



Australian Dairy Nutritionals Group

Growing Local, Going Global

CEO Presentation
Peter Skene

Annual General Meeting
29 November 2019



Consistently delivering on Group Strategy

AHF is transitioning from a contracted packer to a vertically integrated manufacturer and producer of premium organic products and brands, with a large focus on organic infant formula

Key achievements

- ✓ All farms in process of conversion to organic production
- ✓ “Yaringa” farm successfully fully certified organic on 22 November 2019
- ✓ Infant formula plant arrived in Camperdown and building construction expected to commence in January 2020
- ✓ Successful capital raise for \$12 million (before costs) completed in August 2019 to fund construction of infant formula plant and working capital

Key Achievements

- ✓ Camperdown Dairy now producing organic dairy products across milk, yoghurt and butter categories
- ✓ 6 year exclusive contract with The Collective for a material volume of yoghurt products sold nationally
- ✓ Development of new ranges of Infant formula well progressed
- ✓ Ongoing discussions with major retailers in relation to both own brand and contract manufacturing opportunities (fresh dairy and infant formula)

General Outlook



- Western Victoria has largely avoided drought conditions with all farms experiencing good rainfall and strong pasture growth in 1H FY20
- Successful organic certification of Yaringa farm on 22 November 2019 with other farms on track for certification in 2021
- Retail markets remain extremely competitive with a large number of players competing for ranging of fresh dairy products particularly yoghurts
- Developing brand recognition and customer loyalty particularly for 'Camperdown Dairy' milk
- Positive discussions with both major retailers in relation to own brand and contract manufacturing opportunities (fresh dairy/infant formula)
- Martin Bryant has joined as Deputy Chairman of the Group, bringing extensive strategic and operational experience particularly in Asia including China

AHF at a Glance



*Australian Dairy
Nutritionals Group is 2
years into the journey of
becoming the second
largest premium organic
brand owner and milk
producer in Australia*



Well positioned
to capitalise on
the growing
shortfall of
organic milk
supply



Strong domestic
distribution with
major
supermarket
chain



A vertically
integrated
business model
guarantees ability
to supply versus
competitors



Export permits,
certification and
customer
relationships are
all in place



Focused on
developing higher
margin owned
brands and products
including organic
infant formula



Board and
management
have the track
record and
experience to
take the business
forward



Why are we Transforming?

AHF is transitioning from a contracted packer to a vertically integrated manufacturer and producer of premium organic products and brands, with a large focus on organic infant formula

Why move to Organic?

- ✓ In Australia, 9 billion litres of milk is produced annually, but only 60 million litres is organic
- ✓ Domestic demand for organic products is projected to continue to grow strongly due to awareness of clean, safe food.
- ✓ In Australia organic milk achieves a price premium of 42% and organic yoghurt 32%, over conventional products
- ✓ By 2023, annual global demand for organic infant formula is expected to reach US\$7.75B, CAGR of 14.1%

Why vertical integration and own branded products?

- ✓ Higher value and margins across all speciality products
- ✓ Brand equity in new and existing “own brands” developed
- ✓ A diversified revenue stream
- ✓ Lower customer concentration
- ✓ Ultimate control and security over supply with company owned cows, farms, factory, tinning and brands

Product Diversification



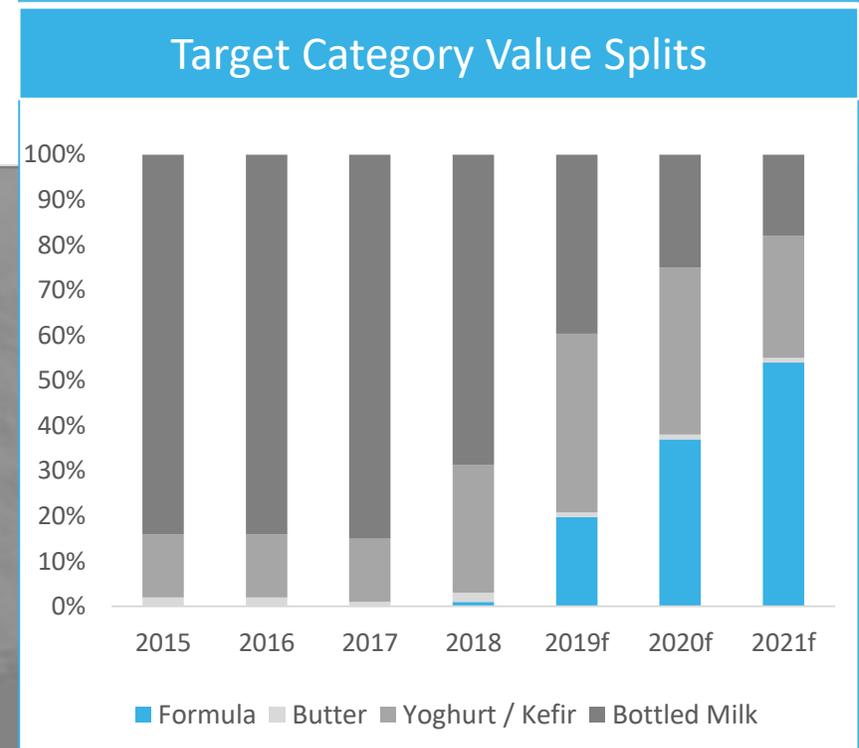
2017
<ul style="list-style-type: none"> Milk Butter Yoghurt

2018
<ul style="list-style-type: none"> Milk Butter Yoghurt <p><u>New Additions</u></p> <ul style="list-style-type: none"> Kefir Premium Milk Range Paediatric Formula

2019
<ul style="list-style-type: none"> Milk Premium Milk Range Butter Yoghurt Kefir <p><u>New Additions</u></p> <ul style="list-style-type: none"> Organic Pouches Probiotic Yoghurts Organic Milk

2020 & 21
<ul style="list-style-type: none"> Milk Butter Yoghurt Kefir Smoothies Cream <p><u>New Additions</u></p> <ul style="list-style-type: none"> Cultured Drinks Flavoured Fresh Infant Formula Organic Cream Organic Skim Milk Powders Whole Milk Powders

Product	Target gross product Margins FY2021
Formula	35% - 45%
Butter	10% - 15%
Yoghurt / Kefir	15% - 30%
Bottled Milk	10% - 25%



Formula Plan 2 Stage Process



AHF has acquired an introductory formula plant to fast-track production, build own brand equity and stage CAPEX over a 2 step strategy



STAGE 1 – INTRODUCTORY FORMULA PLANT	
CAPEX	~\$5.0 m
Inputs	Milk plus IF ingredients
Capacity	2,000 Kg – 2,800 Kg/ day
Products	Organic Skim Milk Powder, Organic Infant Formula, Organic Butter
Target Build Date	Aug 2019 – Mar 2020

STAGE 2 – LARGE FORMULA PLANT & CANNING	
CAPEX	~\$45.0m
Inputs	Milk plus IF ingredients
Capacity Dryer	12,000 – 20,000 Kg/ day
Blending and tinning capacity	>10,000,000 + cans/ tines/ year
Products	Organic Skim Milk Powder, Organic Infant Formula, Organic Butter
Target Build Date	2020/21 (TBC)

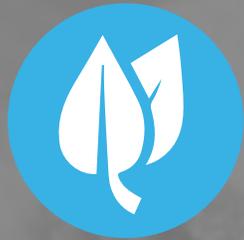
EXPANSION PLAN TARGETS

Stage 1 contribution	FY21F	FY22F	FY23F		Stage 2 contribution	Year 1	Year 2	Year 3
Revenues	\$5m	>\$10m	>\$12m	+	Revenue	>\$5m	>\$30m	>\$50m
EBITDA	\$0.5m	>\$1.5m	>\$2.5m		EBITDA	>\$0.5m	>\$8m	>\$15m

Notes

- **The formula plan does not include current earnings**
- **Stage 2 formula targets are in addition to Stage 1 formula targets**
- Stage 2 large formula plant and canning facilities are subject to board approval, final due diligence, planning approvals and funding
- Expansion plan targets are estimates based on information currently available to the Group and assume:
 - building and construction timelines are achieved for both plants (revenues for stage 1 FY21F are estimated on a slow ramp-up)
 - product and brand development and launch timelines achieved
 - the Group achieves domestic retail listings and other channel distribution opportunities (dependent on product)

Formula Plan Timeline



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Stage 1 Infant Formula Plant Timeline

- 3QFY20: Commence construction of infant formula plant building
- 4QFY20: Re-commissioning of infant formula plant
- 1HFY21: Production of whole and skim milk powders followed by infant formula

Placement

Successful capital raising

In June 2019 AHF successfully raised A\$12 million (before costs) via a share placement to sophisticated investors

Use of Funds

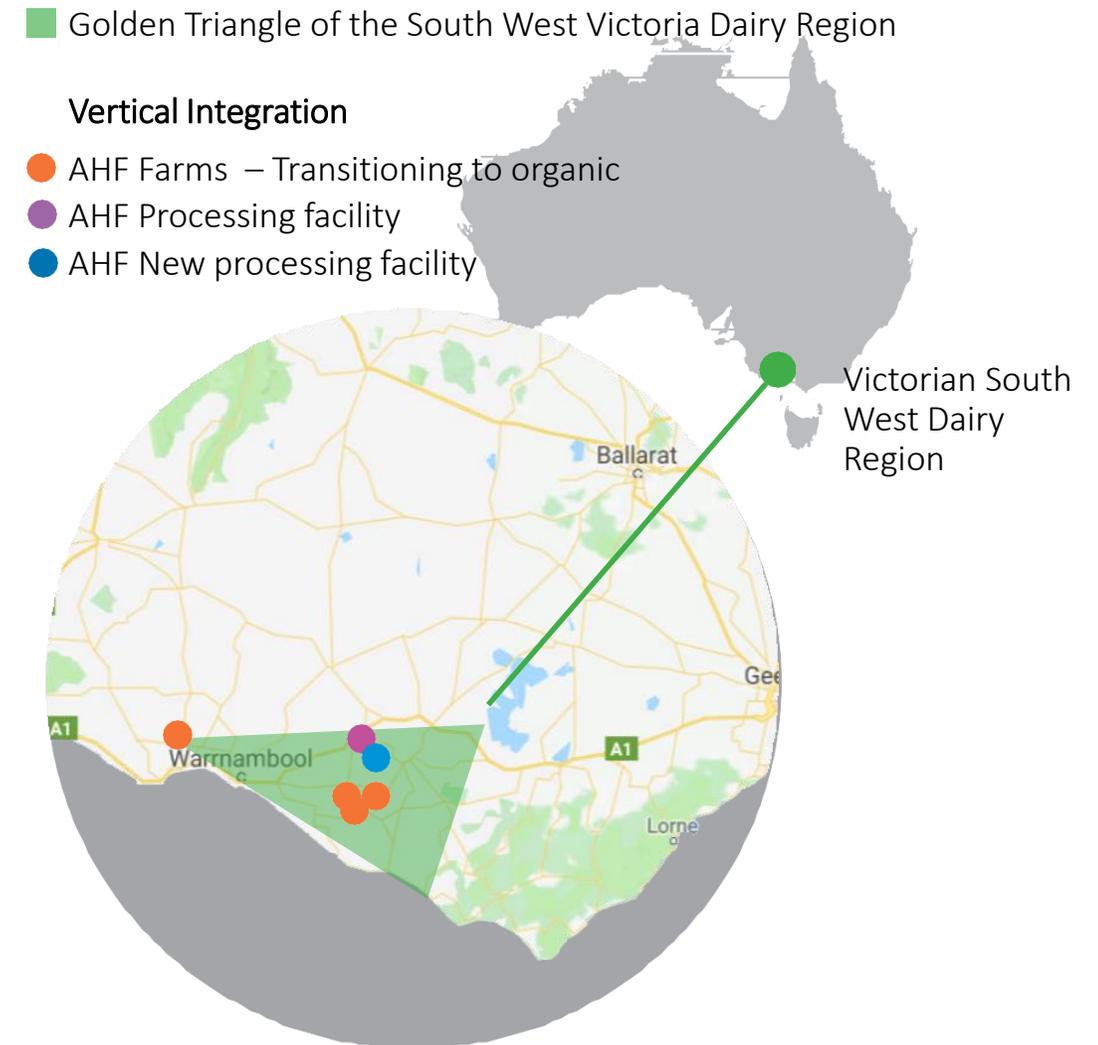
- Acquisition and relocation of the infant formula plant (including mixing plant, dryer and evaporator) - \$1.5m
- New building for the installation of the infant formula plant, CDC expansion and associated services – \$5m – \$6.5m
- Launch of new Infant formula and other nutritional products – \$1.0m
- Working capital for Infant formula, CDC and other business opportunities – \$3m



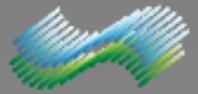
Our Dairy Farms



- 5 dairy farms in South West Victoria producing ~17m litres of milk pa
- 4,184 livestock with 2,118 cows which produce milk
- Total farm area - 1,518 hectares
- Farms are in the rain endowed Golden Triangle of Dairy – excellent start to the season with pasture growth and silage levels on budget
- Yaringa farm was fully certified organic on 22 November 2019. Conversion of remaining farms on track for 2021
- Conversion federally regulated which requires the removal of all artificial chemicals
- Until conversion, farms will produce non-organic milk for high value premium products with 100% of milk contracted.



Snapshot of our Dairy Farms



	Carrying Value	Size Hectares	Avg Cows Milked (twice daily per year)	FY2016 Litres (non organic)	FY2017 Litres (non organic)	FY2018 Litres (non organic)	Organic Conversion Date	Organic Milk Produced Upon Conversion
Brucknell No. 1	\$4.1m	275	374	3.3m	4.3m	4.3m	2021	~3m
Brucknell No. 2	\$4.0m	259	426	3.5m	3.7m	3.4m	2021	~3m
Missens Road/Brucknell No. 3	\$3.8m	241	358	3.0m	3.8m	3.6m	2021	~3m
Drumborg	\$5.2m	410	520	2.7m	5.1m	5.4m	2021	~3-4m
Yaringa	\$4.8m	333	440	N/a ¹	N/a ¹	N/a ¹	Nov 2019	~3m
Total	\$21.9m	1,518	2,118	12.5m	16.9m	16.7m	N/a	~15 -16m

Actual organic milk volumes could vary by up-to 25% depending on seasonal conditions, stocking and feed rates

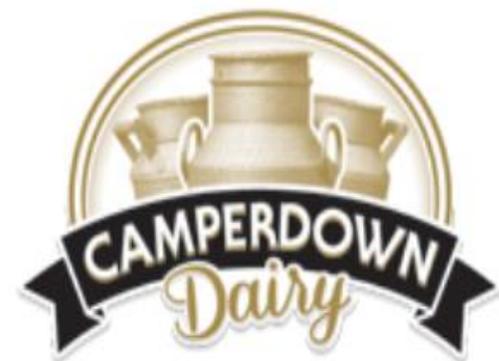
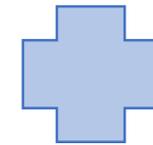
The company are progressively moving to Jersey cows which have a lower LT volume however higher % solids content thus numbers above are on like for like basis

¹ Acquired in October 2018 and commenced milking in April 2019

Jonesy's Dairy Fresh joint venture



- Jonesy's Dairy Fresh (**Jonesy's**) one of two premium milk brands servicing the hospitality and niche retail markets in Melbourne and regional Victoria
- Existing distribution channel for Camperdown Dairy products including Jersey milk, Organic milk, butter and yoghurt
- Jonesy's now offers an expanded range which includes Jonesy's 2L and 1L milk, Jonesy's 2L Cream, CDC Jersey Milk, CDC Organic milk, Soy, Almond and Oat milks
- CDC manufactures all dairy products for the Jonesy's joint venture
- AHF owns 75% of the business and Jonesy's founders own remaining 25%. Potential for this to increase to 50%/50% ownership on transfer of delivery infrastructure including vehicles
- CDC has a fully secured loan facility with the JV entity including all outstanding trade payables and amount advanced for short term working capital support



AHF Board



Michael Hackett
Non-Executive Chairman

- Michael has been a director since 2009 and with Adrian Rowley, initiated AHF's entry to the dairy industry in 2013
- Michael is a former Chartered Accountant and Commerce graduate, who has chaired several listed entities over a thirty year span
- Extensive hands-on corporate restructuring, acquisition and operational experience since listing first ASX entity in 1987
- Considerable experience initiating, managing and operating a wide range of businesses, property developments and diverse listed entities



Martin Bryant
Non-Executive Deputy Chairman

- Martin is a highly skilled executive and director with extensive international experience with particular focus on Asia including China, Vietnam and the Philippines
- Martin was Managing Director of Westrac China for 8 years overseeing over 2300 staff and annual revenues of \$AU800 million
- Martin has extensive relationships and knowledge of Asian markets and brings a wealth of operational, financial and strategic management skills from start-up, turnaround and growth environments to the Group



Adrian Rowley
Non-Executive Director

- Adrian Rowley joined the board in 2011, prior to its entry to the dairy industry
- Adrian has had a career in financial services and investment management spanning 20 years and is currently Head of Equity Strategy at Watershed Funds Management
- Promoted to Chief Investment Officer at London Partners, Melbourne during 13 years employment and responsible for \$400m client funds under management
- Director and Head of Investment Strategies at Watershed Funds Management



Paul Morrell
Non-Executive Director

- Paul Morrell was appointed to the Board in March 2018
- Paul's background has a strong emphasis in lead management in complex construction and management of large scale enterprises
- Knowledge of manufacturing and on time delivery of services and products including aspects of food manufacturing and speciality powders



Peter Skene
CEO and Director

- Appointed CEO and Managing Director of Australian Dairy Nutritionals Group in July 2016
- Started career on the factory floor and moving through positions from factory hand to Managing Director in dairy, food and other fast moving consumer goods industries
- Peter has a Bachelor of Commerce, a Bachelor of Applied Science (Dairy) an Associate Diploma of Dairy Technology, is an Alumni of Harvard Business School and has completed Executive Programs at Harvard, Stanford and Melbourne Universities

Contact

•For additional information or media enquiry matters please contact:

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