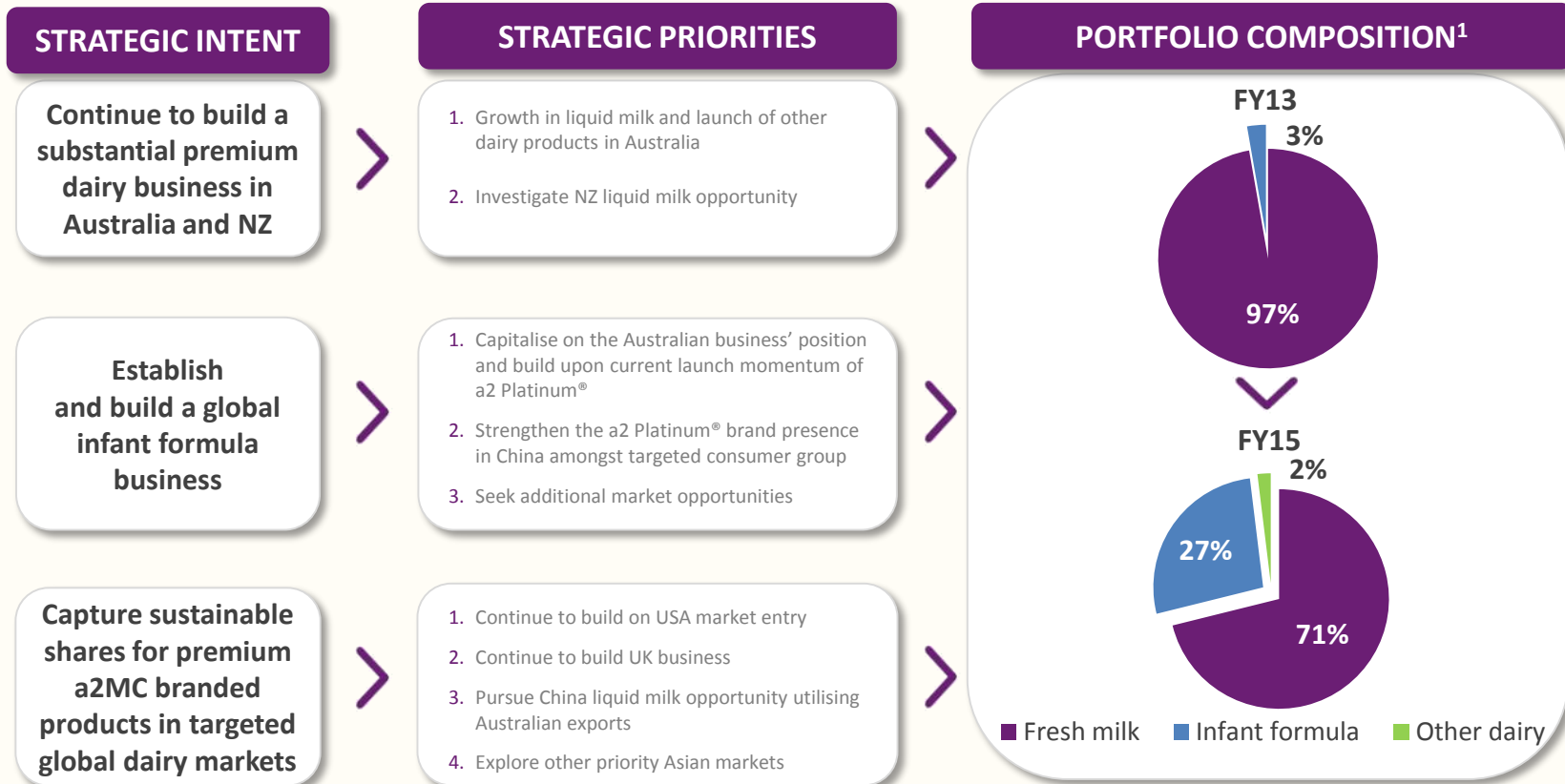
- Substantial growth in a2 Platinum® infant formula with revenue of NZ\$41.7 million
- Demand significantly exceeded production forecast
- Milk supply base expanded in NZ to >100m litres p.a. to support continued growth

Intellectual Property and Science

- Four new patent applications filed
- Further scientific progress with 11 known studies published
- Sponsored further human studies in several markets to build upon recent findings



Focussed strategic plan is transforming the business

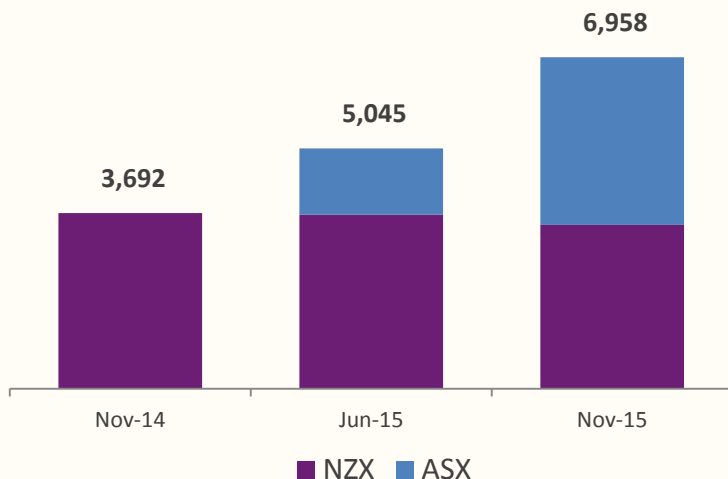


¹ Composition defined by net revenue per product type

Dual listing on the ASX and recent capital raise

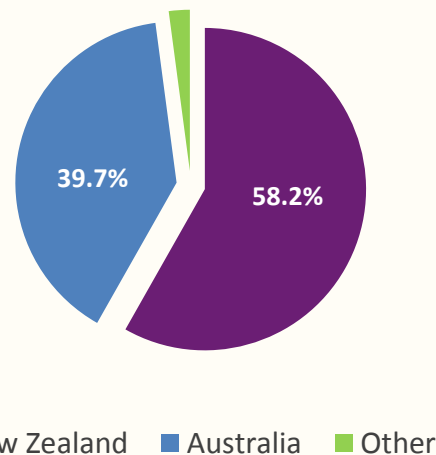
- a2MC was admitted to the Official List of the ASX on 31 March alongside the existing NZX listing
- Place of incorporation maintained in New Zealand
- Successfully achieved objective to broaden investor participation
- Company successfully raised NZ\$40 million in oversubscribed placement
- Current SPP to raise a further NZ\$3 million

Number of Shareholders (NZX/ASX)¹



¹ Shareholders by exchange as at 11 November 2015

Shareholding Domicile²



² Weighting based on % of fully paid issued capital held as at 11 November 2015



Regional update

Australia and New Zealand

- ANZ business continues to perform ahead of plan
- Fresh milk revenue continues to grow – with market share increasing to circa 9.4% for the latest quarter¹ and trending upwards
- Fresh milk gross margin stable
- New advertising campaign launched in October “Believe in Better”
- a2 Ice Cream™ launched into one retailer from August, with second major retailer now accepted
- a2 Milk™ whole milk powder sales are growing strongly
- a2 Platinum® infant formula showing exceptional sales growth, despite continuing out of stocks on shelf
- The Company is making every endeavour to ensure that Australian customers can purchase a2 Platinum® in Australian retailers
- a2 Platinum® continues to be the fastest growing infant formula brand in Australian supermarkets



¹Australian Grocery Weighted Scan, MAT October 25 2015

China

- Changes to supply and distribution arrangements for infant formula yielding positive results
- Local Shanghai based team significantly strengthened
- Sales growth being achieved for both China label infant product and cross border ANZ label
- Multi-channel retailer approach with strong emphasis on e-commerce and mother & baby stores (currently 1,300)
- a2MC e-commerce strategy is focussed on JD.com, T mall and other strategic selling platforms from both a sales and consumer education perspective
- T-mall online store continues to see increasing sales demand. The a2 Milk Company™ store, according to T mall, has the fastest growing number of unique visitors, exceeding 100,000 for the month of September
- a2MC has entered an exclusive distributor agreement with DKSH for five key provinces from October 2015
- Distributor network now totalling 25 with strength in East and West China, with plans to increase in the second half
- Positive EBITDA in FY16 tracking ahead of plan



*"My sister's friend is in Australia. She was told most people in Australia choose a2, so I searched on internet. I searched on Baidu first. It said **a2 is the Hermes** in IMF. It also mentioned the ingredient and why it's different from other IMF - because it contains the protein, which is the most close to breast milk, and it is good for baby's gastrointestinal system, not to cause inner heat" Ms Zuo Chenlian (a2 Platinum® purchaser, Shanghai)*

Growing presence within China e-commerce stores

- a2MC building branded flagship stores across selected e-commerce retailers to build and capitalise on the genuine a2 Platinum® point of difference



Currently T mall and JD.com account for ~70% of the industry's e-commerce sales within China

a2MC continues to also boost availability and marketing amongst a number of additional strategic platforms



United Kingdom

- Revised fresh milk platform in place
 - Now ranged in four of the top five retailers: J Sainsbury, Tesco, Waitrose and Morrisons
 - Distribution in over 1,200 stores
 - Unit sales, whilst modest, up circa 50% since March 2015
- Revised UK business model broadens the product portfolio beyond fresh milk
 - UHT milk launched - available online from September, seeking retail distribution
 - a2 Platinum® infant formula sales opportunities being developed
- Improved EBITDA forecast in FY16 compared to prior year
- Monthly breakeven plan by 1st half FY17



United States of America

- a2 Milk™ brand milk launch into Southern California commenced from April 2015
 - Positive retail trade acceptance, only one major retailer group outstanding
 - Now achieved retail weighted distribution estimated at 65%
 - Sales behind budget given delay in achieving targeted distribution
 - Units per store per week building, meeting retailer expectations for turn rates within the speciality milk category
 - Plan to achieve 30 upspw¹ by the end of FY16 within key retailers in the Californian market
 - This compares to Australia where a2 Milk™ achieved circa 30 upspw¹ following brand relaunch in 2007
- Building distribution in Northern California - target to achieve similar weight of distribution to Southern California
- Core focus on best practice on-farm and consistent a2 Milk™ product quality from farm to consumer
- Byrne Dairy contract processor supplying California volumes, and other states over time

¹Refers to the units per store per week for the total range



Consumers reacting positively, retailers expanding distribution

SOUTHERN CALIFORNIA RETAILER ACCEPTANCES (~65% OF ACV):



271 stores



130 stores



NORTHERN CALIFORNIA RETAILER TARGETS (~65% ACV):



125 stores



128 stores



EXTENDED DISTRIBUTION IN SELECT RETAILERS:



136 stores
(Total California and Mid Atlantic)



212 stores
(Nationally)



174 stores
(Nationally)



USA Market Opportunity



[Click here to view a film overview of the U.S. market opportunity](#)



Infant formula

a2 Platinum® demand is growing exponentially

- Group revenue for infant formula was ~NZ\$38 million for four months to October 2015, compared to NZ\$41.7 million for FY15
- Infant formula now accounts for ~47% of total group revenue (FY16 forecast)
- Demand and appeal is growing amongst both Australian and Chinese customers
 - Fastest growing Australian infant formula brand:
 - Value market share of circa 15.3%¹
 - Two skus in the category top 10 across Australian supermarkets
 - Number 3 brand in infant formula category in latest quarter in a leading supermarket chain
 - The growing success of a2 Platinum® is based on the well established reputation of the a2 Milk™ brand in Australia
 - This strong reputation combined with the positive perceptions around ANZ 'clean and green' sourcing, is driving strong demand from China
 - As the reputation of the a2 Milk™ brand increases, there will be opportunity to extend a2 Platinum® into additional markets
- Strong growth despite demand continuing to exceed supply
- Retail stock shortages continue despite production volumes increasing
- Synlait Milk positively supporting a2 Platinum® business growth
- Continuing to build milk supply in NZ

¹Australian Grocery and Pharmacy Scan, quarter to date 25/10/15





Financial update

FY16 Financial update

- a2MC has made a very positive start to the 2016 financial year
- The first four months' trading performance for infant formula in ANZ and China well ahead of plan
- The Company is today issuing a revised earnings guidance for the full year
- a2MC previously forecasted Group revenue to grow to NZ\$267 million and Group operating EBITDA to NZ\$12 million in FY16
- Based on current trading trends, the Company has revised its full year FY16 outlook upwards, and is now forecasting Group revenue of \$285 million, and Group operating EBITDA of \$22 million now forecast
- The Company will continue to monitor its performance and provide further commentary with the release of the first half trading results

The
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Company™

“The a2 Milk Company is on the cusp of converting our recent investments into significant and meaningful business platforms, both in Australia and abroad, which will generate significant growing returns across the coming years.”

David Hearn, Chairman





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