

Australian Dairy Farms Group

06 September 2018

ASX Code: AHF

AHF PRESENTING AT ASX SMALL TO MID- CAP CONFERENCE

Today, Peter Skene, Chief Executive Officer of Australian Dairy Farms Group (AHF), will be giving a presentation at the inaugural ASX Small to Mid-Cap Conference at the International Convention Centre on Darling Harbour, Sydney.

The aim of the conference is to showcase small to mid-cap companies to the ASX's vast network of Australian investors.

Twenty companies will be presenting to a large audience of retail investors, and all presentations will be livestreamed to the ASX YouTube page. The AHF presentation will commence this afternoon at 3:45pm.

Attached is the presentation which Peter Skene will be providing for your information.

AUSTRALIAN DAIRY FARMS GROUP

Ends.

Further Details

For additional company information or media enquiry matters please contact:

Peter Skene

Group CEO/ Director

Australian Dairy Farms Limited

Email: shareholders@adfl.com.au (emails are forwarded to the relevant person)

Communications Policy

As a policy, because of the heavy demands on limited management resources and to ensure compliance with continuous market-wide disclosure regulations, AHF does not respond to individual security holder communications regarding the management of the business, the company or with respect of any opinion or analysis that is not contained in market releases and released financial reports.

AHF makes ASX market releases at times directors believe it would be helpful or necessary for investors and as required by the Listing Rules. For further information regarding our shareholder communications policy, please refer to AHF's website: www.adfl.com.au

About Australian Dairy Farms Group

Australian Dairy Farms Group (AHF) was the first ASX listed dairy farmer. Its initial focus was on aggregating high quality dairy farms in Victoria, initially in the South Western region with particular emphasis initially, on the famous Dairy Golden Triangle region of South West Victoria between Warrnambool and Colac south of the Princes Highway to the coast around Port Campbell.

In April 2016 the Group completed the acquisition of Camperdown Dairy Company Pty Ltd - ACN 140 640 606 (Camperdown Dairy) – see announcement on <http://www.adfl.com.au/announcements>.

Australian Dairy Farms Group is listed as a stapled security comprising one fully paid share in **Australian Dairy Farms Limited (the Company)** and one fully paid unit in **Australian Dairy Farms Trust (the Trust)**. Within the structure, the Company is the operator and manager of the dairy farm properties, which are leased from the Trust as the registered owner.

Disclaimer – Forward Looking Statements

This announcement may include “forward looking statements” within the meaning of securities laws of applicable jurisdictions. These forward-looking statements are not historical facts but are based on AHF's current expectation, estimates and projections about the industry, in which it operates, and beliefs and assumptions. Forward looking statements may include indications of, and guidance on, future earnings or distributions and financial position and performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of AHF, and its officers, employees, agents, or associates, that may cause actual results to differ materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and AHF assumes no obligation to update such information.

Australian Dairy Farms Group (ASX:AHF)

ASX Small and Mid-Cap Conference

6th September 2018

Presenter – Peter Skene

CEO Australian Dairy Farms Group



Australian Dairy Farms Group

Australian Dairy Farms, the new fresh future

Disclaimer

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Investment Risk

An investment in Australian Dairy Farms Group (AHF), is subject to known and unknown risks both specific to AHF and of a general nature, some of which are beyond the control of the Group including possible loss or reduction in capital invested. Such risks may either individually or in combination adversely affect the future operating and financial performance of AHF, its investment return and value of its securities.

There can be no guarantee and the Directors and management give no assistances, (notwithstanding that they will use their conscientious best endeavours), that AHF will achieve its stated objects or that any forward looking statement or forecast will eventuate.

Forward-Looking Statements

This Presentation contains certain statements which may constitute forward-looking statements or information (“forward-looking statements”), including statements regarding the use of proceeds of any funds available to the Group. These forward-looking statements are based on certain key expectations and assumptions, including assumptions regarding the general economic conditions in Australia and globally, industry conditions in Australia and the intended operations of the Group. These factors and assumptions are based upon currently available information and the forward-looking statements contained herein speak only as of the date hereof. Although the expectations and assumptions reflected in the forward-looking statements are reasonable in the view of the Group’s directors and management, reliance should not be placed on such statements as there is no assurance that they will prove correct. This because forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied in the forward-looking statements. These risks include, but are not limited to: uncertainties and other factors that are beyond the control of the Group ; global economic conditions; risks associated with the global dairy industry; commodity prices, exchange rate changes; operational and seasonal risks associated with farming; delays or changes in plans; specific risks associated with the ability to execute production contracts, ability to meet work commitments and capital expenditures; and risk associated with securities market volatility. The Group assumes no obligation to update any forward-looking statements or to update the reasons why actual results could differ from those reflected in the forward-looking statements, except as required by Australian securities laws and ASX Listing Rules.

¹Associates of Australian Dairy Farms Group include any of its directors, employees, contractors, advisers, brokers, consultants and their respective employees and representatives. References to “Australian Dairy Farms”, the “Group” Australian Dairy Farms Limited, Australian Dairy Farms Trust and its trustee are references to Australian Dairy Farms Group and / or the following constituent entities. Australian Dairy Farms Limited ACN 057 046 607, Australian Dairy Farms Trust ASRN 600 601 689, Camperdown Dairy Company Pty Ltd ACN 140 640 606, SW Dairy Farms Pty Ltd ACN 600 103 553 and other subsidiary entities.





Overview

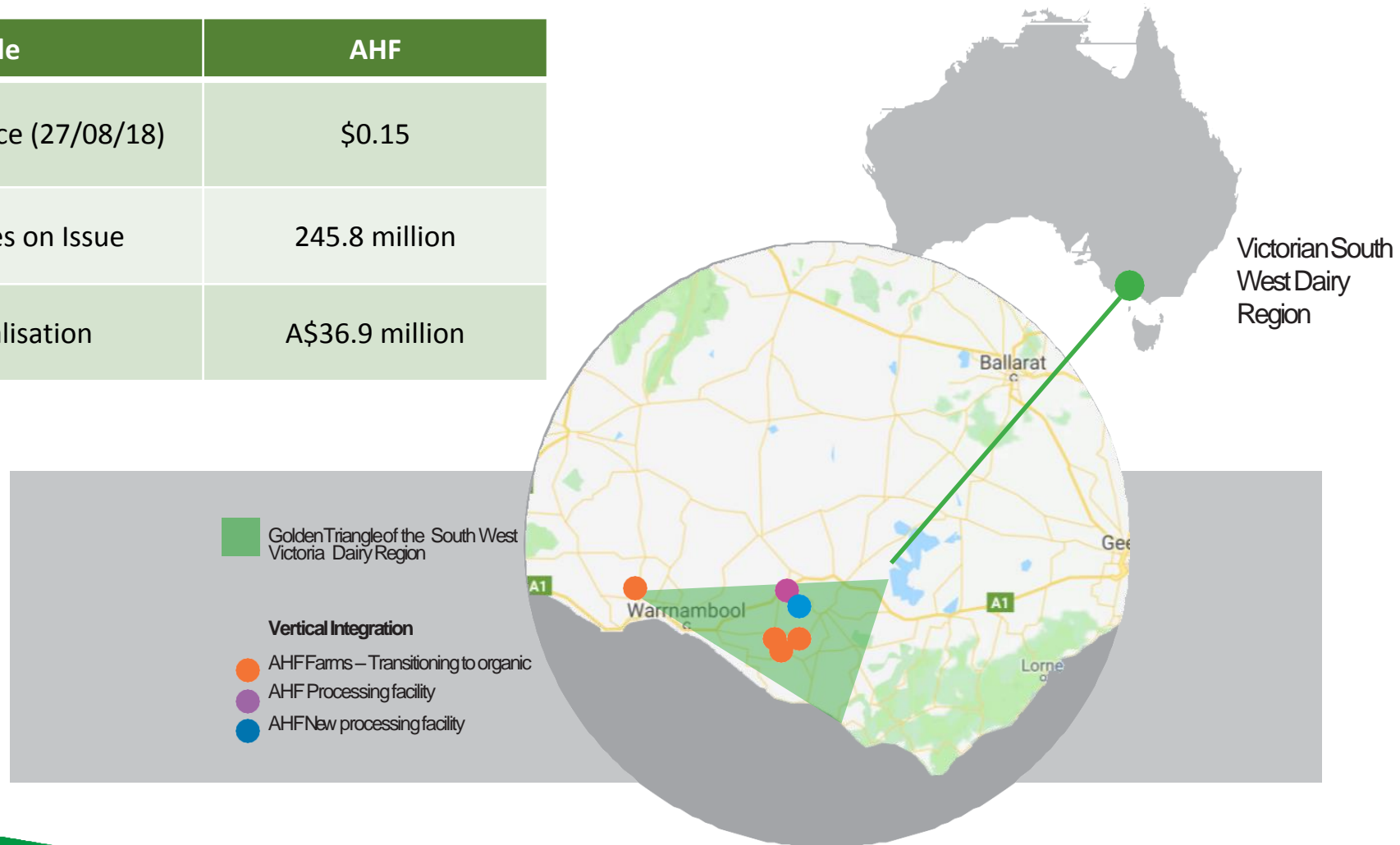


Australian Dairy Farms Group

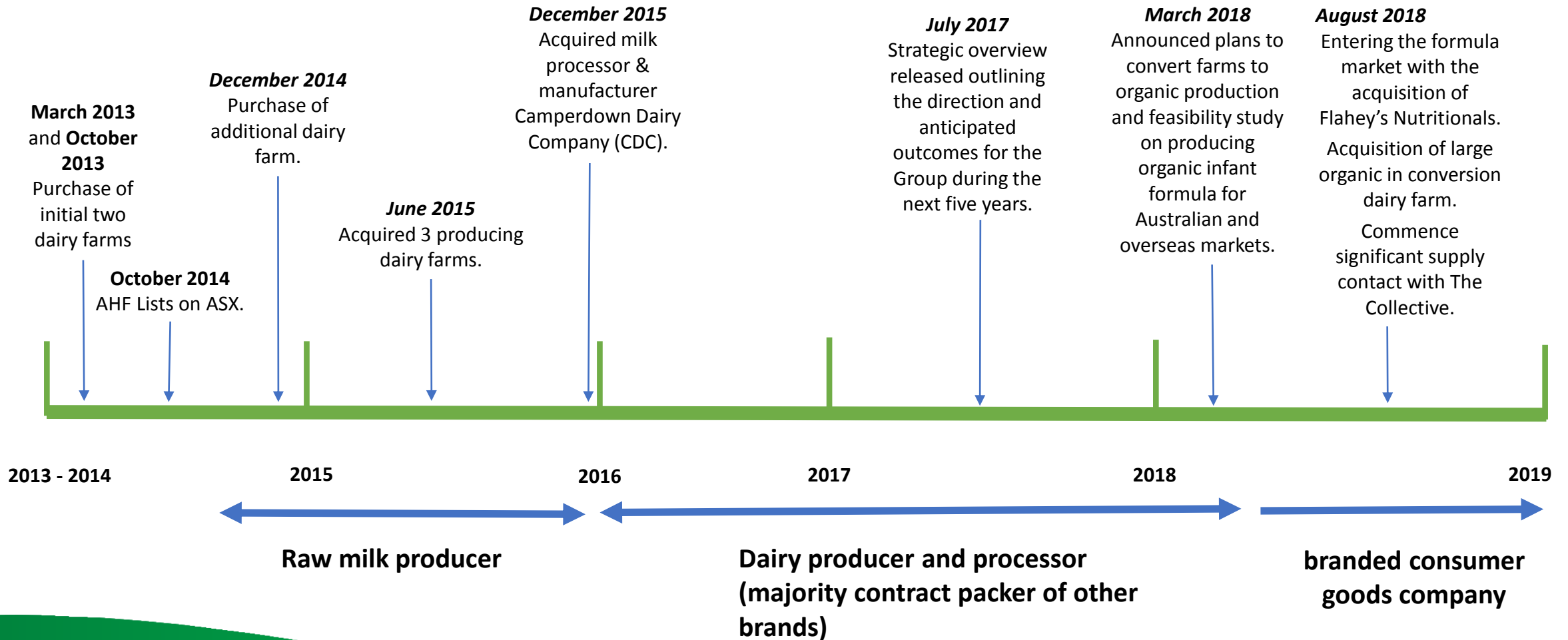
Australian Dairy Farms, the new fresh future

Overview of Australian Dairy Farms

ASX Code	AHF
Stapled Security Price (27/08/18)	\$0.15
Stapled Securities on Issue	245.8 million
Market Capitalisation	A\$36.9 million



History of Australian Dairy Farms



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Current Core Assets

Our farms

- Australian Dairy Farms Group currently owns 6 farms producing 17 million litres of milk
- AHF owned farms are in the process of converting to Organic milk production
- This transition would enable AHF to become Australia's largest single farm entity for the production of organic milk

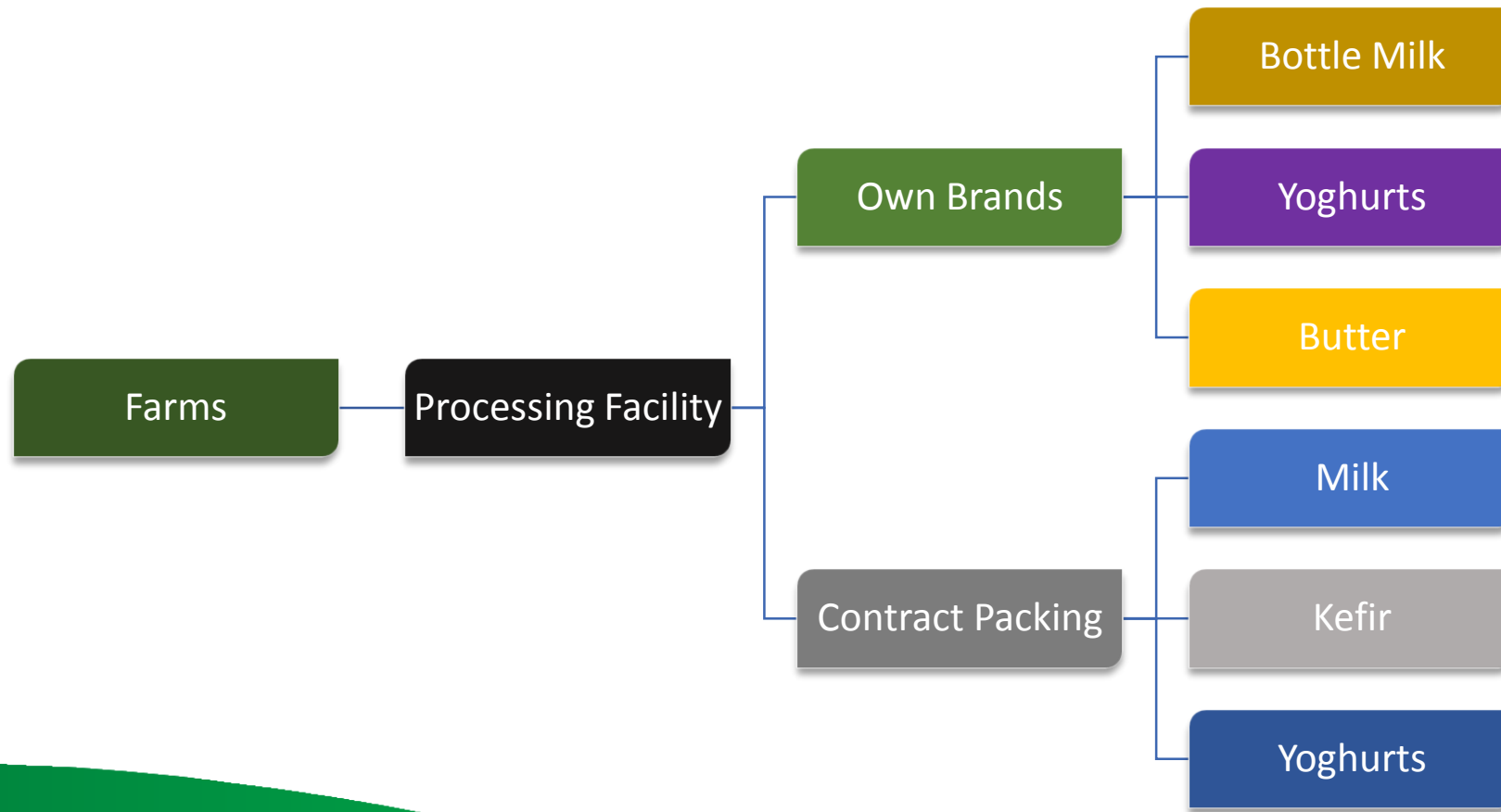
Our processing facility

- Camperdown Dairy has been a fully certified organic dairy manufacturer for the last 5 years.
- Recently Camperdown Dairy has expanded the organic certification to include yoghurts, milks as well as butter
- The company has, in the main, been using its organic certification to support contract manufacturing for other businesses



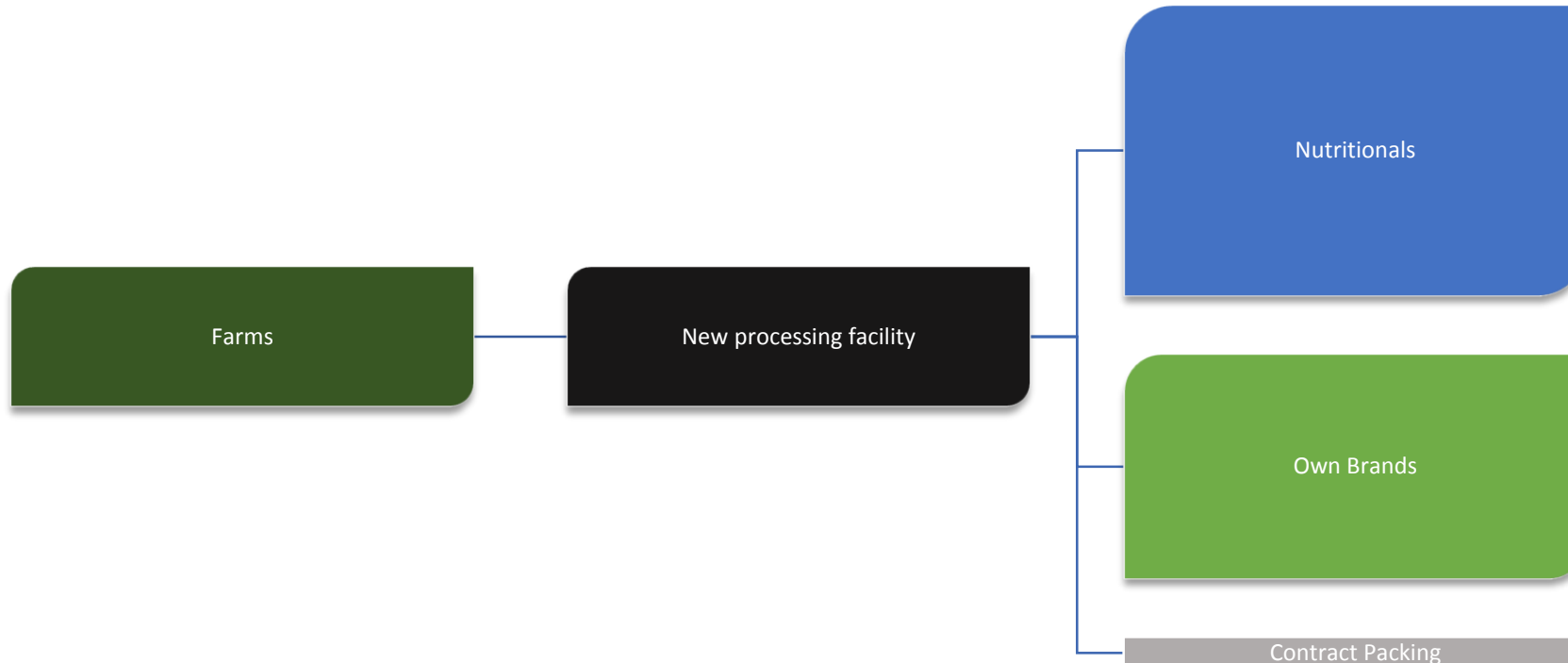
Current Business Structure

Australian Dairy Farms Group are currently a vertically integrated producer and processor of own brand and contract manufactured dairy products.



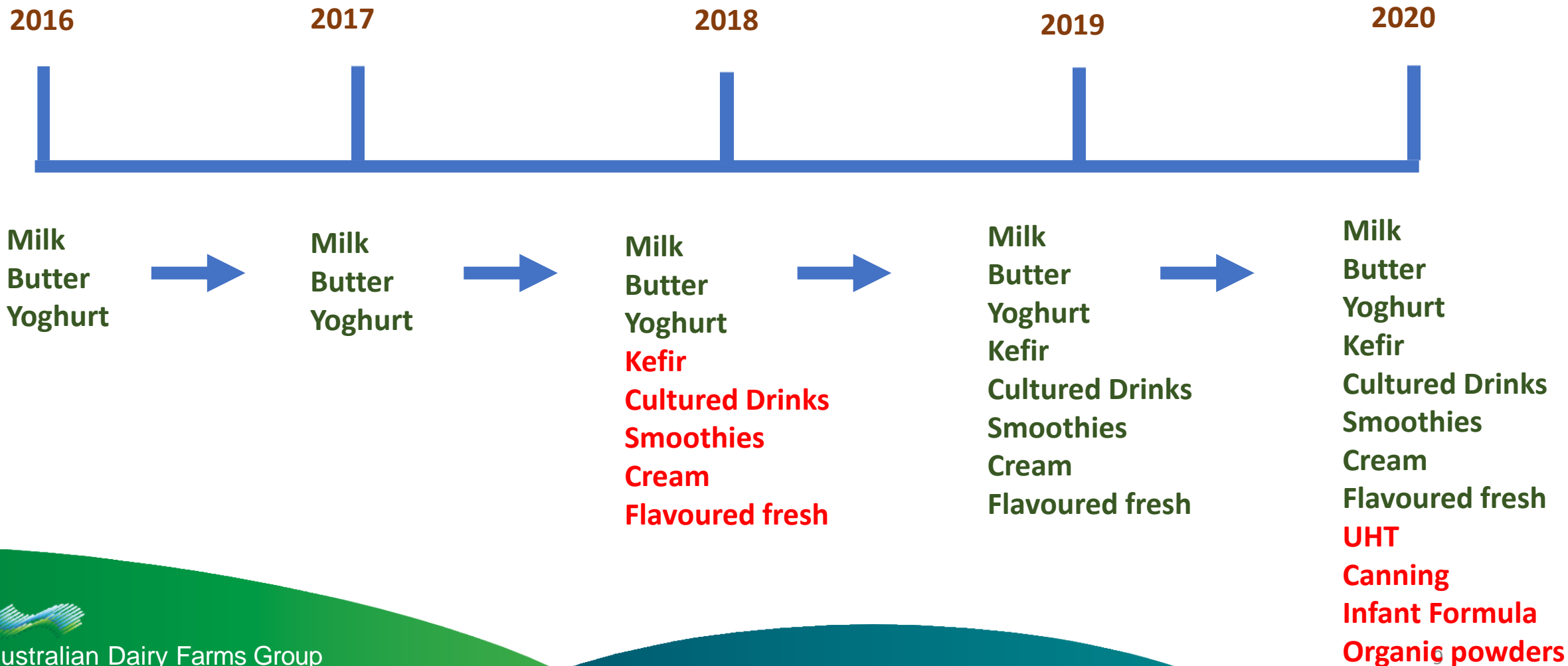
Future Business Structure

Future business structure will include a broad suite of differentiated nutritional products including a “Tummy Health” and organic infant formula range



Diversifying and Introducing Higher Margin Products

Processing capabilities now and aspirational

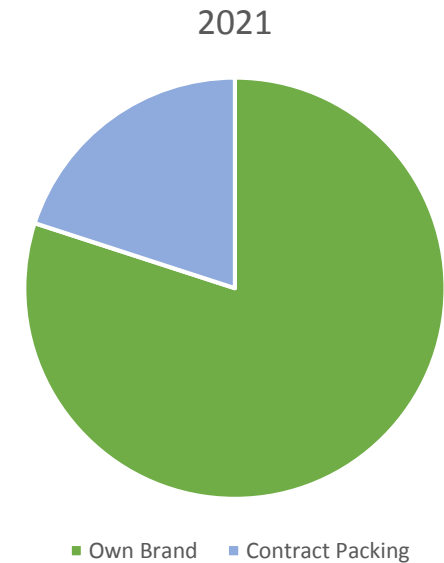
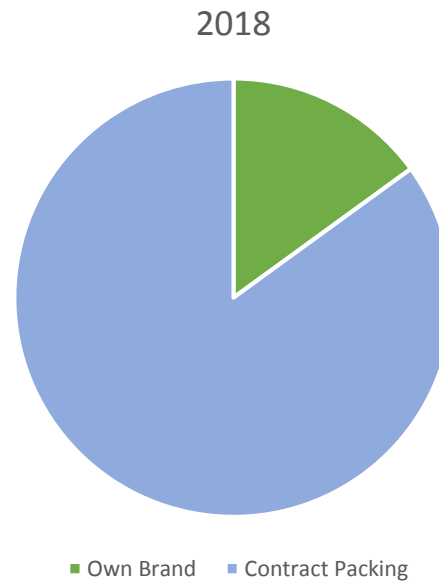
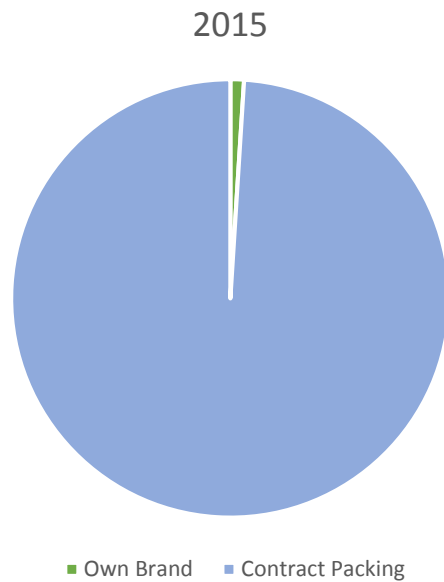


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Australian Dairy Farms, the new fresh future

Growing Branded Products

Australian Dairy Farm Group is transitioning from a conventional basic producer of low value products, to a premium differentiated branded business





Strategy



Australian Dairy Farms Group

Australian Dairy Farms, the new fresh future

Strategy - Overview

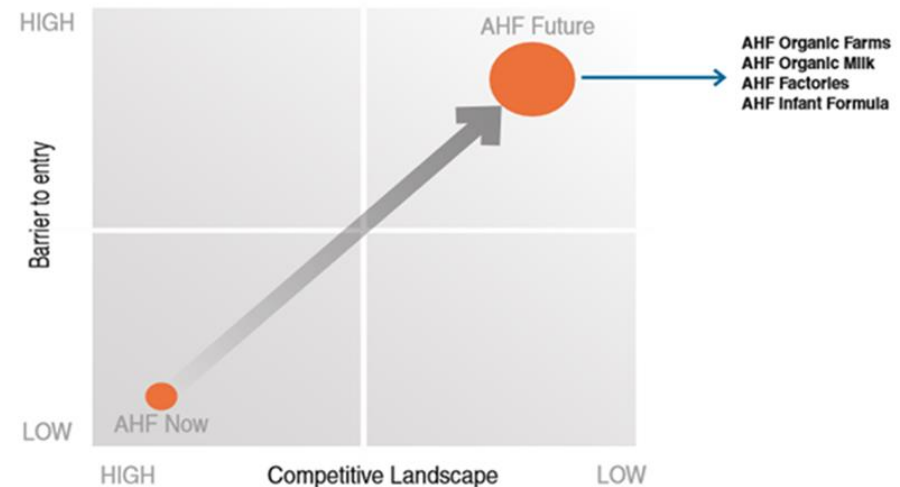
- Transitioning from contract packer to **brand owner**.
- Converting farm assets from 6 of over 5,000 conventional dairy farms into **Australia's largest single entity ORGANIC in conversion dairy enterprise**.
- Moving from highly competitive low value products to **high value, high growth markets**
- **Entering the Formula / Nutritionals market** with the purchase of Flahey's Nutritionals (**A key first step into the organic formula and infant formula markets**)
- Future plans for **fully vertically integrated infant formula brands and supply chain** (refer to 26th March announcement)
- **Ultimate control and security of supply with company owned cows, farms, Factory, Tinning and brands**



Strategy – Repositioning the Company

Transformational shift from farms and raw milk processing to highly differentiated dairy products including nutritionals led by “tummy health” and organic infant formula.

- Higher barriers to entry
- Fewer competitors
- Higher growth
- Attractive margins
- More branded product
- Less contract manufacturing
- Increase brand equity
- Stronger shareholder outcomes



Growing from bottled conventional milk, yoghurt and butter markets to **Australian Organic Infant Formula** – high value, high growth rates and high barriers to entry



Strategy – Entering the Formula Market (August 2018)

- **Acquisition of Flahey's Nutritionals is our most recent step**
- Flahey's Nutritionals recently launched into the Australian Certified Organic market via a specialised ultra premium product currently ranged in major branded retailers within the Pharmacy market in Australia
- Flahey's Nutritionals has a comprehensive range of premium infant formula products under development with a “cradle to grave” market position
- The Flahey's Nutritional acquisition fits nicely with Australian Dairy Farms Group's overall strategy of transitioning from a conventional basic producer of commodity products to a full premium differentiated branded business





Nutritionals



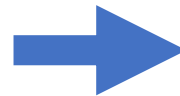
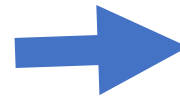
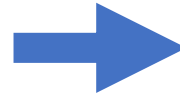
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Current and Future Revenue

Current Revenue Source

Farms	<ul style="list-style-type: none"> 6 farms producing 17 million litres of milk per annum Segregated herds, comprising Holstein / Fresian and Jersey Herds
Processing Facility	<ul style="list-style-type: none"> Independently certified organic milk processor Contract packer of brands including Woolworths Farmers Own Own brands: bottle milk, yogurt, butter



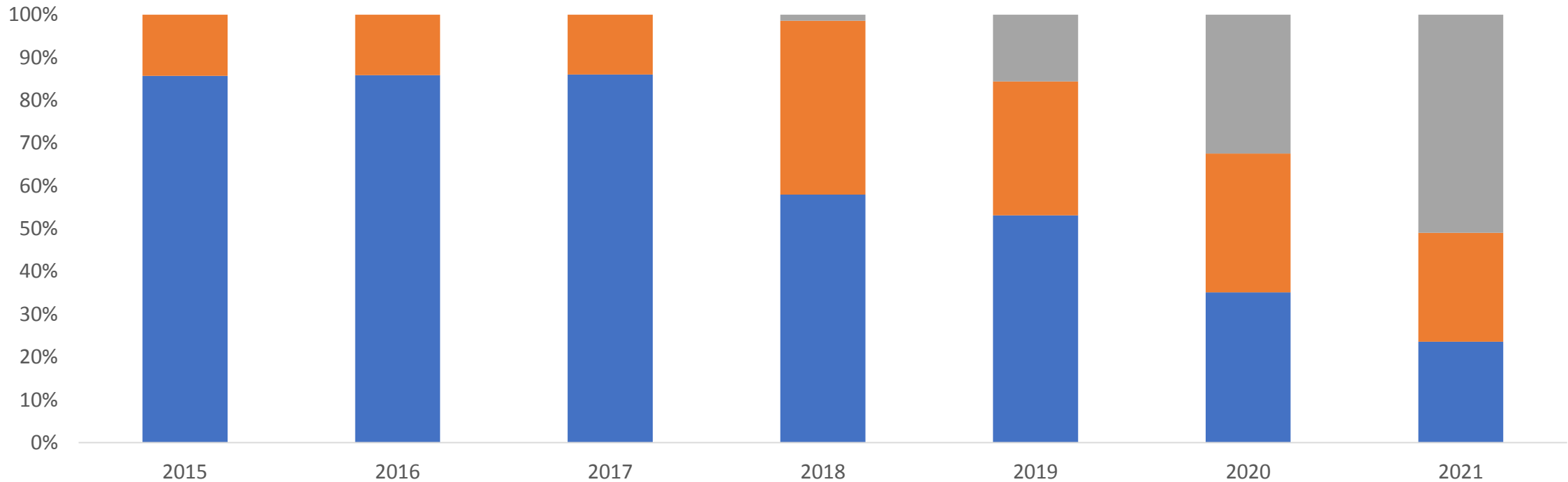
Future Revenue Source

Farms	<ul style="list-style-type: none"> 7 <i>Organic</i> farms producing 20 million litres of milk per annum Segregated herds, comprising Holstein / Fresian and Jersey Herds
Processing Facility	<ul style="list-style-type: none"> Independently certified organic milk processor producing organic milks, butters and yoghurts Contract packer of brands including The Collective Own brands: bottle milk, yogurt, butter New branded fresh branded range
Nutrition	<ul style="list-style-type: none"> Flahey's Future is being rolled out nationwide through the Australian pharmacy market 3 further products launched by 2020



Shift to Nutritionals

Australian Dairy Farms are moving up the value chain to be a manufacturer of high value speciality products



Projected category value splits

■ Bottle Milk ■ Yoghurts ■ Formula

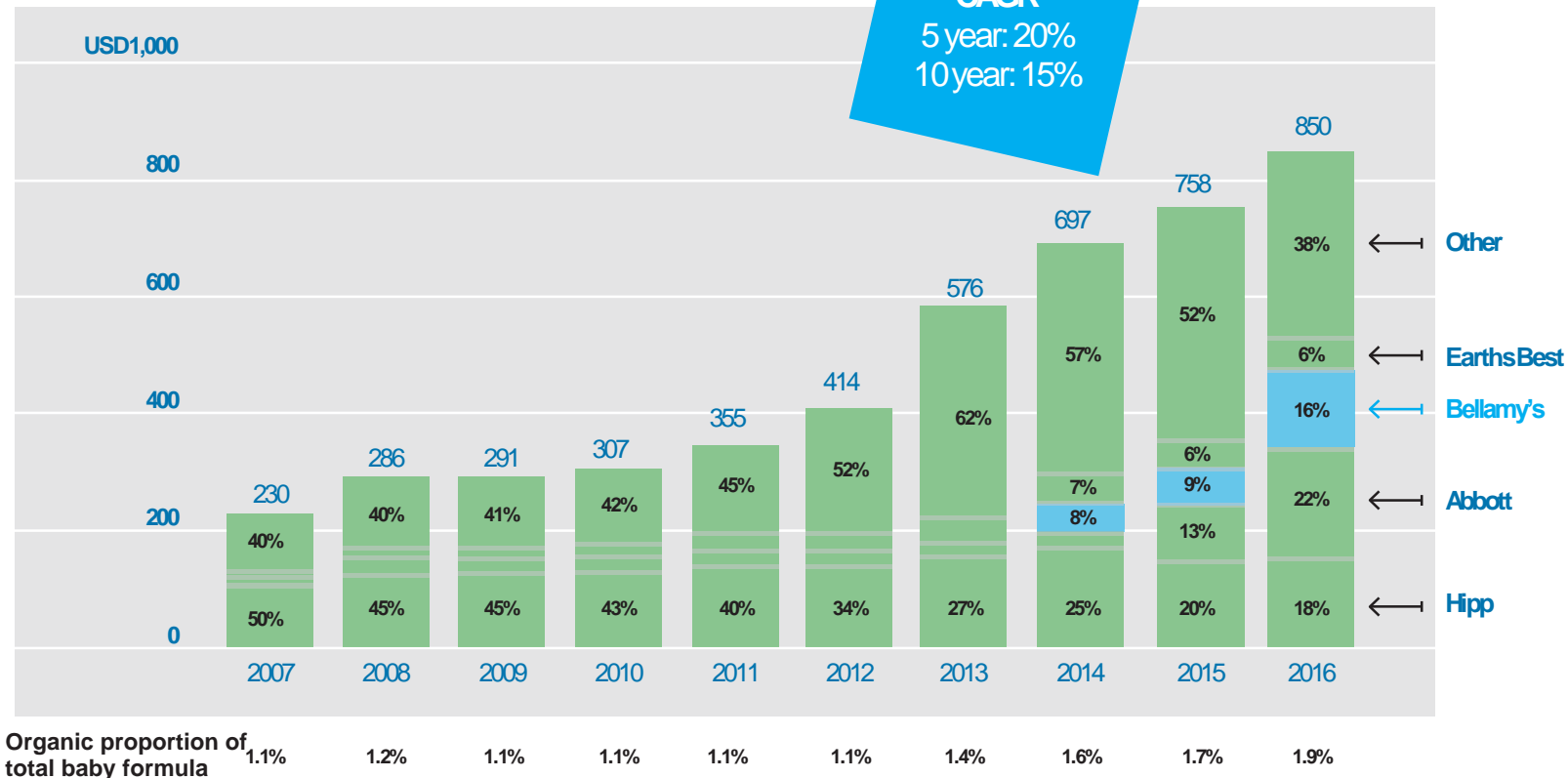


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The last 10 years - Organic Baby Formula Market Sales – (Growing at 20% per year in last 5 years)

Global organic baby formula retail sales value (constant price) in millions



Source: Ballamys FY17 AGM Presentation

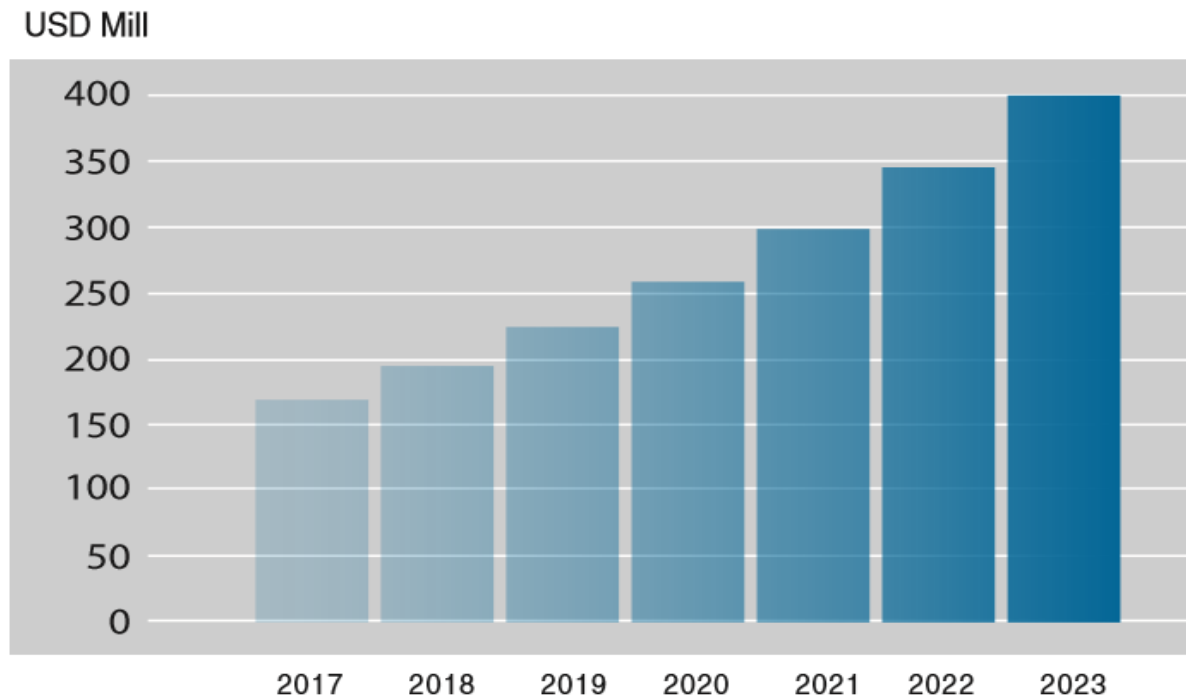


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Australian /NZ Organic Infant formula – next 5 years From USD \$169 Mill in 2017 to USD \$400 Mill

Australian and New Zealand Organic Infant Formula
Market Value (2017-2023)



Source: 'Market Research Future' - Global Organic Infant Formula Report



Infant formula sales in China are growing at 9% PA

ORGANIC infant formula sales in China are growing at 46% PA

Figure 13. CNCA-certified organic label



Source: CNCA

Certified organic IMF having a field day in China

In order for infant formula to be labeled as "organic" in China it must be certified by the CNCA (Figure 13) from 1 January 2018. The criterion is at least 95% of a product's weight must be comprised of ingredients included in the CNCA's "List of Certified Organic Products". Currently, there are only 17 registered organic infant formulae in China; primarily Chinese brands. Bellamy's is not one of these.

According to a Nielsen survey of Chinese supermarkets and mother and baby stores, organic infant formula accounted for only 4% of the Chinese infant formula market in 2017. The organic category saw growth of +46% in 2017 (2016: +47%), significantly outpacing the market growth rate of 9%.

Recent surveys of Chinese consumers have indicated the most important factors behind choosing organic formula (in order) are i) nutritional content, ii) food safety, iii) brand, and iv) country of origin. The primary and most influential sales channel is the mother and baby stores, making CFDA registration critical for organic formula. The top three organic brands by consumer awareness are Abbott, Wyeth and, most notably, Bellamy's (which does not have CFDA registration or organic certification) (Figure 14).

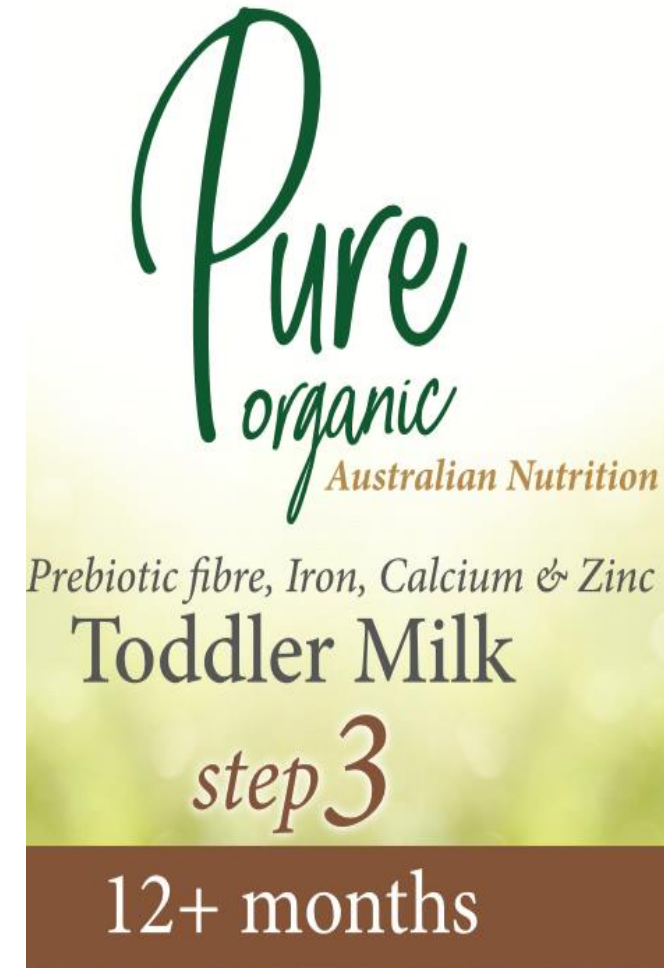
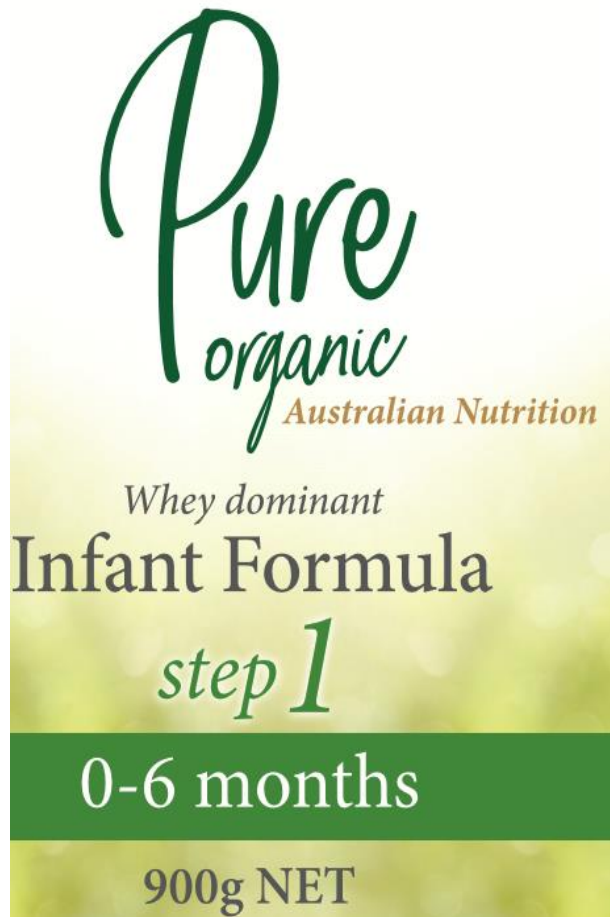
Source: Citi Infant formula report



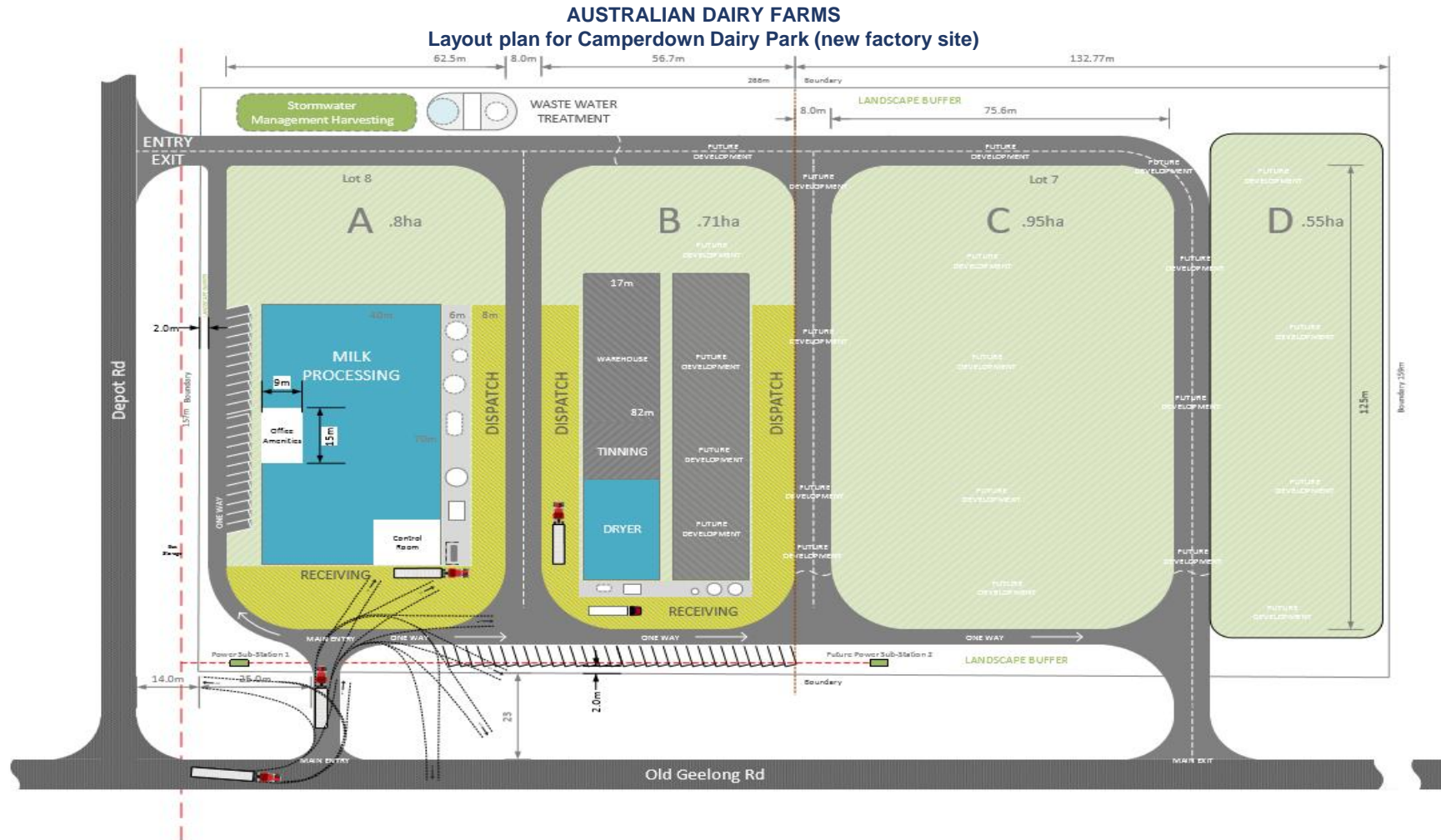
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Brands (illustrative only - we don't wish to share with competitors at this point)

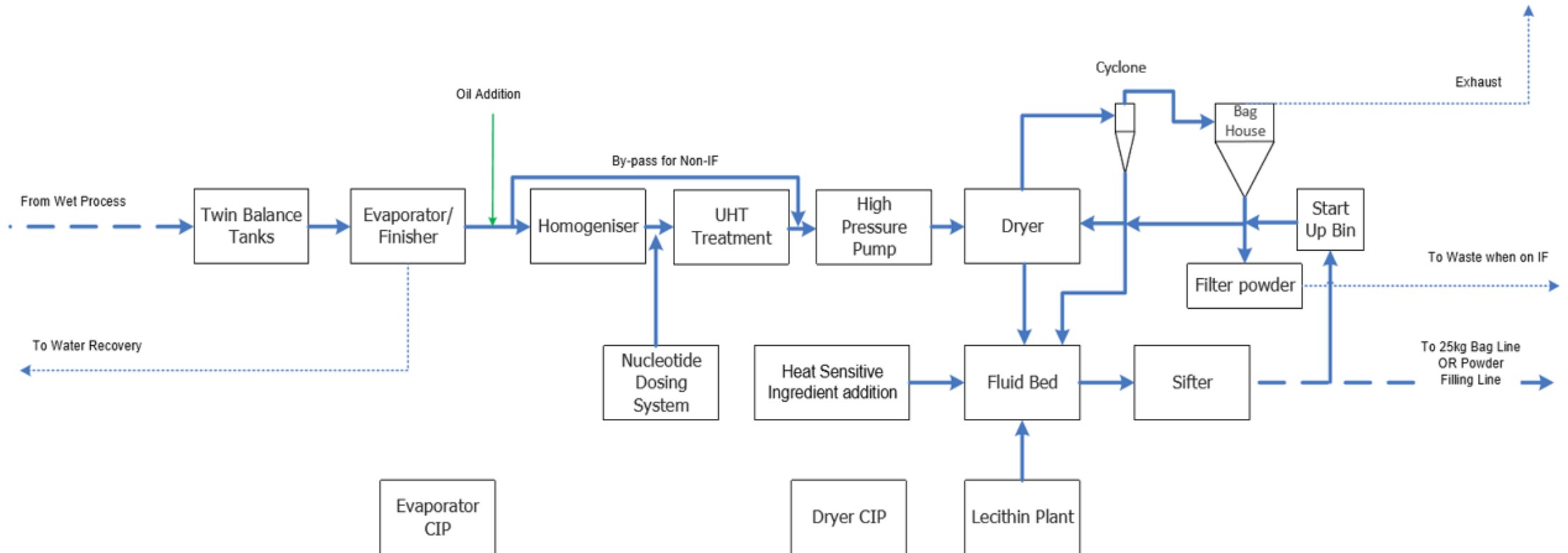


Strategy – Planning for the future



Strategy – From milk to Infant Formula (all in Western Vic)

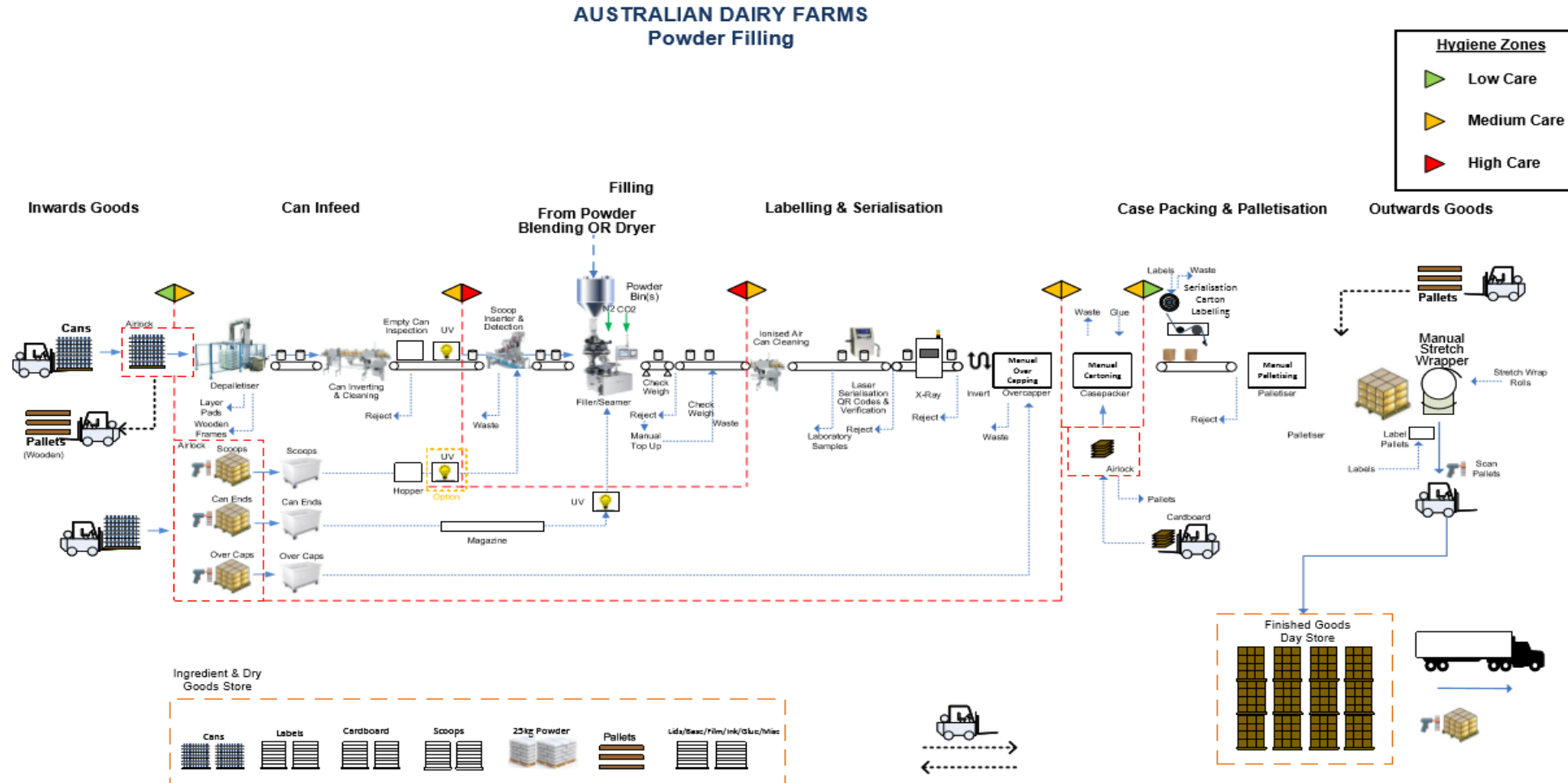
AUSTRALIAN DAIRY FARMS
Typical powder drying process line



Option 2 – Skim Milk Powder, Whole Milk Powder and Full Range Infant Formula from Wet Blend

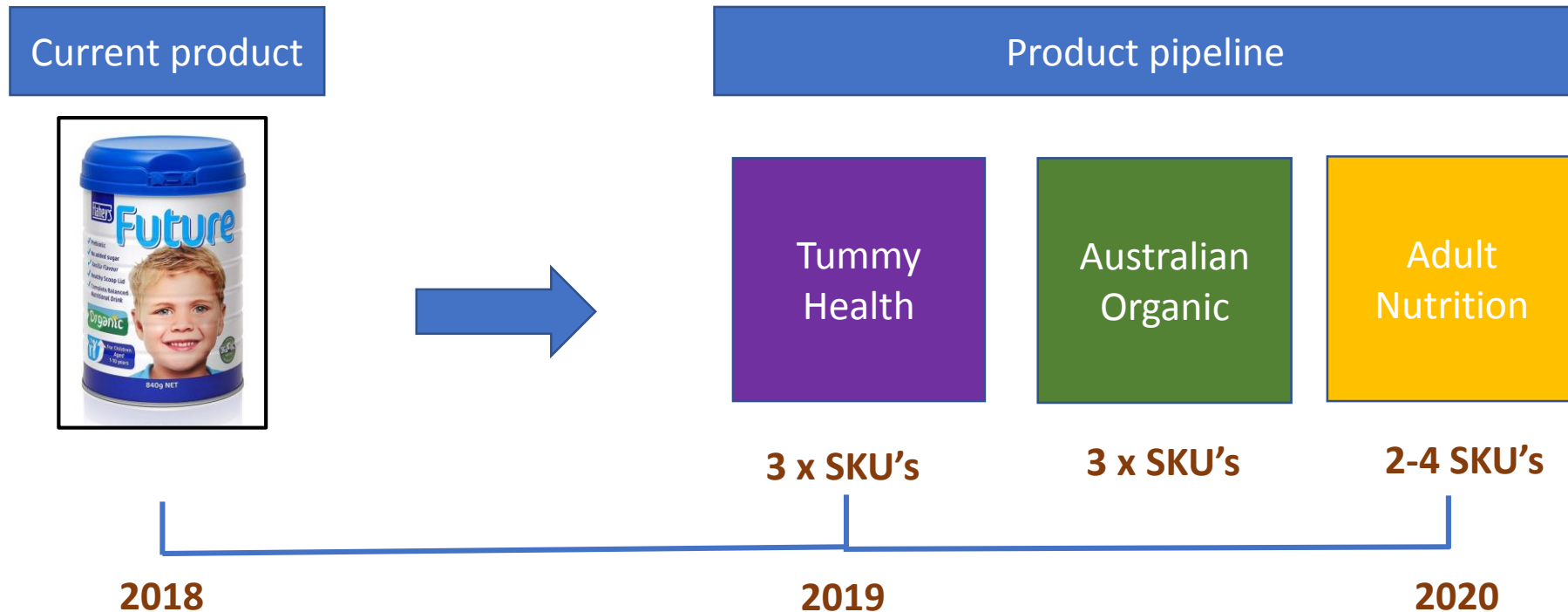


Strategy – Infant formula / Nutritionals plant



Nutritionals Pipeline

Entered the nutritionals segment through the acquisition of Flahey's Nutritionals and have plans to expand into Tummy Health, Adult Nutrition and Australian Organic by 2020.



“Tummy Health” and Organic Markets

Focus on differentiated products

Launch	Product	Description	Product Range
1	Differentiated product	The first product to be launched will be new to market, differentiated position focusing on “Tummy health”	3 SKU’s in total: <ul style="list-style-type: none"> • 0-6 months • 6-12 months • Toddler
2	Organic product	The second launch will be a full organic product grown on corporate farms, produced in corporate factory, canned in corporate factory	3 SKU’s in total: <ul style="list-style-type: none"> • 0-6 months, step 2 • 6-12 months • Toddler
3	Organic adult nutritional Products	The third launch will be an organic adult nutritional products. New to market / world.	2-4 SKU’s: <ul style="list-style-type: none"> • Segmented • Adult male and female



Fully Integrated

	Organic	Branded	Infant Formula	Vertical Integration	Market Cap (A\$m)	Turnover FY18e (A\$m)	Market Cap / Turnover
Bellamy's Australia	✓	✓	✓	✗	1,168.3	353.8	3.3x
The A2 Milk Company	✗	✓	✓	✗	8,142.1	1266.3	6.4x
Wattle health	✓	✓	✓	✗	258.7	0.9*	278.6x
Bubs Australia	✓	✓	✓	✓	326.7	16.3	20.0x
Australian Dairy Farms	✓	✓	✓	✓	36.9	23.6*	1.6x

*FY17 Revenue
Source: CapitalIQ 28 August 2018

“AHF is a vertically integrated, producer of dairy products and diverse nutritionals and will include organic infant formula from 100% Australian Organic Milk”



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Appendix



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Organic Dairy Market

Market

The domestic dairy industry revenue is expected to grow at an annualised rate of 8.5% to reach a market value of \$2.6 Billion.

The market for organic infant formula in Australia and New Zealand is expected to grow from \$230m in 2017, to \$546m by 2023. (source: AAP)

Price

Domestic prices for non-organic milk have been falling steadily since the industry deregulated in 2000. The organic market is less inclined to be affected by commodity pricing.

Volume

The Australian organic milk pool is estimated to be 40 million litres per year, Australian Dairy Farm Group will add significantly to this volume given that their annual milk volume is planned to be 17 million litres.

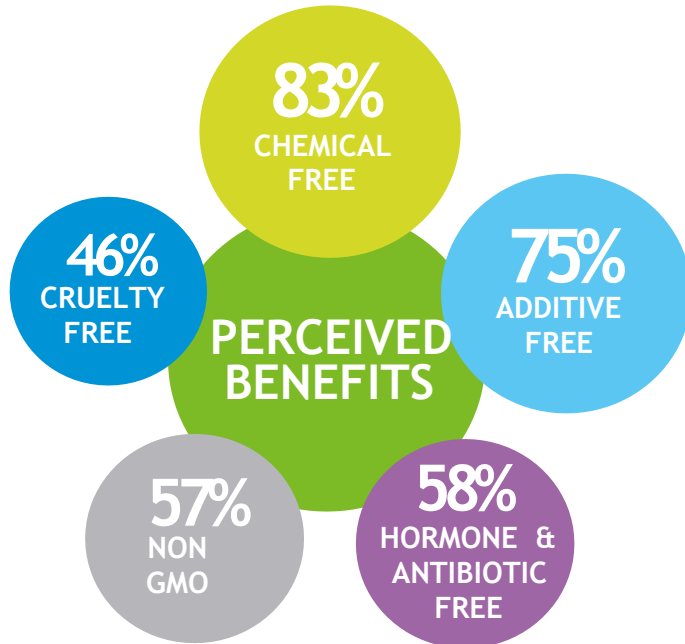


Source: austorganic.com



Organic Dairy Market Opportunity

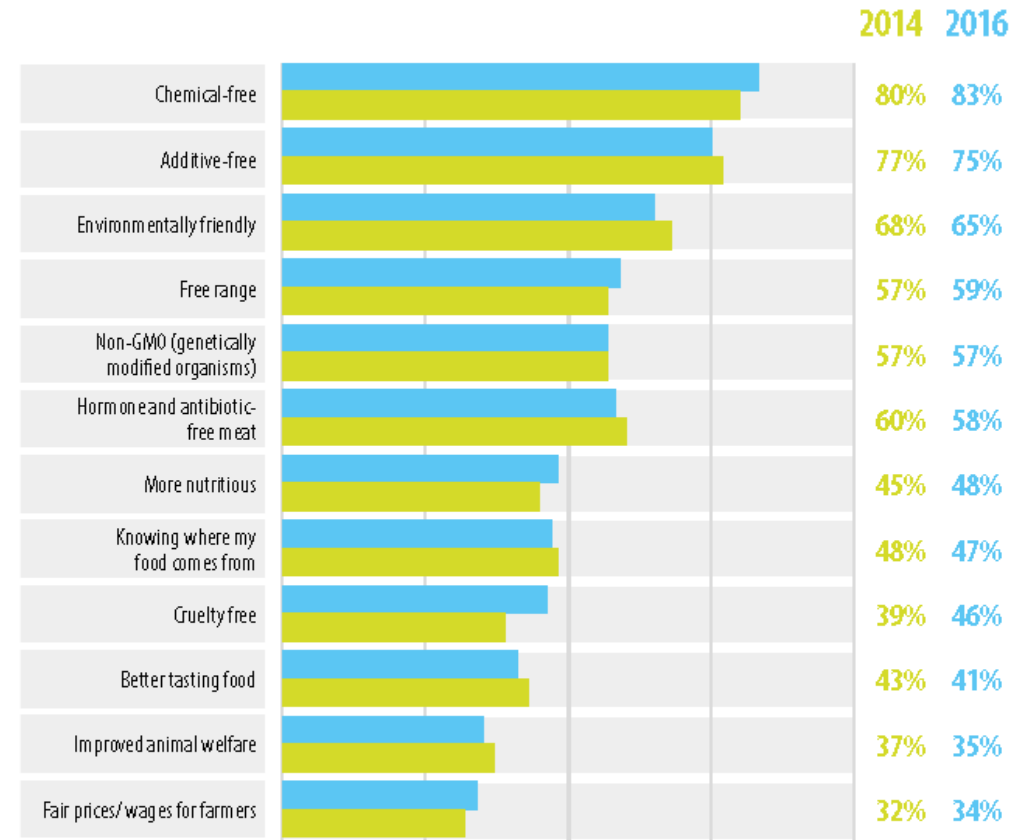
Top **Perceived** 'Free From' Benefits of Organic Food*



THE TOP PERCEIVED BENEFITS OF ORGANIC FOOD

1. Chemical free	6. Hormone and antibiotic free meat
2. Additive free	7. More nutritious
3. Environmentally friendly	8. Knowing where my food comes from
4. Free range	9. Cruelty free
5. Non-GMO (genetically modified organisms)	10. Better tasting food

Australia's Top 12 Perceived Benefits* of Organic Food



* Source: Australian Organic Market Report 2017

Organic Dairy Market (Cont)

Challenges

Numerous challenges have developed in the domestic dairy market, including supermarket milk price wars and falling domestic milk prices due to plummeting global dairy trade prices.

Market Opportunities:

- Retailers and restaurants are stocking an increasing number of organic products;
- Capitalise on the demand for organic premium and ultra premium differentiated foods.
- Domestic demand for organic food and produce is projected to continue growing strongly with the population becoming increasingly aware of clean, safe food.
- The consumer demand for “free from” claims.



Source: Unique Health Products



Further Details

For additional company information or media enquiry matters please contact:

Peter Skene

Group CEO/ Director Australian Dairy Farms Limited

Email: shareholders@adfl.com.au

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Victoria between Warrnambool and Colac south of the Princes Highway to the coast around Port Campbell.

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Camperdown Dairy is a wholly owned subsidiary of AHF. The Group is now avertically integrated milk producer, processor and product distributor in Australia. Refer to the Group's Strategy Overview release to market on 11 July 2017 for additional information about AHF's immediate and longer term strategic planning. See the above link to ASX announcements or the Group's website for a copy of the Group's Strategy Overview.

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