



The a2 Milk Company Limited

# 2023 ANNUAL RESULTS

We pioneer the future of Dairy for good

21 August 2023

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# Agenda

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# Strong performance in a very challenging market

- 1 Full year result in line with the Company's previous guidance with double digit revenue and earnings growth
- 2 Result driven by **strong growth in China segment** with sales up **38%** and **record market share** in China label IMF
- 3 China **brand health reached new highs** supported by record levels of marketing investment increasing by 13% to \$260m
- 4 **Total IMF sales up over 8%** in a market that **declined by 14%** making a2MC a top-3 share gainer in the market overall
- 5 **Successful SAMR re-registration** of China label IMF product provides continued access to the domestic market



# Double digit revenue and earnings growth driven by China segment

- **Group results in line with the Company's previous guidance**

- Group revenue growth of 10.1% to \$1,592.9 million
- EBITDA<sup>1</sup> up 11.8% to \$219.3 million, EBITDA margin of 13.8% (up 0.2ppts)
- NPAT including non-controlling interests<sup>2</sup> up 26.2% to \$144.8 million with \$155.6 million attributable to owners of the Company
- Basic earnings per share (EPS) up 28.7% to 21.2 cents
- Closing net cash<sup>3</sup> of \$757.2 million with operational cash conversion of 58%<sup>4</sup>
- On-market share buyback of \$149.1 million completed

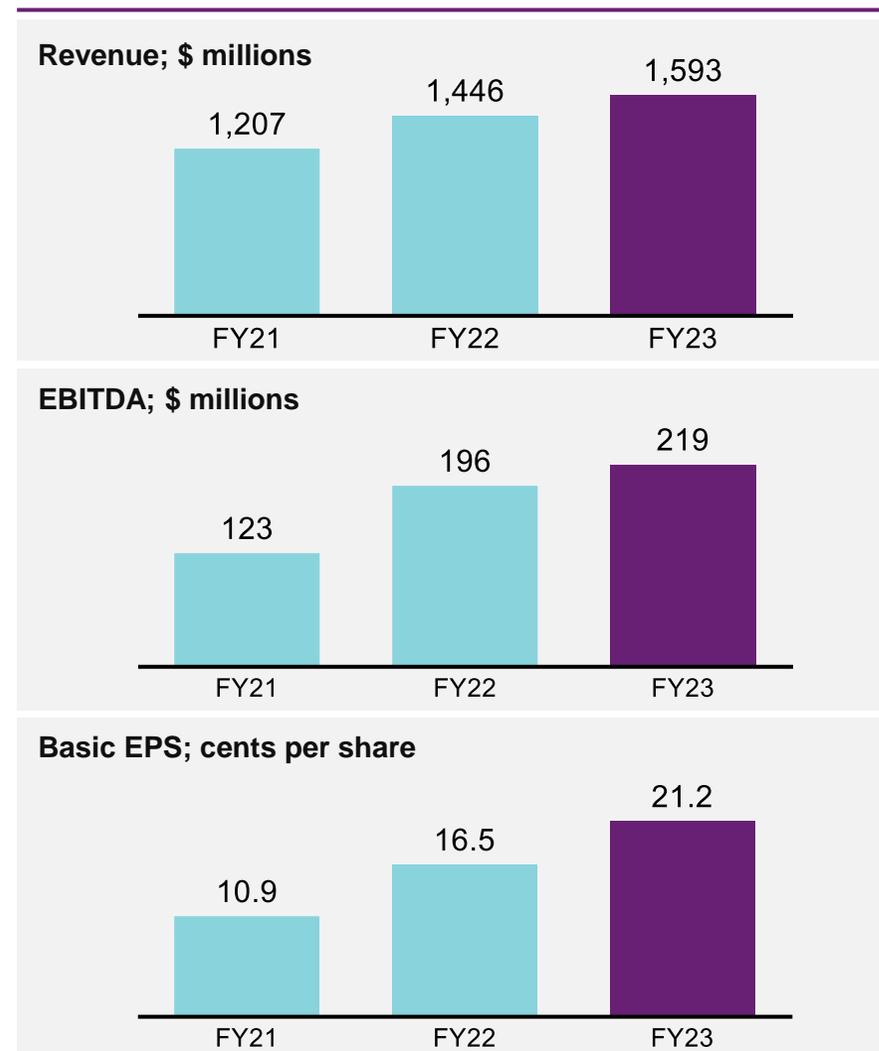
- **Revenue growth driven by China segment (China label + CBEC)**

- China & Other Asia segment sales up 37.9%, ANZ sales down 30.2% due to intentional change in strategy, USA sales up 27.1% and MVM sales up 9.2%
- IMF sales up 8.4% with China label sales up 27.8%, English label sales down 6.1% due to sharp decline in the Daigou channel with CBEC up 51.0%
- Liquid milk sales in ANZ and USA up 7.1% and 27.1% respectively

- **Lower growth in second half consistent with the Company's expectations**

- Lower 2H23 revenue growth of 3.0% mainly due to decline in Daigou channel and cycling higher COVID-19 lockdown driven sales in 4Q22
- Higher 1H23 revenue growth of 18.6% mainly due to China label sales cycling lower sales in 1H22 due to channel rebalancing and USA benefiting from 2H22 new product launches

## Key financials



<sup>1</sup> Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-GAAP measure and does not have a standardised meaning prescribed by GAAP. However, the Company believes that, in combination with GAAP measures, it assists in providing investors with a comprehensive understanding of the underlying operational performance of the business. A reconciliation of EBITDA to net profit after tax is shown on page 54 of the presentation.

<sup>2</sup> The non-controlling interest represents China Animal Husbandry Group's 25% interest in MVM, a loss of \$10.8 million.

<sup>3</sup> Including term deposits and borrowings, excluding subordinated non-current shareholder loans.

<sup>4</sup> Calculated as net cash flow from operating activities before interest and tax divided by EBITDA.

# High quality result underpinned by many operational achievements



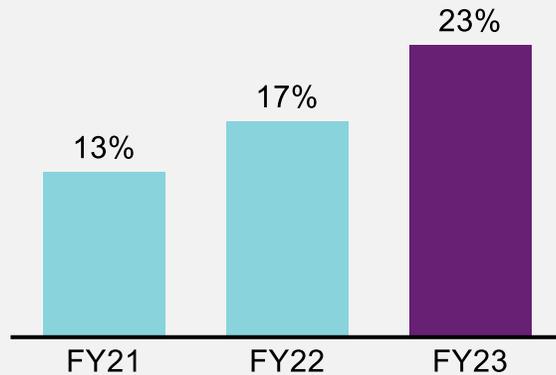
## Operational highlights during FY23

- Achieved record **market share** in China label IMF channels (MBS and DOL)
- Reached new highs in China **brand health** supported by increased investment
- Received **SAMR approval** to re-register China label product under new GB standard
- Increased **English label share** in CBEC and combined Daigou + O2O channels
- Grew sales and improved online **platform rankings** in Double 11 and 618 sales events with reduced promotional activity and improved ASP
- Ramped up **innovation** to support growth in all categories and markets
- Improved / maintained **business health** key indicators – market pricing, early stage share, channel inventory levels and product freshness
- Extended **distribution and strategic partnership** with China State Farm
- Achieved Enforcement Discretion and progressed long term **FDA approval** in USA for IMF, while reducing operating losses
- Accelerated **Supply Chain transformation** and MVM utilisation
- Advanced **Sustainability** programme significantly and announced interim Scope 3 goal for 2030

# Growth strategy driving significant China brand health and market share increases with a2MC being a top-3 share gainer overall<sup>1</sup>

## a2MC China brand health metrics<sup>2</sup>

### Unprompted awareness

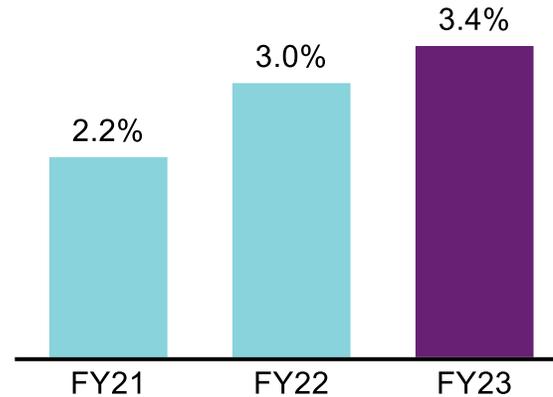


### Brand used most often

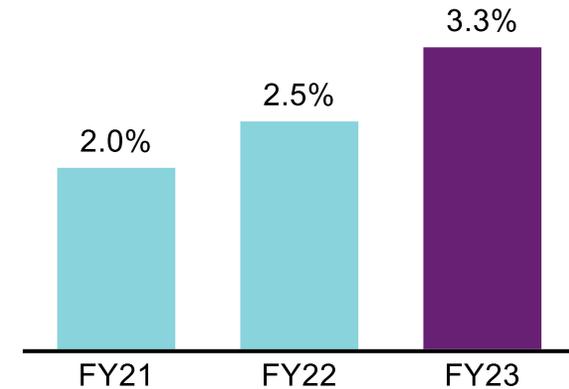


## a2MC China label IMF market share

### MBS value share<sup>3</sup>

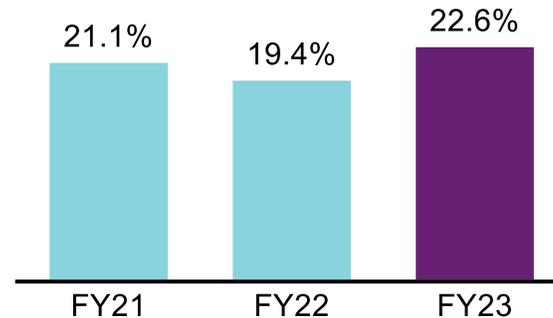


### DOL value share<sup>4</sup>



## a2MC English label IMF market share

### CBEC value share<sup>4</sup>



### O2O and Daigou value share<sup>5</sup>



<sup>1</sup> Kantar Worldpanel 0-6 years old Baby & Kids panel: National IMF market tracking (Key & A + BCD cities). MAT market value share of China label and English label for FY23 versus FY22 compared to other IMF brands.

<sup>2</sup> a2MC internal data based on the Company's brand health tracking. Average brand health metrics for each financial year based on 3 surveys in FY21 and FY22, and 2 surveys in FY23. Sample skews to a2MC target consumers ie higher income earners based in Provinces / cities that are the focus of sales and marketing activities.

<sup>3</sup> Nielsen MBS retail measurement service: mother and baby stores only retail sales (by value).

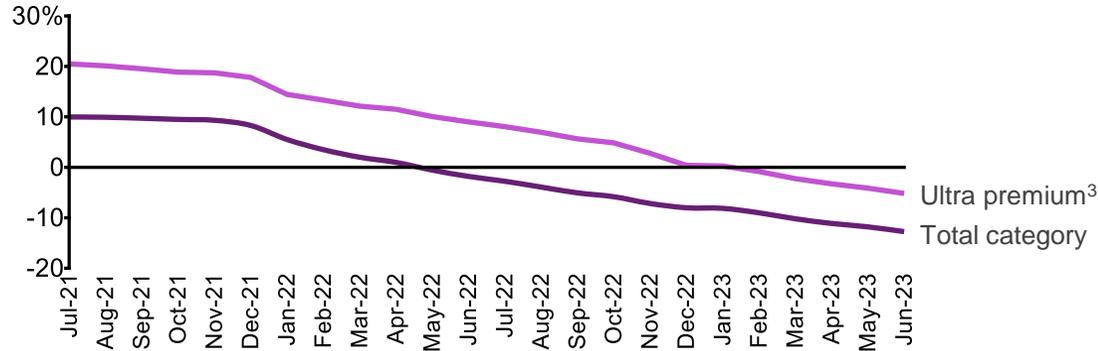
<sup>4</sup> Smart Path China IMF online market tracking for DOL and CBEC (by value).

<sup>5</sup> Kantar Worldpanel 0-6 years old Baby & Kids panel: National IMF market tracking (Key & A + BCD cities). Note: Due to sample size, data classification and associated volatility reasons, the Company focuses more on its combined O2O and Daigou channel market share.

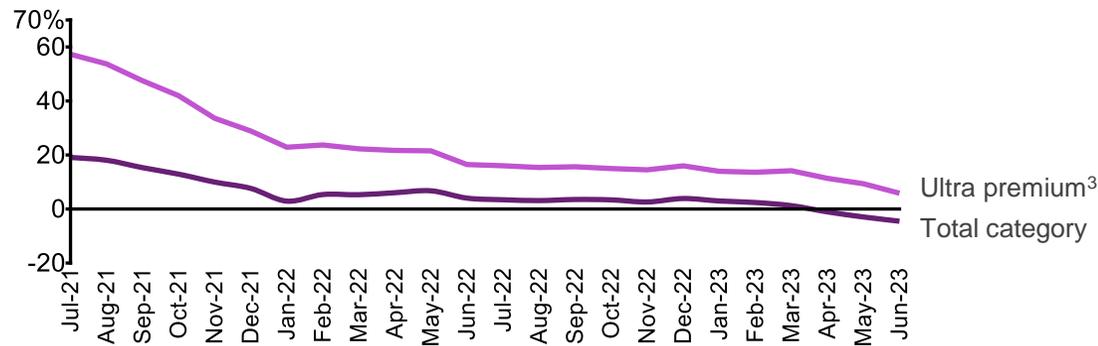
# China label IMF has been very challenging recently driven by cumulative impact of fewer newborns and market-wide new GB transition

## China label IMF market declines in store and online

Nielsen MBS channel value growth vs pcp (rolling MAT)<sup>1</sup>

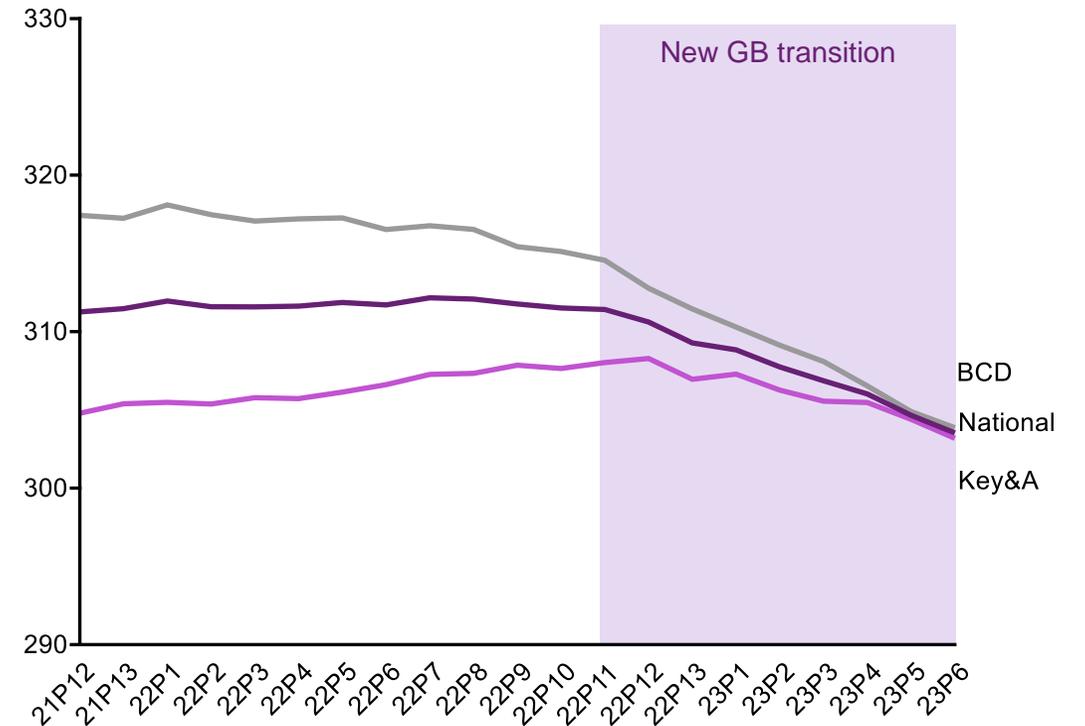


Smart Path DOL channel value growth vs pcp (rolling MAT)<sup>2</sup>



## IMF market prices under more pressure during GB transition

Average IMF ASP/kg in RMB (rolling MAT)<sup>4</sup>



<sup>1</sup> Nielsen MBS retail measurement service: mother and baby stores only retail sales (by value).

<sup>2</sup> Smart Path China IMF online market tracking: domestic online platform sales (by value).

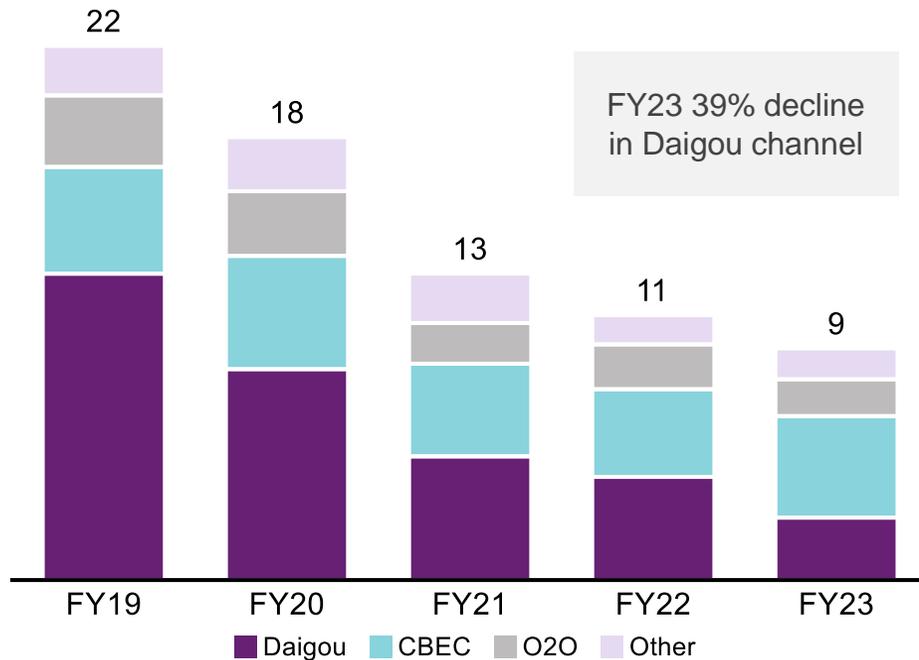
<sup>3</sup> Ultra premium price segment based on Stage 1 average selling price ≥390RMB/kg

<sup>4</sup> Kantar Worldpanel 0-6 years old Baby & Kids panel: National IMF market tracking (Key & A + BCD cities).

# English label IMF market impacted by sharp decline in Daigou channel

## English label market decline driven by Daigou channel...

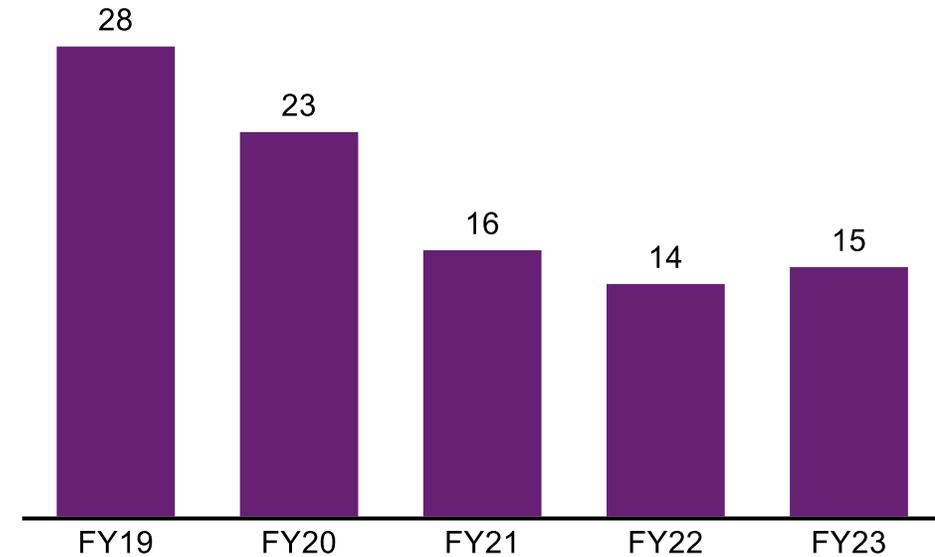
English label market value; RMB billions



Daigou % of market	FY19	FY20	FY21	FY22	FY23
	57	48	40	39	27

## ...but English label share of total IMF market stabilising

English label share of total China IMF market value<sup>1</sup>; Percent



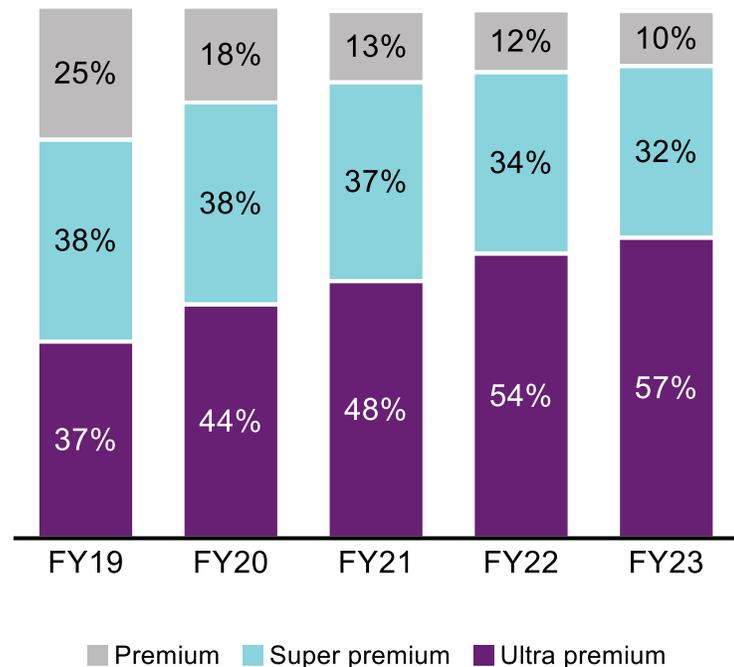
a2MC share in CBEC and Daigou + O2O channels improved in FY23 (refer page 7)

Source: Kantar Worldpanel 0-6 years old Baby & Kids panel; National IMF market tracking (Key & A + BCD cities) which covers most but not all of the market.  
<sup>1</sup> English label IMF value market share expressed as a percent of English label + China label IMF market value.

# However, key segment trends continue to support a2MC growth strategy

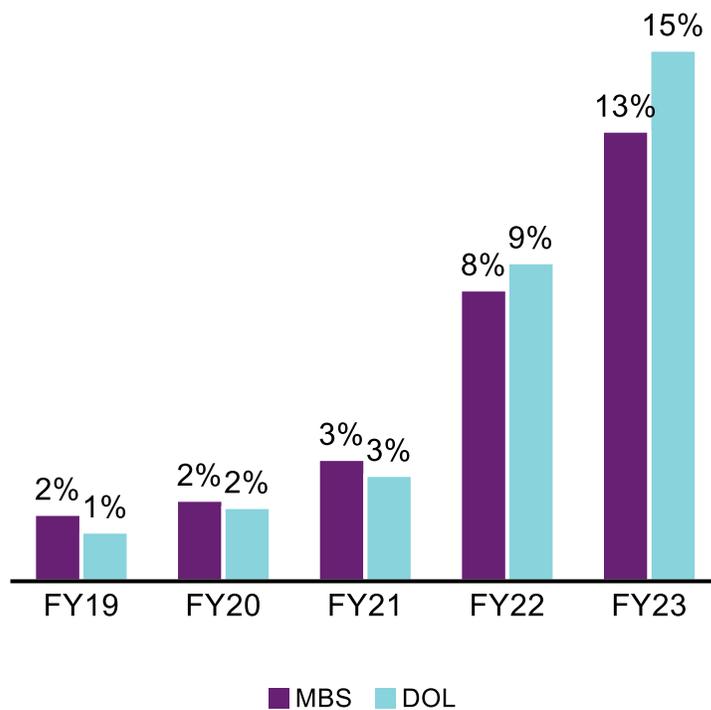
## a2MC China label competes in the ultra premium segment

MBS value sales by price segment<sup>1,2,3</sup>



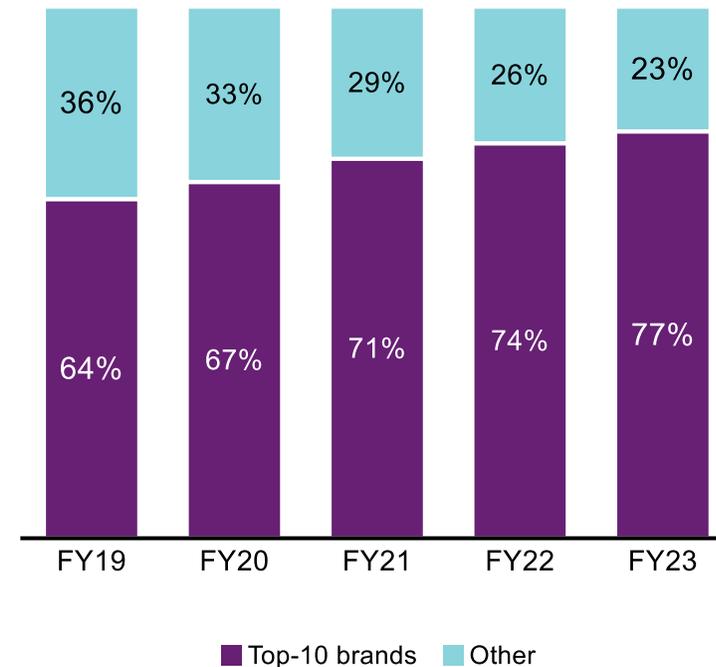
## A2 protein segment continues to gain share in the category

A2 protein segment % value share of channel<sup>1,4</sup>



## Brand concentration increasing

MBS value sales mix<sup>1</sup>



Note: Periodic data upgrades at Nielsen result in minor variations in data from time to time. All data has been restated with the most recent available Nielsen report.

<sup>1</sup> Nielsen MBS retail measurement service: mother and baby stores only retail sales (by value).

<sup>2</sup> Price segments based on Stage 1 average selling price: Ultra premium >=390RMB/KG; Super premium 290-390RMB/KG; Premium 190-290RMB/KG; Mass <=190RMB/KG.

<sup>3</sup> Numbers within the chart may not add to the total due to rounding.

<sup>4</sup> Smart Path China IMF online market tracking: domestic online platform sales (by value).

# Continued growth expected in FY24 in a very challenging market

See full outlook statement in results commentary and outlook announcement dated 21 August 2023

## Market conditions

- China IMF market conditions are uncertain but likely to become more challenging in FY24 with a further double-digit decline in market value expected

## Outlook

- Due to the expected market conditions, a broad range of sales outcomes is possible
- Expecting low single-digit revenue growth in FY24
- Gross margin % expected to be similar to FY23
- Planning to increase brand investment to support new China label product launch and growth
- SG&A expenses are expected to be similar to FY23
- Expecting EBITDA margin % to be broadly in line with FY23
- Operational cash conversion is expected to be higher in FY24 partly supported by an incremental reduction in inventory cover
- Capital expenditure expected to increase to approximately \$26 million

## Key risks

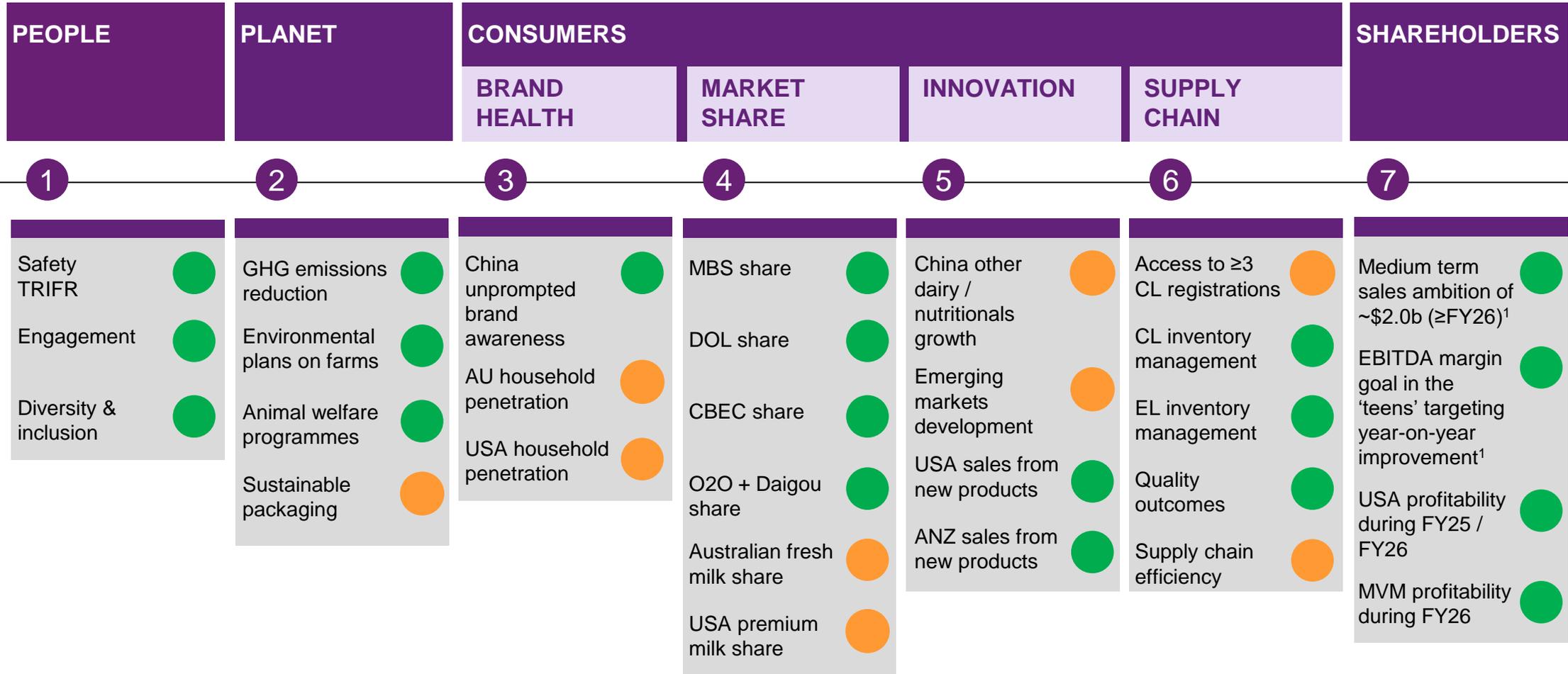
- In addition to the challenges noted above and trading upside and downside, other risks include, but are not limited to, residual COVID-19 impacts on supply and demand, new China label product transition, volume impact of price increases, cross border trade, foreign exchange movements, changes in interest rates, farmgate milk pricing and other commodity prices, and changes in the regulatory environment. These challenges and risks could materially impact expected revenue and earnings outcomes.



# Growth strategy unchanged except for BOLD values refresh

<b>Purpose</b>	<b>We pioneer the future of Dairy for good</b>				
<b>Vision</b>	<b>An A1-free world where Dairy nourishes all people and our planet</b>				
<b>Goals</b>	<b>PEOPLE</b> Create a safe, diverse, inclusive and engaging place for our people to thrive, support our farmers and contribute to our communities	<b>PLANET</b> Protect our planet and cows, rethink packaging, achieve net zero and become nature positive	<b>CONSUMERS</b> Bring the unique benefits of pure and natural <i>a2 Milk™</i> 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</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<b>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, farming practices and sustainable packaging</li> </ul>	<b>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-commerce</li> </ul>	<b>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>Transform our supply chain</b> <ul style="list-style-type: none"> <li>- Expand CL registered market access</li> <li>- Utilise MVM and invest in New Zealand capability</li> <li>- Develop China supply capability over time</li> </ul>	<b>Accelerate path to profitability</b> <ul style="list-style-type: none"> <li>- Take action to realise potential in USA</li> <li>- Expedite insourcing of <i>a2™</i> product and 3rd party volume to significantly increase MVM utilisation</li> </ul>
<b>Enablers</b>	<b>Quality &amp; Service</b>		<b>Brand strength</b>		<b>Science &amp; Innovation</b>
<b>Values</b>	<b>B</b> <b>Bold passion</b>	<b>O</b> <b>Ownership &amp; agility</b>	<b>L</b> <b>Leading constructively</b>	<b>D</b> <b>Disruptive thinking</b>	

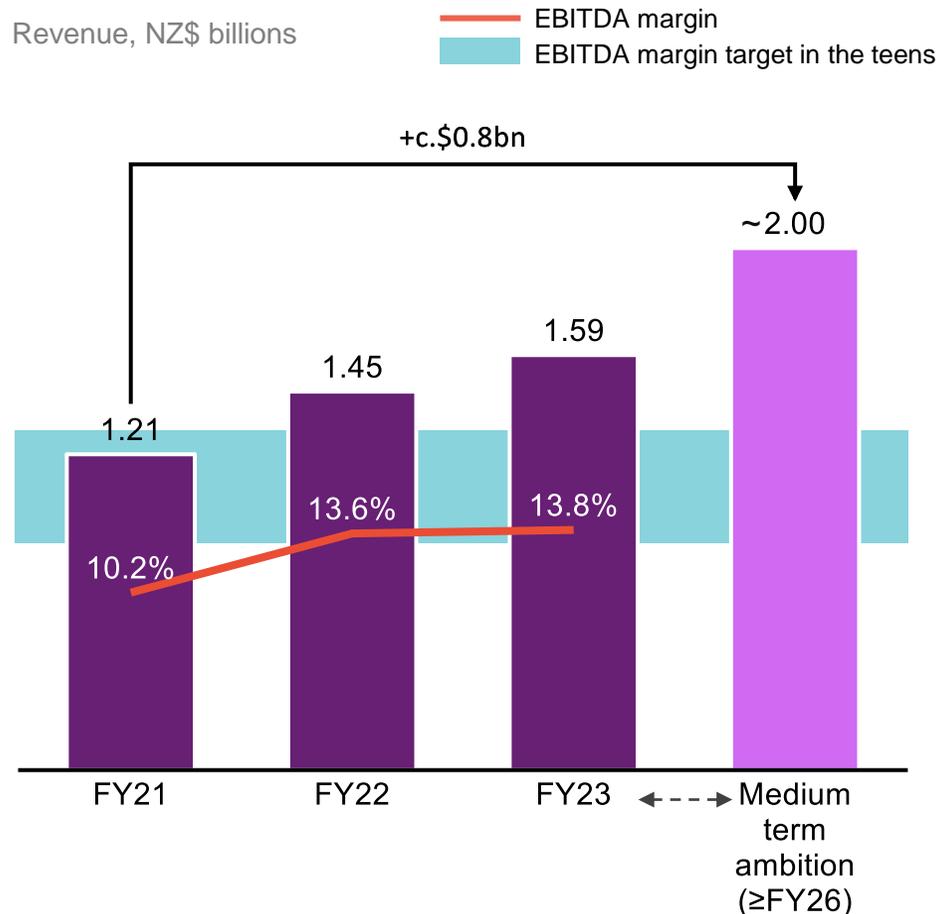
# Significant progress made towards achieving goals reflected in measures of success



<sup>1</sup> Refer to following page.

# On track to achieve ambition to grow sales to \$2 billion and improve EBITDA margins in the ‘teens’ over the medium term

## Medium-term revenue and EBITDA margin ambition



## Areas of planned revenue growth

Market / category	Growth ambition (FY21 to ≥FY26) <sup>1</sup>	Tracking
China label IMF	\$0.4	On track
English label IMF	\$0.3	Work in progress
China and other nutritionals	\$0.2	Work in progress
Emerging markets	\$0.1	Work in progress
ANZ	\$0.1	On track
USA	\$0.1	On track
Non-specific risk	\$(0.4)	
<b>Net growth</b>	<b>~\$0.8bn</b>	On track

Legend: On track (Green), Work in progress (Orange)

## Commentary

- Market conditions from FY21 to FY23 have been more challenging than expected
  - English label IMF market value down 25% over past 2 years<sup>2</sup>
  - China label IMF market value down 16% over past 2 years<sup>2</sup>
- Significant progress has been made in executing growth strategy resulting in market share gains
- \$2 billion revenue goal now requires a 3-year CAGR of 7.9% if achieved by FY26
- EBITDA margin goal in the ‘teens’ and targeting year-on-year improvement
  - Unlikely to achieve higher than ‘teens’ margins given market conditions and outlook

Refer to Investor Day materials communicated to the market on 27 October 2021 for further information on medium-term ambition, strategy, risks and opportunities

<sup>1</sup> Incremental revenue ambition growth bridge from \$1.21 billion in FY21 to ~\$2.0 billion in ≥FY26 provided in Investor Day materials in October 2021. Provided for tracking purposes and should not be added to FY23 actual revenue result of \$1.59 billion.

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

# Successful SAMR re-registration critical to capturing full potential of China IMF opportunity

- Received approval from SAMR on 6 June 2023 for re-registration of the Company's China label IMF product a2 至初® (Stages 1, 2 and 3), formulated in line with China's new GB standard
- SAMR approval will allow Synlait to manufacture a2 至初® for a2MC until September 2027
- Production commenced in late June and is on track with transition in market planned to occur in 1H24
- The Company looks forward to launching its new upgraded product supported by a significant marketing campaign
- Re-registration allows a2MC to continue to access the registered domestic market that accounts for 85% of the China IMF market, with English label IMF accounting for the remaining 15%
- Overall, the registration process is likely to lead to a significant reduction in the number of China label products in the market which was ~440 previously, with ~280 (65%) product registrations approved to date under the new GB standard
- a2MC thanks SAMR, MPI, its China strategic partners (CNADC and CSF), and its manufacturing partner (Synlait) and its major shareholder (Bright Dairy) for their support throughout the process



# Innovation has been ramped up significantly to support future growth



a2 Platinum® refreshed range launched in 1Q23 in ANZ and China



a2 Milk® Lactose free launched in 1Q23 in Australia



a2™ Nutrition for Mothers™ 孕产妇配方奶粉 CL launched in 1Q23 in China



a2 Smart Nutrition® EL relaunched in 2Q23 in ANZ and China



a2 Milk® Full cream EL in a tub launched in 2Q23 in ANZ and China



a2 Milk® Grassfed launched in 3Q23 in the USA

# Meaningful progress towards achieving sustainability goals

## Investing to significantly reduce GHG emissions

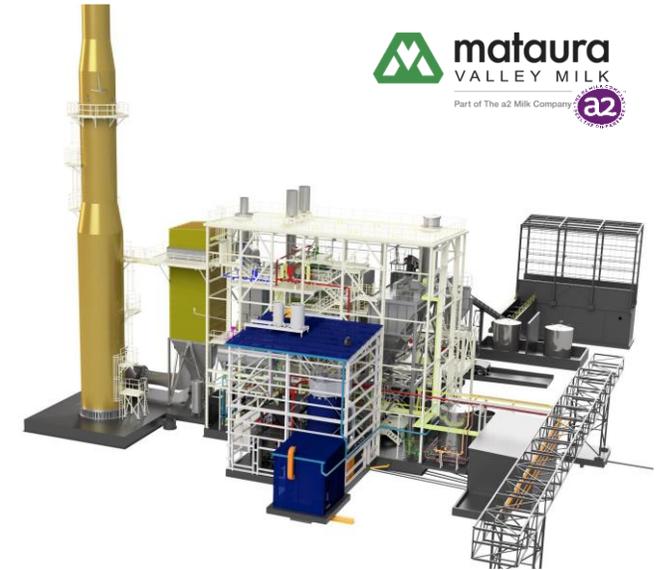
- Commenced installation of 100% renewable energy high-pressure electrode boiler at MVM which is due to be completed in October 2023 which will move a2MC close to Scope 1 and 2 net zero by reducing such emissions by over 90%
- Commenced on-farm methane inhibitor feasibility study in Victoria, Australia (Scope 3)

## Expanded targets for climate and nature and progressed Thriving Farms programmes

- Introducing interim on-farm Scope 3 GHG emissions reduction target – 30% reduction by 2030 (on an intensity basis)
- Introduced initial nature target for nitrogen loss to waterways (on an intensity basis)
- Conducted pilot assessments for nature risk and opportunity analysis
- Established research partnership with Lincoln University and commenced initial research project
- Commenced pilot trials of measurement tools for water quality and GHG emissions
- Increased farmer grants through the a2™ *Farm Sustainability Fund* with Lincoln University and continued Landcare support for sustainable dairy farming projects in New Zealand and Australia respectively

## Committed to making meaningful change in packaging

- Developed a sustainable packaging roadmap aligned to APCO sustainable packaging targets
- Exploring options for inclusion of recycled HDPE in milk containers in Australia



MVM boiler installation project



# FINANCIAL OVERVIEW



# Income statement reflects China IMF growth and increased investment

\$ million <sup>1</sup>	FY23	FY22	% change
Net Sales Revenue	1,591.1	1,443.7	10.2%
Gross Margin	739.2	663.5	11.4%
GM % <sup>2</sup>	46.5%	46.0%	0.5ppts
Other Revenue <sup>3</sup>	1.8	2.5	(28.4%)
Distribution	(50.8)	(48.9)	4.0%
Marketing	(260.2)	(230.0)	13.1%
Administration & Other	(228.7)	(209.7)	9.0%
Interest Income and Finance Costs	21.6	4.0	444.1%
Profit Before Tax	222.9	181.4	22.9%
Income Tax Expense	(78.0)	(66.6)	17.1%
<b>NPAT</b>	<b>144.8</b>	<b>114.7</b>	<b>26.2%</b>
- Attributable to owners of the Company	155.6	122.6	26.9%
- Attributable to non-controlling interests	(10.8)	(7.9)	37.0%
<b>Group Revenue<sup>4</sup></b>	<b>1,592.9</b>	<b>1,446.2</b>	<b>10.1%</b>
<b>EBITDA<sup>5,6</sup></b>	<b>219.3</b>	<b>196.2</b>	<b>11.8%</b>
EBITDA Margin % <sup>7</sup>	13.8%	13.6%	0.2ppts
EBIT <sup>5,6</sup>	201.1	177.3	13.4%
EPS – basic (cents)	21.2	16.5	28.7%

<sup>1</sup> All figures quoted in New Zealand Dollars (NZ\$) and all comparisons are with the 12 months ended 30 June 2022 (FY22) unless otherwise stated. Numbers may not add down due to rounding.

<sup>2</sup> Gross margin percentage is calculated by dividing gross margin by net sales revenue.

<sup>3</sup> Other revenue comprises royalty, licence fee and rental income.

<sup>4</sup> Group revenue comprises net sales revenue and other revenue.

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

<sup>6</sup> EBITDA and EBIT are non-GAAP measures, and represent earnings before interest, tax, depreciation and amortisation, and earnings before interest and tax.

<sup>7</sup> EBITDA margin percentage is calculated by dividing EBITDA by Group revenue.

- **Net sales revenue** reflects strong growth in the China & Other Asia and USA segments, up 37.9% and 27.1% respectively, and 9.2% growth in MVM, partially offset by a 30.2% decrease in the ANZ segment
- Group revenue benefited from favourable **foreign exchange** movements in the order of ~\$40 million, primarily in 1H23. The impact on EBITDA was not material in part due to hedging
- **Gross margin** of 46.5% primarily reflects benefits from *a2 Platinum*<sup>®</sup> English label refresh positioning and distribution model changes and the cycling of stock write-downs; price rises offset the impact of increased COGS and inflationary pressures
- **Distribution costs** rate improvement reflects mix benefit from lower sales to ANZ resellers compared to CBEC, plus lower USA freight
- **Marketing investment** significantly higher to support execution of the Company's growth strategy in China, with an uplift in consumer and digital marketing
- **Administration & other costs** reflect further investment in capability build (particularly in China and Supply Chain teams), product innovation and science research projects, the timing of LTIs and increased travel costs post COVID-19
- **NPAT** including the MVM non-controlling interest was \$144.8 million, an increase of 26.2% with \$155.6 million attributable to owners of the Company
- **Basic EPS** was up 28.7% to 21.2 cents per share reflecting earnings growth and lower weighted average number of shares due to on-market share buyback

# Significant China label IMF growth and shift to China & Other Asia segment from ANZ

\$ million		ANZ	China & Other Asia	USA	MVM <sup>1</sup>	Corporate	Total Group
FY23	Revenue	371.7	1,002.2	105.1	113.9	-	1,592.9
	EBITDA	93.5	254.1	(23.3)	(26.5)	(78.5)	219.3
	EBITDA %	25.2%	25.4%	nm	nm	-	13.8%

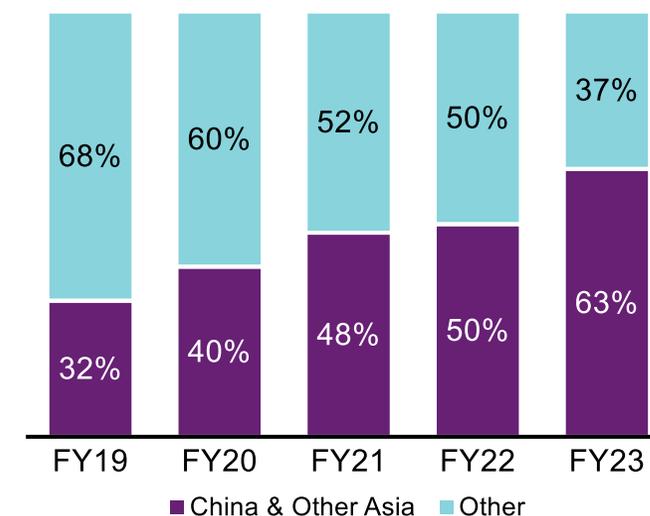


FY22	Revenue	532.7	726.5	82.7	104.4	-	1,446.2
	EBITDA	173.2	145.1	(36.7)	(18.8)	(66.6)	196.2
	EBITDA %	32.5%	20.0%	nm	nm	-	13.6%

% Change	Revenue	(30.2%)	37.9%	27.1%	9.2%	-	10.1%
	EBITDA	(46.0%)	75.1%	36.4%	(40.9%)	(17.8%)	11.8%

## Segment revenue mix

Percent of total revenue



<sup>1</sup> MVM excludes intercompany sales. FY22 results are for the 11 months since acquisition on 30 July 2021.

# Growth achieved across all product categories

Revenue \$ million		ANZ	China & Other Asia	USA	MVM <sup>1</sup>	Total Group
FY23	IMF	162.5	945.6	-	-	1,108.1
	Liquid milk	184.1	15.2	104.7	-	304.0
	Other	25.1	41.4	0.3	113.9	180.8
	<b>TOTAL</b>	<b>371.7</b>	<b>1,002.2</b>	<b>105.1</b>	<b>113.9</b>	<b>1,592.9</b>

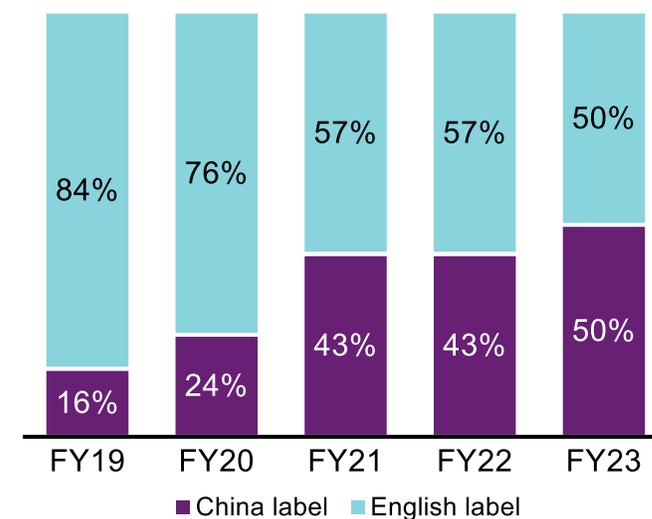
FY22	IMF	328.8	693.4	-	-	1,022.2
	Liquid milk	172.0	11.1	82.4	-	265.4
	Other	31.9	22.1	0.3	104.4	158.6
	<b>TOTAL</b>	<b>532.7</b>	<b>726.5</b>	<b>82.7</b>	<b>104.4</b>	<b>1,446.2</b>

% Change	IMF	(50.6%)	36.4%	-	-	8.4%
	Liquid milk	7.1%	36.7%	27.1%	-	14.5%
	Other	(21.4%)	87.9%	24.3%	9.2%	14.0%
	<b>TOTAL</b>	<b>(30.2%)</b>	<b>37.9%</b>	<b>27.1%</b>	<b>9.2%</b>	<b>10.1%</b>



## IMF sales mix

Percent of total revenue



<sup>1</sup> MVM excludes intercompany sales. FY22 results are for the 11 months since acquisition on 30 July 2021.

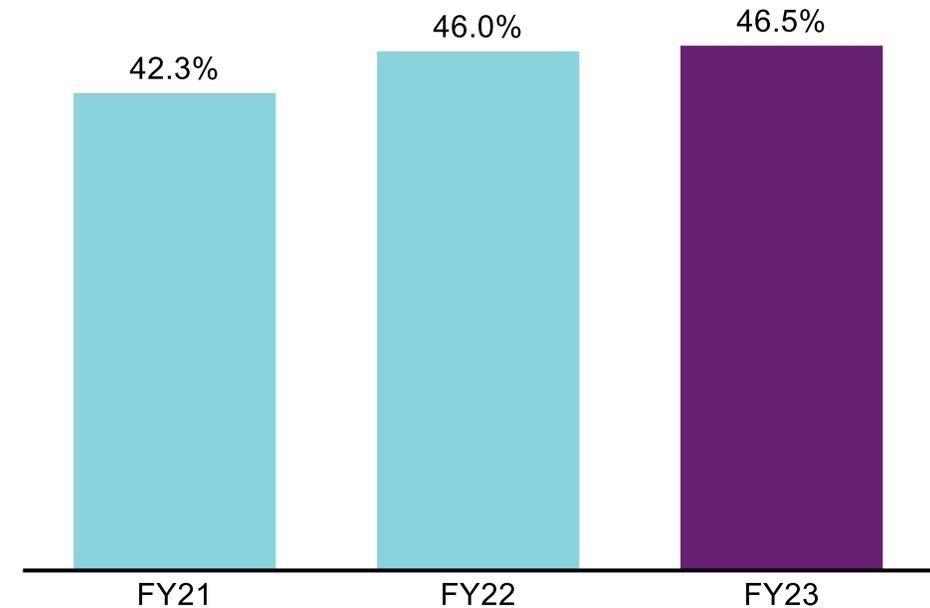
# Gross margin % increased slightly with input cost and mix pressures successfully mitigated

## Gross margin drivers

- Gross margin of 46.5%, was up 0.5ppts compared with prior year
- Several drivers contributed to the increase in gross margin % including benefits from the *a2 Platinum*<sup>®</sup> English label refresh positioning and distribution model changes and the cycling of prior year stock write-downs
- Price rises and other cost mitigating initiatives offset COGS pressures associated with raw material price increases and other inflationary pressures
- These COGS pressures were greater in 2H23 compared to 1H23, reflecting the time lag between raw material market price movements and the impact on a2MC's gross margin
- Product and channel mix had a slightly negative impact on gross margin % due to the lower share of ANZ IMF sales

## Gross margin %

Percent of net sales revenue



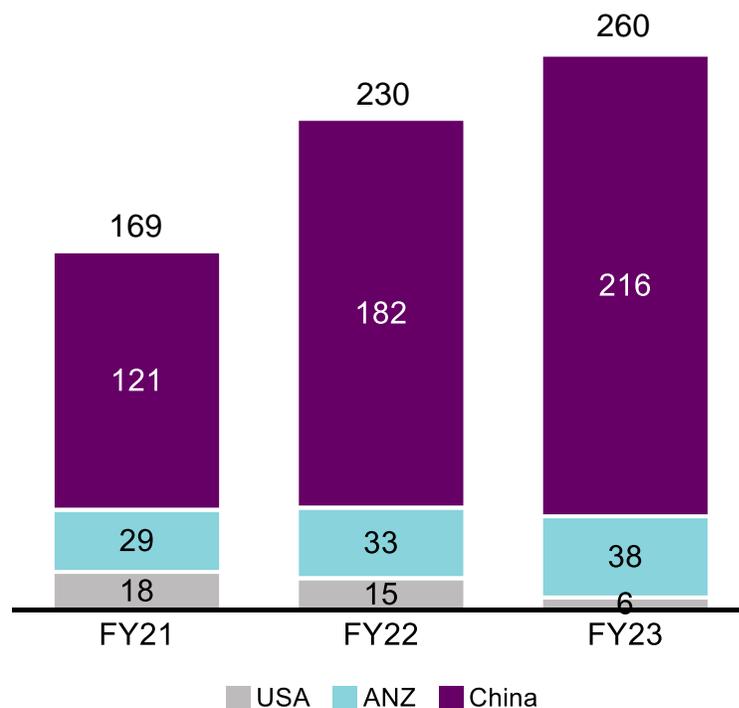
# Marketing and capability investment increase in line with growth strategy

## Marketing and SG&A drivers

- Marketing investment was up 13.1% in FY23, and reflects continued step-up in China, in line with growth strategy
- 2H23 marketing spend slightly down on 1H23 in line with plan due to phasing of campaign spend across regions
- Higher SG&A costs compared with FY22 reflects continued capability building (particularly in China and Supply Chain), further investment in innovation and science research projects, the timing of long-term incentives and increased travel costs post COVID-19. Lower 2H23 SG&A spend also reflects timing of FX losses which were higher in 1H23

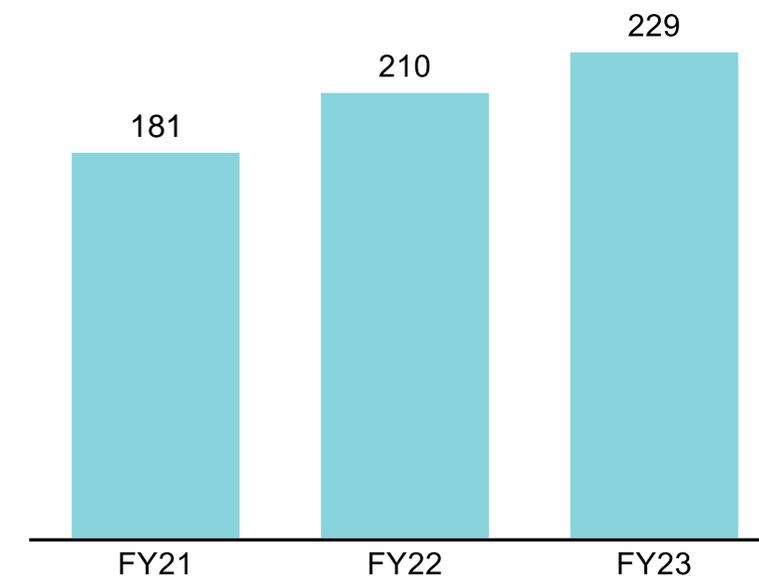
## Marketing investment increase

\$ million



## Administrative and other expenses (SG&A)

\$ million



% of sales revenue

14.0%

15.9%

16.4%

15.1%

14.5%

14.4%

# Balance sheet remains strong following share buyback

\$ million	FY23	FY22	% change
Cash and term deposits	802.2	887.3	(9.6%)
Trade and other receivables	79.2	83.5	(5.1%)
Inventories	193.4	140.0	38.1%
Other current assets	47.3	60.4	(21.8%)
<b>Total current assets</b>	<b>1,122.1</b>	<b>1,171.2</b>	<b>(4.2%)</b>
Property, plant & equipment	245.2	240.5	1.9%
Intangible assets	108.4	109.3	(0.8%)
Other non-current assets	136.0	194.7	(30.2%)
<b>Total non-current assets</b>	<b>489.6</b>	<b>544.6</b>	<b>(10.1%)</b>
<b>TOTAL ASSETS</b>	<b>1,611.7</b>	<b>1,715.9</b>	<b>(6.1%)</b>
Trade and other payables	313.2	379.3	(17.4%)
Other current liabilities	66.0	60.9	8.3%
<b>Total current liabilities</b>	<b>379.2</b>	<b>440.2</b>	<b>(13.9%)</b>
<b>Total non-current liabilities</b>	<b>83.0</b>	<b>81.8</b>	<b>1.6%</b>
<b>TOTAL LIABILITIES</b>	<b>462.2</b>	<b>521.9</b>	<b>(11.4%)</b>
<b>NET ASSETS</b>	<b>1,149.5</b>	<b>1,194.0</b>	<b>(3.7%)</b>

- **Cash and term deposits** balance of \$802.2 million, with consolidated **net cash** position of \$757.2 million<sup>1</sup>. The lower cash balance compared to June 2022 reflects the \$149.1 million used to execute the on-market share buyback
- **Inventories** higher driven by stock building of China label IMF inventory for new GB product transition, and a sharp decline in the Daigou channel and the timing of Synlait supply which resulted in higher English label inventory
- **Other non-current assets** mainly consist of the Company's investment in Synlait, valued at \$72.0 million (FY22: \$135.3 million)
- **Trade and other payables** lower mainly due to FY22 catch-up payments in China (related to COVID-19 impacts outside the Company's control) and current China label production cut-off in February 2023 resulting in no China label related payables at June 2023
- **Other current and non-current liabilities** mainly consist of MVM's external loans of \$82.0 million and income tax payable of \$43.3 million

<sup>1</sup> Including term deposits and borrowings, excluding subordinated non-current shareholder loans.

# Operating cash flow reflects unwinding of COVID-19 working capital impact and IMF inventory build

\$ million	FY23	FY22	% change
<b>Cash flows from operating activities</b>			
Receipts from customers	1,619.6	1,431.3	13.2%
Payments to suppliers and employees	(1,492.1)	(1,207.4)	23.6%
Net interest flows and taxes paid	(16.2)	(20.1)	(19.5%)
<b>Net operating cash flows</b>	<b>111.3</b>	<b>203.8</b>	<b>(45.4%)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary	-	(213.7)	(100.0%)
Investment in term deposits	-	(450.0)	(100.0%)
Payments for other assets	(14.0)	(6.2)	123.5%
<b>Net cash flows from investing activities</b>	<b>(14.0)</b>	<b>(670.0)</b>	<b>(97.9%)</b>
<b>Net cash flows from financing activities</b>	<b>(178.4)</b>	<b>9.7</b>	<b>(1,950.7%)</b>
<b>Net decrease in cash</b>	<b>(81.1)</b>	<b>(456.5)</b>	<b>(82.2%)</b>
Cash at the beginning of the period	437.3	875.2	(50.0%)
Effect of exchange rate changes on cash	(4.0)	18.7	(121.3%)
<b>Closing cash at the end of the period</b>	<b>352.2</b>	<b>437.3</b>	<b>(19.5%)</b>
<b>Cash comprised of:</b>			
Cash and short-term deposits	352.2	437.3	(19.5%)
Term deposits	450.0	450.0	0.0%
<b>Total cash &amp; term deposits</b>	<b>802.2</b>	<b>887.3</b>	<b>(9.6%)</b>

- **Cash flows from operating activities**
  - Lower cash conversion of 58%<sup>1</sup> due to:
    - Catch-up of FY22 payments in China, which were impacted by COVID-19 delays (outside the Company's control)
    - Payments for China label stock build to support new GB product transition
- **Cash flows from investing activities**
  - Relates to PP&E and investment property additions
- **Cash flows from financing activities**
  - Relates to payment of \$149.1 million for on-market share buyback



<sup>1</sup> Calculated as net cash flow from operating activities before interest and tax divided by EBITDA.

# REGIONAL & PRODUCT PERFORMANCE



# China label key messages

## 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 product portfolio**

## Progress

- Launched new IMF brand proposition *a2 Milk™ base matters* in 1H23 supplemented by social media campaign *Authentic Purity* in 2H23 supported by increased investment
- Increased offline distribution significantly in lower tier cities, and further refined approach to new user recruitment
- Increased investment in digital and online, and expanded into emerging online channels (eg Douyin)
- Continued to invest to grow macro milk, particularly in online channels

## Business impact

- Continued to reach new highs in brand health metrics, particularly in awareness with improvements in loyalty through the brand funnel
- Grew share within focus accounts, higher than national overall growth
- BCD cities remained the biggest driver of offline growth in 2H23, reflected in strong MBS share growth
- DOL growth outpaced offline growth, with biggest share gains in early stages
- Delivered strong double-digit growth in UHT, which outperformed expectations

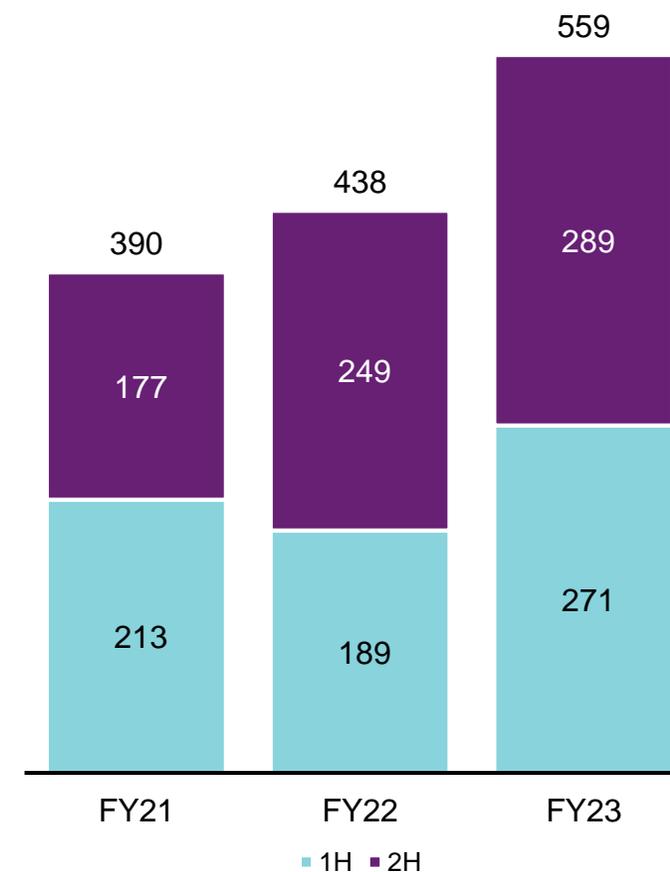
# China label IMF sales growth driven by execution of strategic initiatives

## Sustained growth despite market volatility

- The strong performance in China label IMF sales in 1H23 continued into 2H23 despite the declining market and heightened volatility with the market transitioning into new GB products
- China label market value declined 14.9%<sup>1</sup> in FY23 with 2H23 down 17.3%. The MBS channel was down 12.7%<sup>2</sup> in FY23 and DOL was down 4.5%<sup>3</sup>
- Despite a significant decline in the IMF market, a2 至初<sup>®</sup> China label IMF net revenue was up 27.8% to \$559.3 million driven by continued strong execution of the Company's growth strategy through maintaining distribution, same store sales and online volume growth, and favourable pricing and foreign exchange
- 2H23 China label IMF net revenue was up 6.6% on 1H23, reflecting continued improvement in market share across channels, despite challenging market dynamics including store closures and increased discounting by competitors of old GB product prior to transitioning to new product
- Strong market share performance:
  - MBS MAT value share increased to 3.4%<sup>2</sup> at end of FY23 (3.0% in FY22)
  - DOL MAT value share increased to 3.3%<sup>3</sup> at end of FY23 (2.5% in FY22)

## China label net sales revenue

\$ million by half



<sup>1</sup> Kantar Worldpanel 0-6 years old Baby & Kids panel: National IMF market tracking (Key & A + BCD cities).

<sup>2</sup> Nielsen MBS retail measurement service: mother and baby stores only retail sales (by value).

<sup>3</sup> Smart Path China IMF online market tracking: domestic online platform sales (by value).

# Consumer marketing campaigns support IMF and broader portfolio



- Following the launch of the a2™ *Milk Base Matters* campaign in 2Q23, a targeted social media campaign *Authentic Purity* (a2®源乳® 原生纯萃 奢品天成) for the broader macromilk product range was launched in 4Q23
- The campaign featured a popular celebrity in China in the format of an acapella, which was well received by consumers
- The initial launch targeted key social platforms, building on the brand proposition to further emphasise the benefits of products made with a2 Milk™, supplemented by adjacent campaigns in pop-up stores targeting trial to improve effectiveness and efficiency
- Campaigns were supported by a significant increase in marketing investment

# Innovative caravan tour roadshow events drive brand awareness and trial in BCD cities

Premium design with The Octonauts IP collaboration



Interactive engagement with consumers to drive traffic and popularity



Onsite wet sampling and gift packs to help with new user recruitment



- 819 Caravan Tour events in 17 provinces 121 cities executed in FY23
- With lower cost and higher flexibility, Caravan Tour events facilitate closer access to communities and consumers where traditional roadshows could not, and help with intensive brand awareness building and trial conversion especially in lower tier cities
- a2MC Caravan Tours have become a market leading scalable activation model recognised by customers and the industry

# Operation Smile x a2™ connects with consumer hearts

CSR campaign *Finding the original smiles of life* to fund corrective surgery for children born with cleft palate with high impact

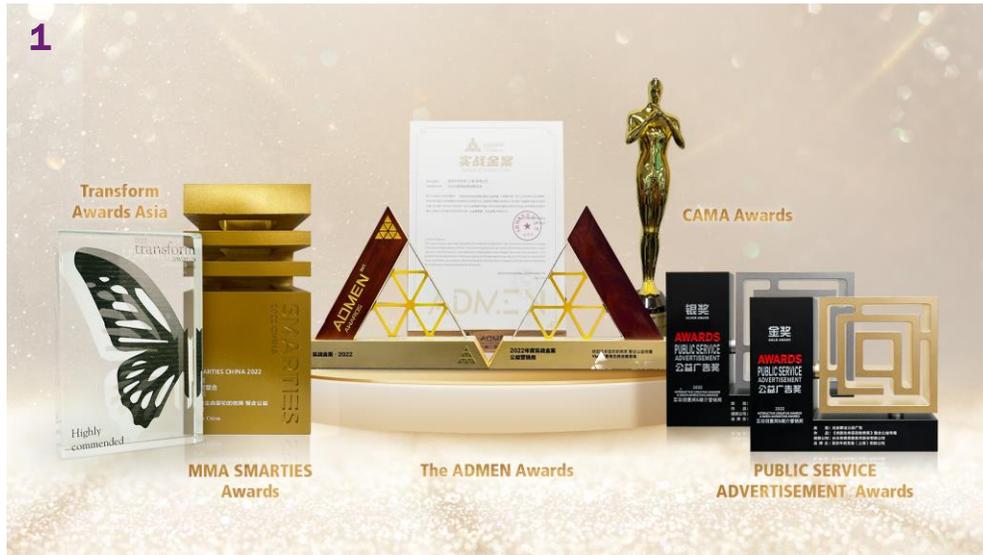


**580m** mass viewership  
**220m** target coverage  
**4m** consumer engagement  
**10x** business value generation through earned PR benefit

Shared the cause, interest and values with employees, partners and consumers



# Acknowledged by top industry awards for marketing innovation

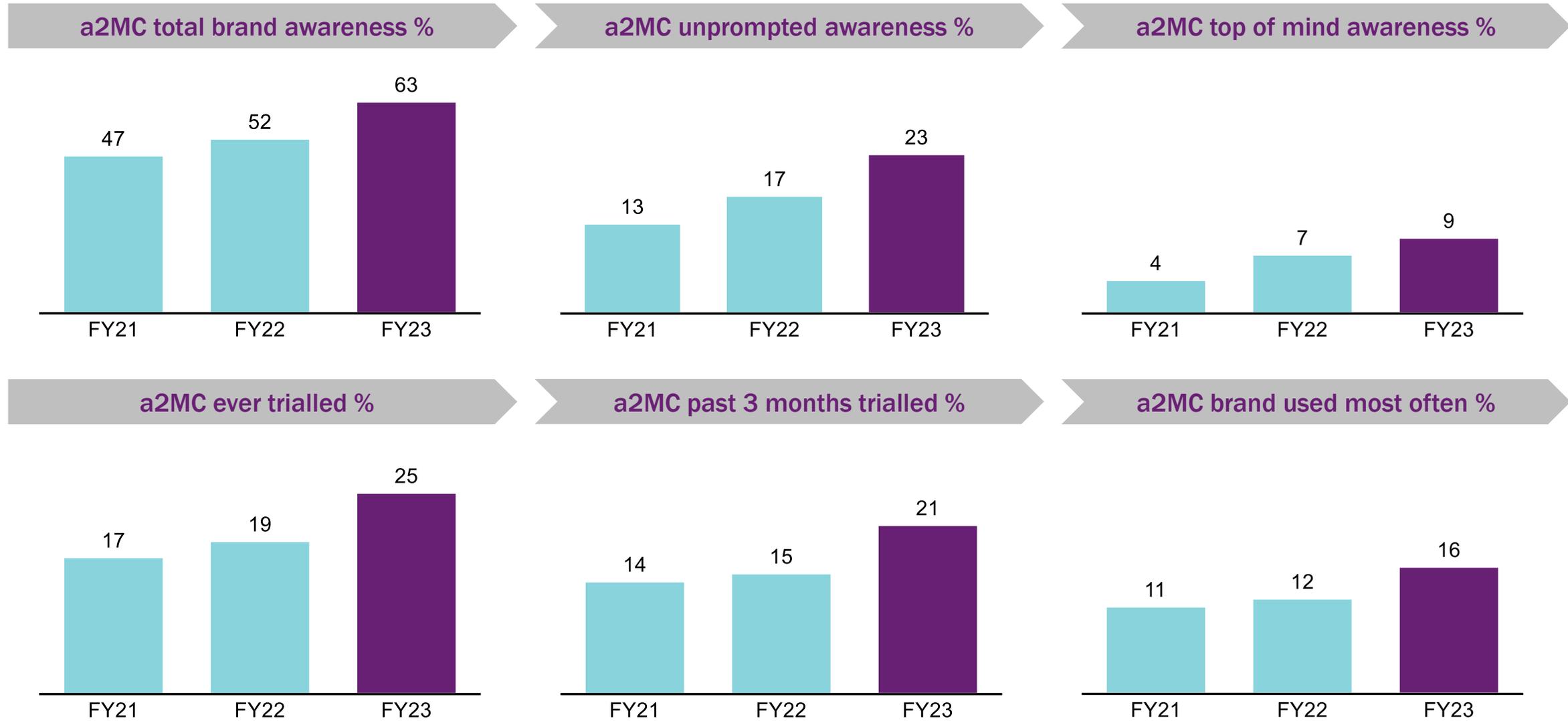


1. The ADMEN Awards for SMILE CSR campaign
2. The ADMEN Awards for Caravan Tour events



3. Little Red Book Excellent Social Seeding Case for a2 Platinum® Relaunch Campaign
4. 29th China International Advertising Festival Media-Enterprise Cooperation Content Marketing Case Gold Award for a2 Platinum® Relaunch Campaign
5. IAI Social Marketing Gold Award for Little Red Book integrated marketing case

# Driving continued improvement in China brand health metrics which will support future growth

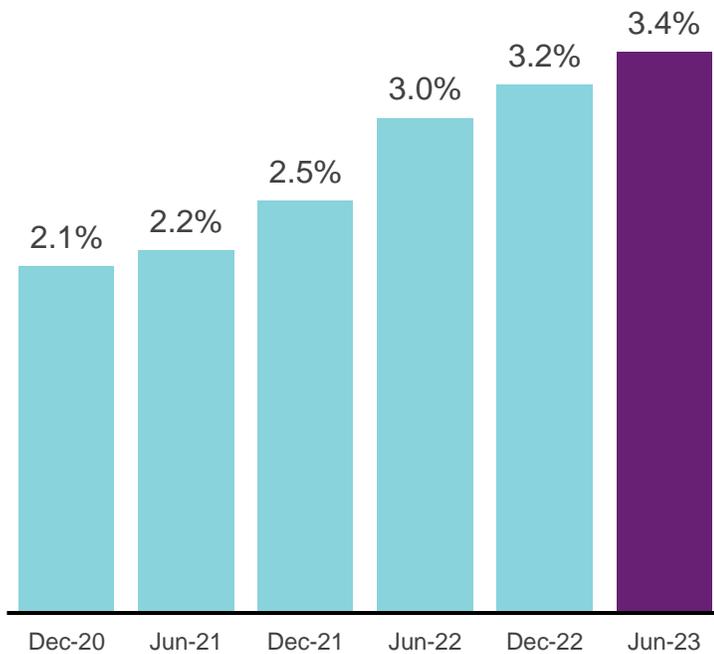


Source: a2MC internal data based on the Company's brand health tracking. Average brand health metrics for each financial year based on 3 surveys in FY21 and FY22, and 2 surveys in FY23. Sample skews to a2MC target consumers ie higher income earners based in Provinces / cities that are the focus of sales and marketing activities.

# Growth reflected in MBS record market share led by BCD cities

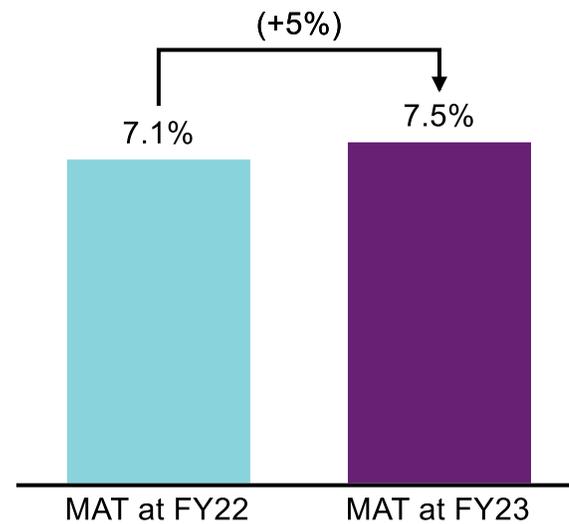
## National MBS value share

a2MC MBS MAT value share (%)



## Key&A MBS value share

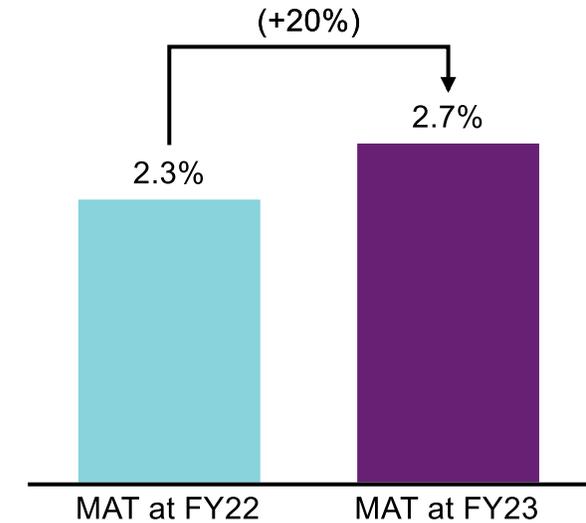
a2MC Key&A MBS MAT value share (%)



**IMF market**  
Declined by 16% on a 12-month basis ending Jun-23 vs Jun-22

## BCD MBS value share

a2MC BCD MBS MAT value share (%)



**IMF market**  
Declined by 12% on a 12-month basis ending Jun-23 vs Jun-22

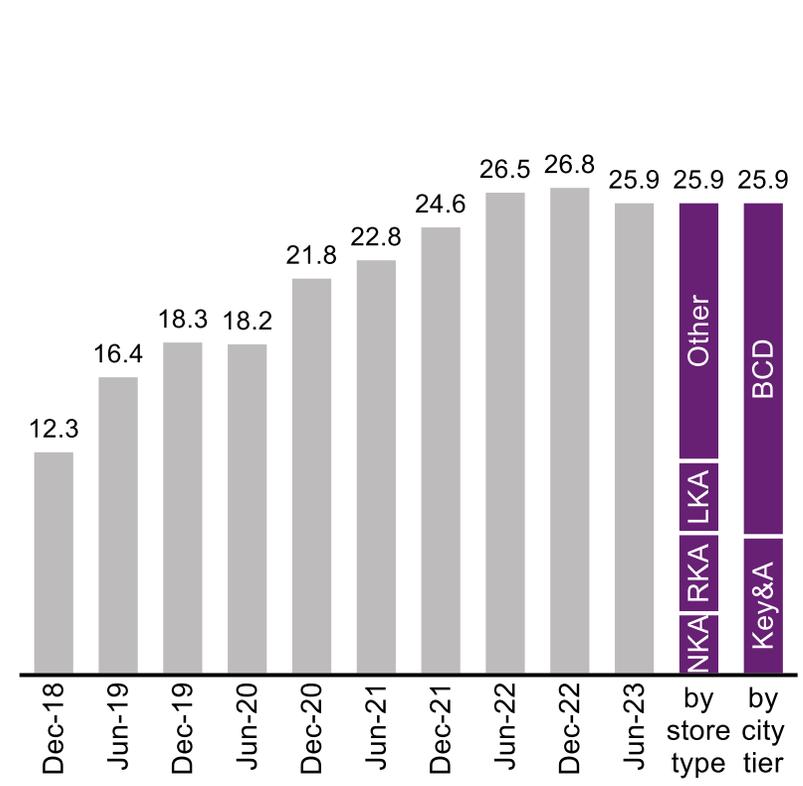
Nielsen's coverage may vary between Key&A and BCD cities that could impact reported market share

Source: Nielsen MBS retail measurement service: mother and baby stores only retail sales (by value).

# Weighted distribution improved with relatively flat store footprint due to store closures in market

## Store footprint

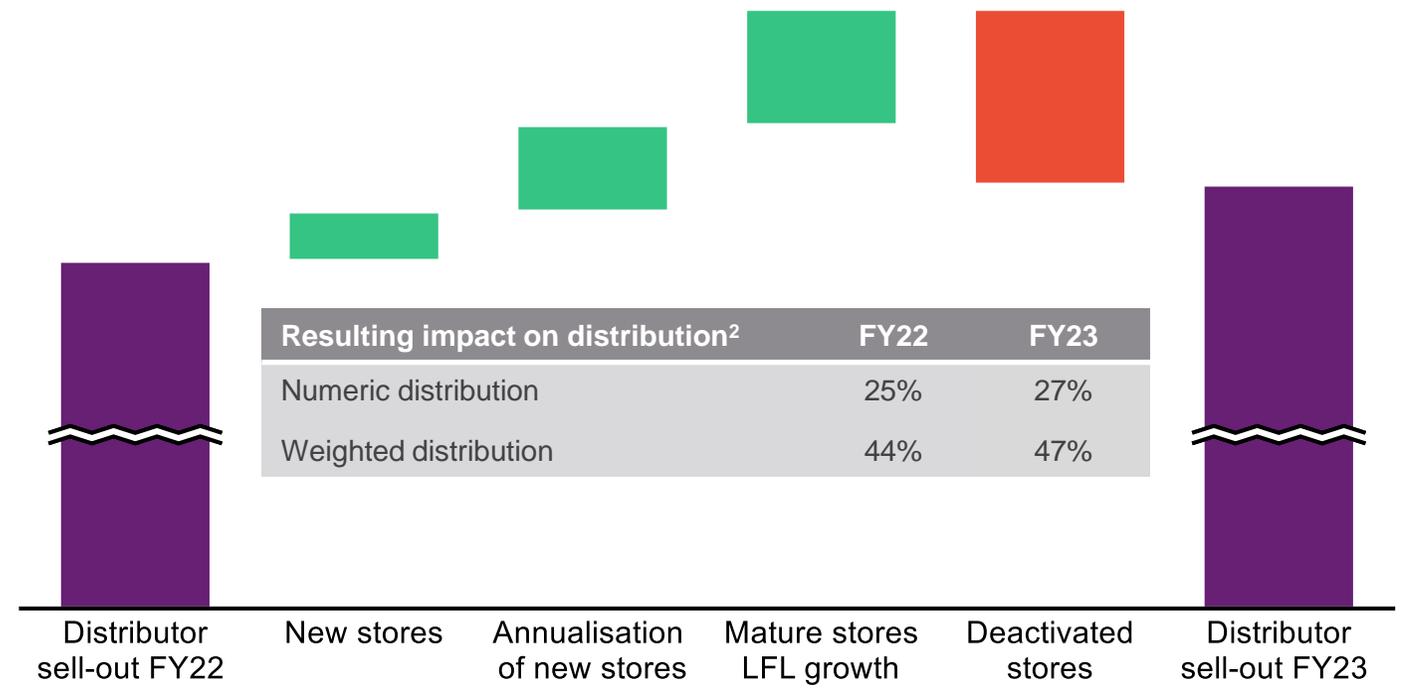
a2MC China distribution (store count '000)<sup>1</sup>



## Improvement in LFL store growth and weighted distribution

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

INDICATIVE

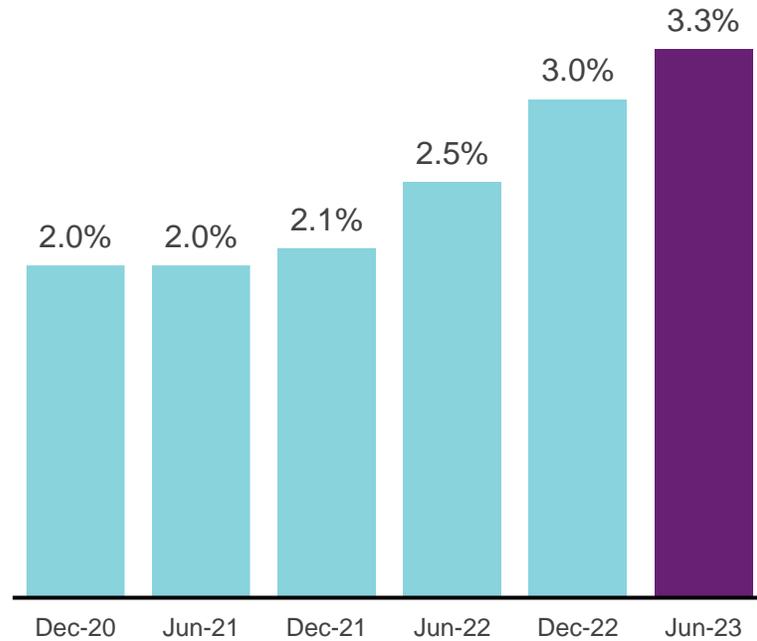


<sup>1</sup> a2MC internal data and tracking of stores with active sales in the past 6 months.  
<sup>2</sup> Nielsen MBS retail measurement service: mother and baby stores only.

# Record market share in DOL, closing gap to MBS share

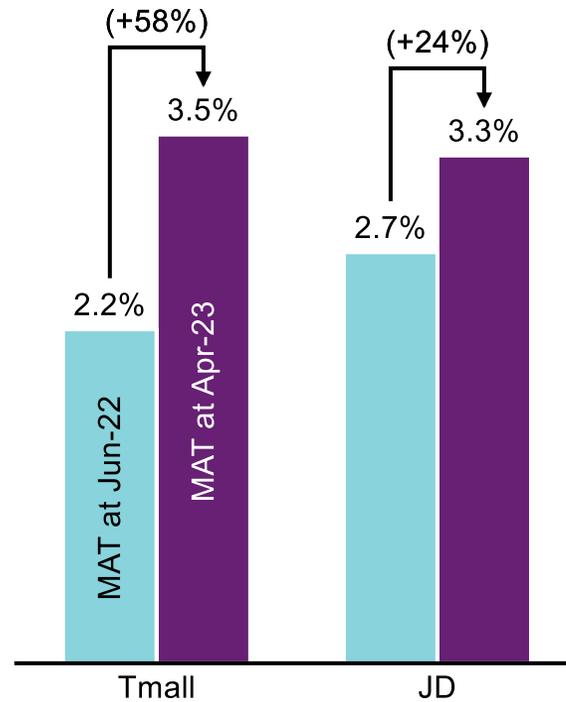
## DOL value share

a2MC DOL MAT value share (%)<sup>1</sup>



## Tmall and JD value share

a2MC Tmall and JD MAT value share (%)<sup>1</sup>



## Commentary

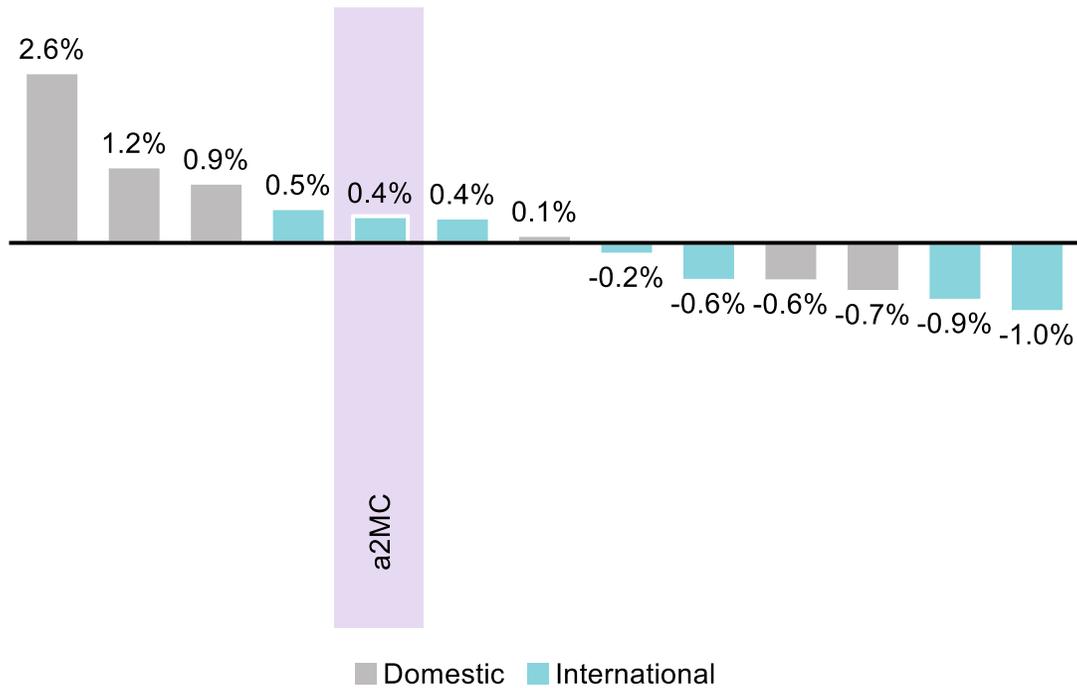
- Online growth outpaced offline sales growth for a2MC in FY23, further closing gap to MBS share
- Strong performance in DOL reflected in share gains despite the cycling of 4Q22 lockdown driven spike in demand
- While a2MC achieved strong growth within key DOL platforms, Tmall and JD, it also unlocked growth in other platforms (not covered by Smart Path’s DOL tracking) – in particular, Douyin (TikTok)
- a2MC continues to focus on optimising the effectiveness of its marketing investment and execution capability in online channels

<sup>1</sup> Smart Path China IMF online market tracking: domestic online platform sales (by value). 12-month rolling share.

# Resulting in a2MC being a leading share gainer in MBS and DOL channels

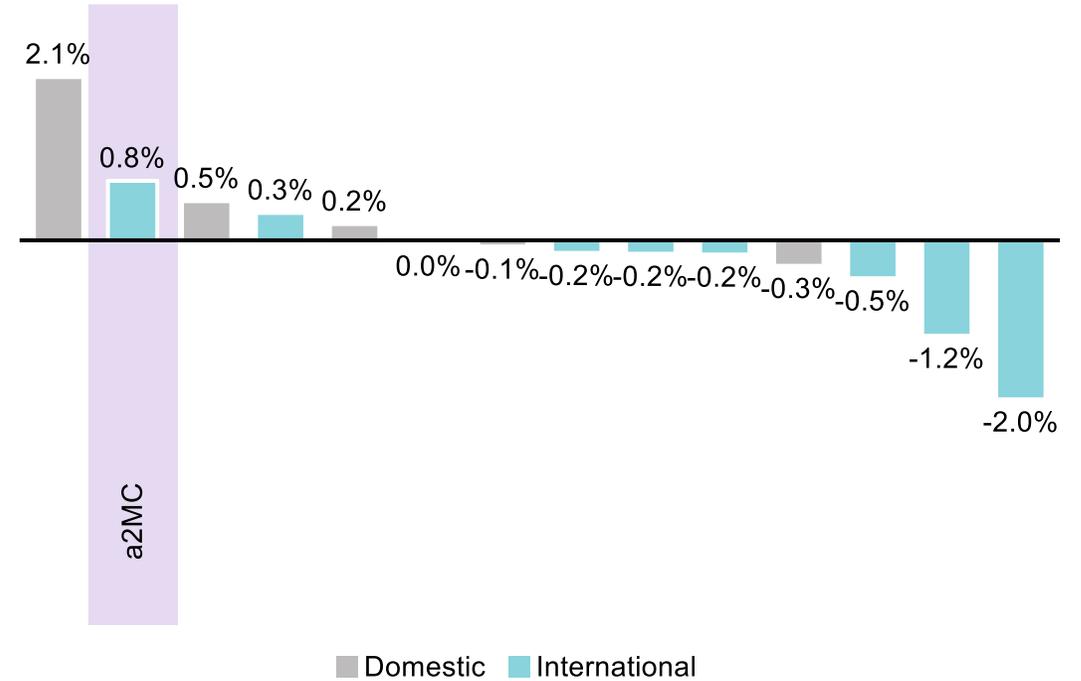
## Market share movements by IMF brand in MBS channel

Change in MBS value share in FY23 (% pts)<sup>1</sup>



## Market share movements by IMF brand in DOL channel

Change in DOL value share in FY23 (% pts)<sup>2</sup>



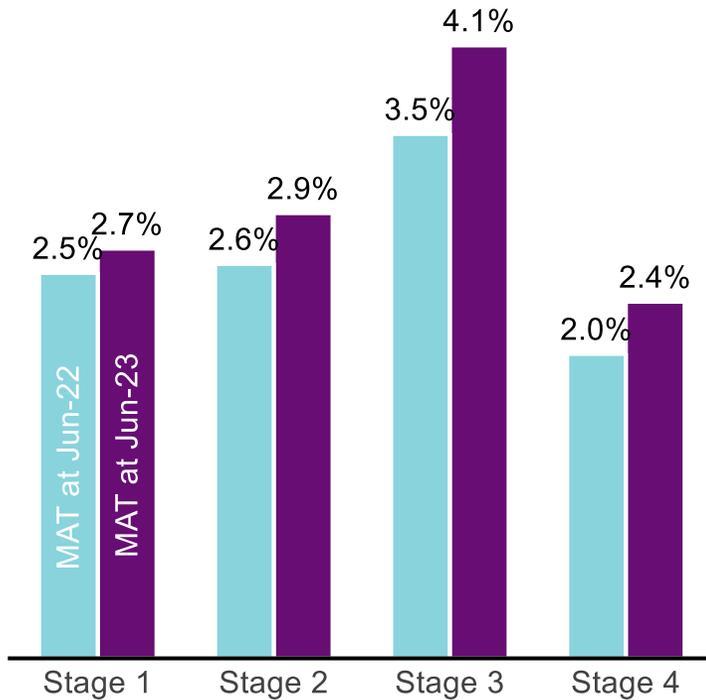
<sup>1</sup> Nielsen MBS retail measurement service: mother and baby stores only retail sales (by value). MAT Jun-22 to MAT Jun-23.

<sup>2</sup> Smart Path China IMF online market tracking: domestic online platform sales (by value). MAT Jun-22 to MAT Jun-23.

# Share gains achieved across all stages in MBS and DOL

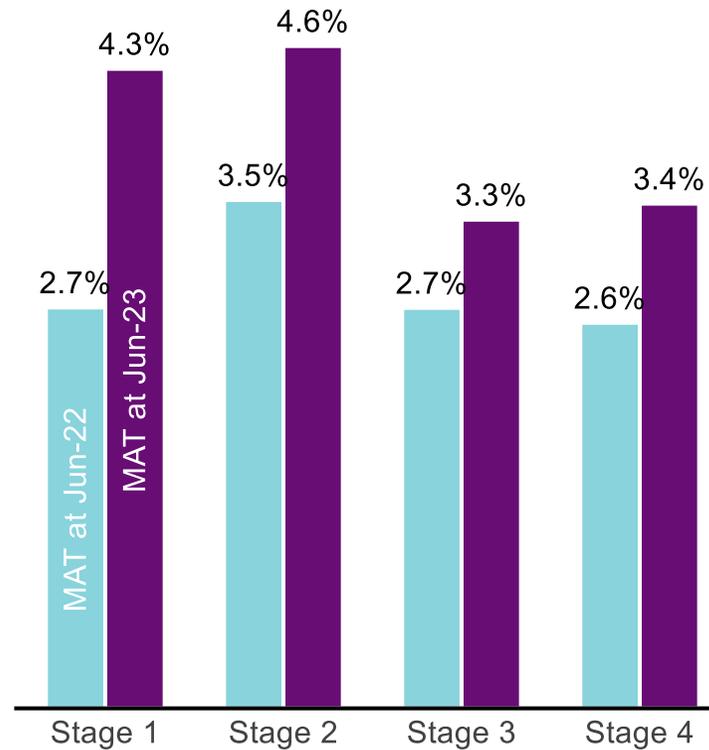
## MBS share by stage

MAT value share by stage<sup>1</sup>



## DOL share by stage

MAT value share by stage<sup>2</sup>



## Commentary

- a2MC brand benefits from strong loyalty performance through the brand funnel and across usage stages
- Within MBS, while a2MC delivered share growth across all stages, Stage 3 was the primary driver of share gains. Smaller gains were delivered in Stage 1 and Stage 2, reflective of increasing competition in a declining market
- Within DOL, share growth was driven by early-stage sales, a healthy indicator that the channel is growing through new users, rather than switching consumers from offline channels

<sup>1</sup> Nielsen MBS retail measurement service: mother and baby stores only retail sales (by value) across stages. 12-month rolling share.

<sup>2</sup> Smart Path China IMF online market tracking: domestic online platform sales (by value). Excludes goat and specialty. 12-month rolling share.

# Strong China label performance in 618 sales event

## 618 activation overview



## 618 performance

- +14%** China label IMF tins sold through 618 sales period (vs 618 2022)
- #6** Tmall China label IMF Flagship store (#16 in 618 2022)
- #10** JD China label IMF self-run store (#11 in 618 2022)
- 39%** Stage 1 + Stage 2 share of total sales volume (29% in 618 2022)

Improved China label performance on major platforms with reduced promotional activity and improved ASP

# English label IMF key messages

### Strategic priorities

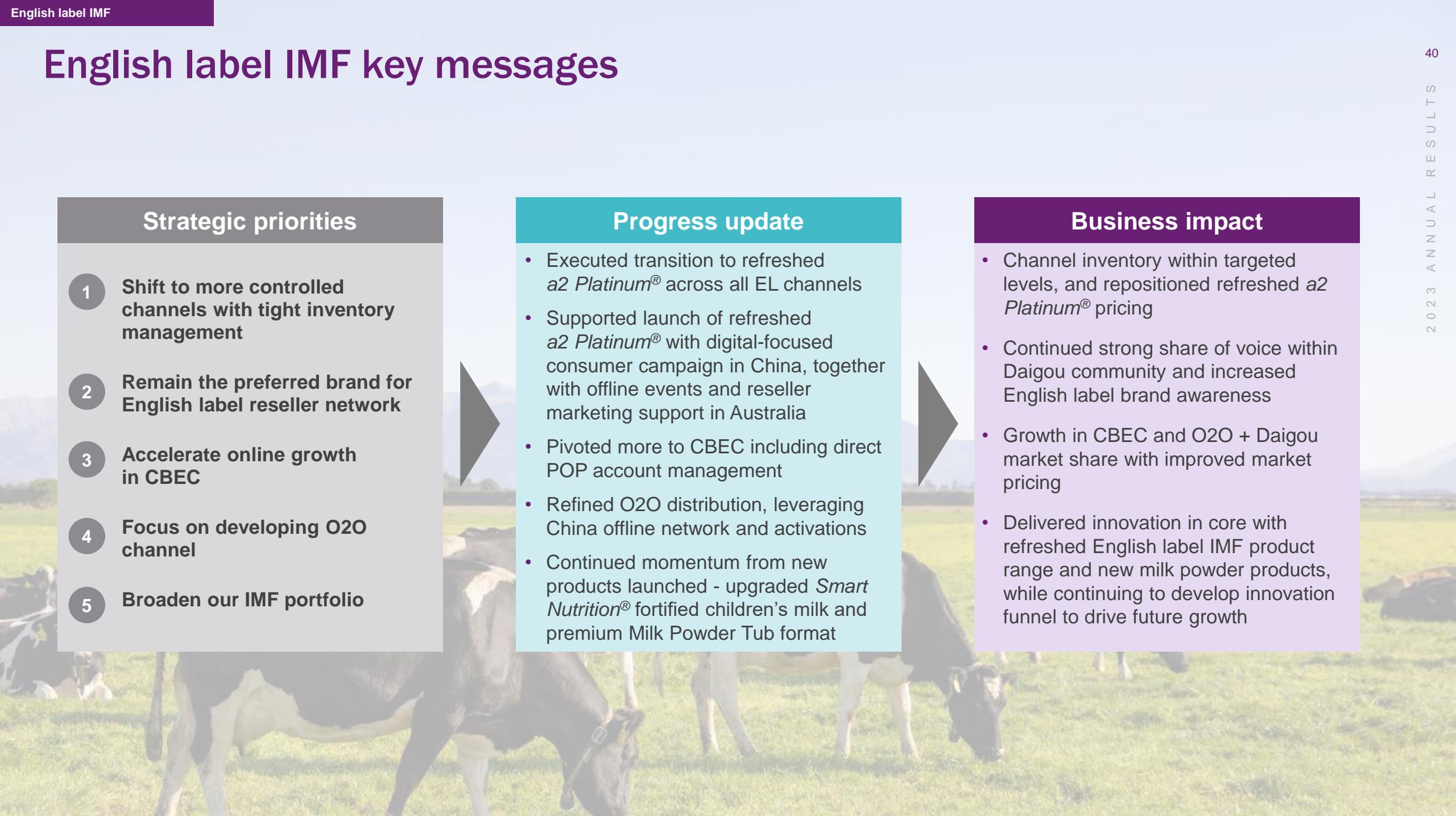
- 1 **Shift to more controlled channels with tight inventory management**
- 2 **Remain the preferred brand for English label reseller network**
- 3 **Accelerate online growth in CBEC**
- 4 **Focus on developing O2O channel**
- 5 **Broaden our IMF portfolio**

### Progress update

- Executed transition to refreshed *a2 Platinum*<sup>®</sup> across all EL channels
- Supported launch of refreshed *a2 Platinum*<sup>®</sup> with digital-focused consumer campaign in China, together with offline events and reseller marketing support in Australia
- Pivoted more to CBEC including direct POP account management
- Refined O2O distribution, leveraging China offline network and activations
- Continued momentum from new products launched - upgraded *Smart Nutrition*<sup>®</sup> fortified children's milk and premium Milk Powder Tub format

### Business impact

- Channel inventory within targeted levels, and repositioned refreshed *a2 Platinum*<sup>®</sup> pricing
- Continued strong share of voice within Daigou community and increased English label brand awareness
- Growth in CBEC and O2O + Daigou market share with improved market pricing
- Delivered innovation in core with refreshed English label IMF product range and new milk powder products, while continuing to develop innovation funnel to drive future growth



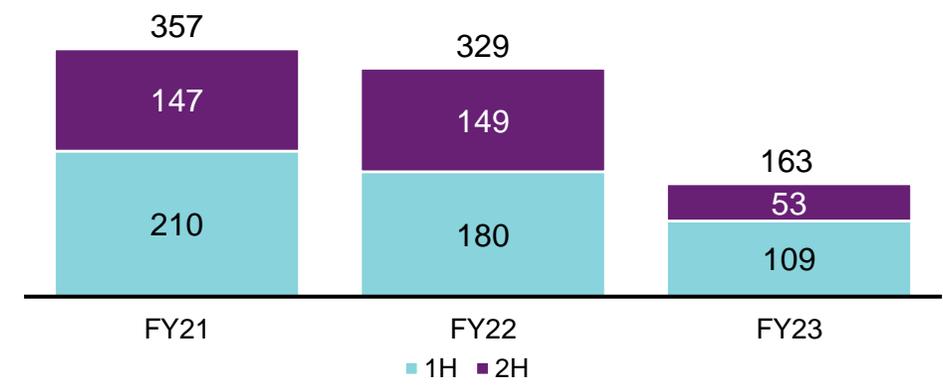
# English label sales growth in CBEC driven by channel shift and change in distribution strategy to more controlled channels

## Sales reflected continued channel mix shift and Daigou declines

- English label market declined by 14.0%<sup>1</sup> in value in FY23, driven by continued weakness in the Daigou channel, down 39.5% in FY23. O2O was down 17.9% in FY23, however CBEC grew 8.3%<sup>2</sup> reflecting the continued mix shift across English label channels
- Net sales revenue of total English and other label IMF was \$548.7 million, down 6.1% compared with FY22
  - CBEC and other labels revenue increased 51.0% to \$386.2 million and now represents 70% of all English label sales, up from 44% in FY22. 2H23 revenue grew 19.9% on 1H23, despite market value growth slowing to 2.9% from 13.8% in 1H23
  - CBEC growth reflects continued channel shift, increased investment as part of the *a2 Platinum*<sup>®</sup> English label refresh and the Company's proactive change in its English label distribution model to more controlled channels (ie CBEC and O2O)
  - ANZ IMF revenue decreased 50.6% to \$162.5 million, reflecting further sharp market declines in the Daigou channel and the changes made to the Company's English label distribution strategy in 2H22
- FY23 a2MC market shares:
  - CBEC MAT value share 22.6% at end of FY23 (19.4% in FY22)<sup>2</sup>
  - O2O & Daigou MAT value share 20.8% at end of FY23 (19.5% in FY22)<sup>1</sup>

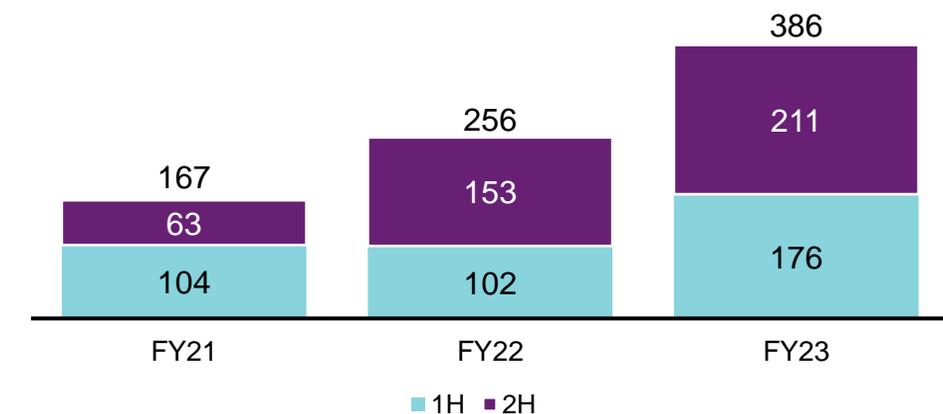
## ANZ English label IMF net sales revenue

\$ million by half<sup>3</sup>



## CBEC English label IMF net sales revenue

\$ million by half<sup>3</sup>

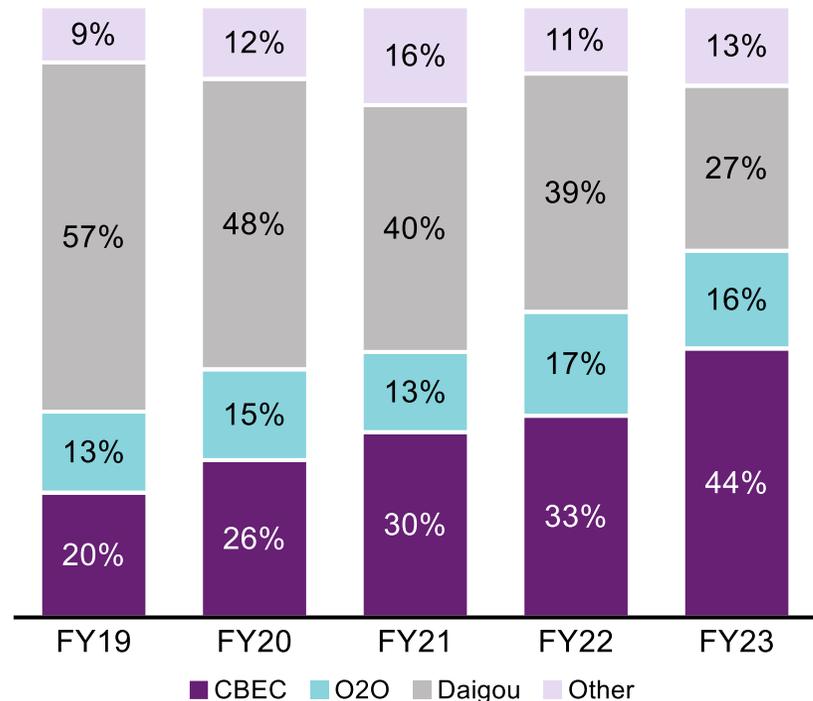


<sup>1</sup> Kantar Worldpanel 0-6 years old Baby & Kids panel: National IMF market tracking (Key&A + BCD cities). Note: Due to sample size, data classification and associated volatility reasons, the Company focuses more on its combined O2O and Daigou channel market share.  
<sup>2</sup> Smart Path China IMF online market tracking: for CBEC only retail sales (by value).  
<sup>3</sup> Numbers within the chart may not add to the total due to rounding.

# Significant channel shift happening in English label market

## Channel mix shift from Daigou to CBEC and O2O

MAT value sales by channel



Source: Kantar Worldpanel 0-6 years old Baby & Kids panel: National IMF market tracking (Key&A + BCD cities).

## Commentary

### CBEC

- Historically a transactional replenishment channel for consumers recruited via Daigou
- Next generation of consumers increasingly comfortable to commence and complete purchase journey online, including new users of early stage products
- CBEC gaining English label channel share by supporting all steps of new consumer purchase journey (eg livestreams support brand research through to order fulfilment)

### O2O

- Enables consumers to experience brand in-store and order product for home delivery
- Model expanded to be offered across a range of retail environments (eg from NKA MBS stores alongside China label IMF through to individual general trade stores)
- Channel volumes during pandemic period impacted by broader slowdown in English label demand

### Daigou

- During pandemic, consumers shifted away from purchasing English label IMF via Australia-based Daigou; some consumers shifted to CBEC channel, but most shifted to China label IMF brands and channels
- Daigou base in Australia impacted by closure of borders during pandemic; seller base and environment improving but yet to recover

# Multi-channel consumer marketing campaigns to support English label IMF and other products

## ANZ campaigns



a2 Platinum® launches its new Tummy Love campaign in Australia



New product launches in Daigou channel

## China consumer campaigns



China key visual



Precise digital marketing across multiple touchpoints



Video testimonials from key opinion leaders



WeChat content campaign

# Investment in e-commerce capability and execution having an impact in CBEC and emerging platforms

## Award-winning collaborations with major platforms

## Building presence on emerging platforms

Platform Partnerships



**Sep-22**  
IP Collaboration with 'The Little Prince' for New a2 Platinum® launch



**Mar-23**  
Awareness campaign with Operation Smile



**Sep-22**  
JD Super Brand Day for New a2 Platinum® launch



**Mar-23**  
JD Plus Members Day for a2®

FY23 Awards

- Tmall Flagship Store Annual Content award
- Tmall M&B Industry award
- Supply chain efficiency award
- Best KOL Livestreaming award
- JD Best Livestreaming award
- Service Team Award
- 618 Extraordinary Award
- Best Partner Award

Platform Partnerships

### Case Study: Douyin (TikTok)



**High Quality Video Content**



**KOL / Store Livestreaming**



**Celebrity Livestreaming**

Achievements

- Established Flagship Stores on platform
- Released 1,200 high quality short videos
- Daily livestreaming; collaborations with KOL / celebrities for livestreams and short video
- In FY23, ranked #1 English label IMF Brand by GMV

# More focus on capturing O2O opportunity in English label

## Case Example: Momtime store network partnership

### 1 Annual conference



- a2MC presence at Momtime Annual Conference to directly engage with Store Managers

### 2 In-store campaign



- Extended a2MC CSR and Integrated Marketing Campaigns to Momtime stores through POSM and in-store TVs
- Over 1,200 stores participated

### 3 In-store education



- Commenced in-store product education classes
- 263 sessions held during April-June

### 4 Content sharing



10:34

宝妈时光.大发宜景城店  
a2 焕新紫白金 让宝宝自护力UP 提高免疫力  
✓助力营养吸收，打造天然免疫力  
✓富含GOS益生元，守护宝宝肠胃健康

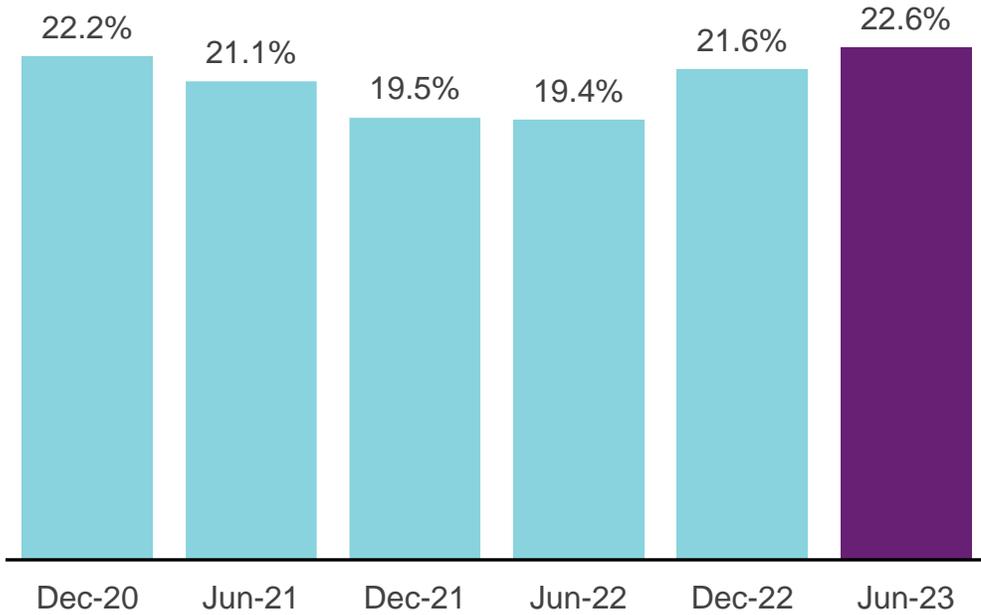


- Support content sharing by store owners to their customers

Positive impact on English label IMF monthly market share in Momtime

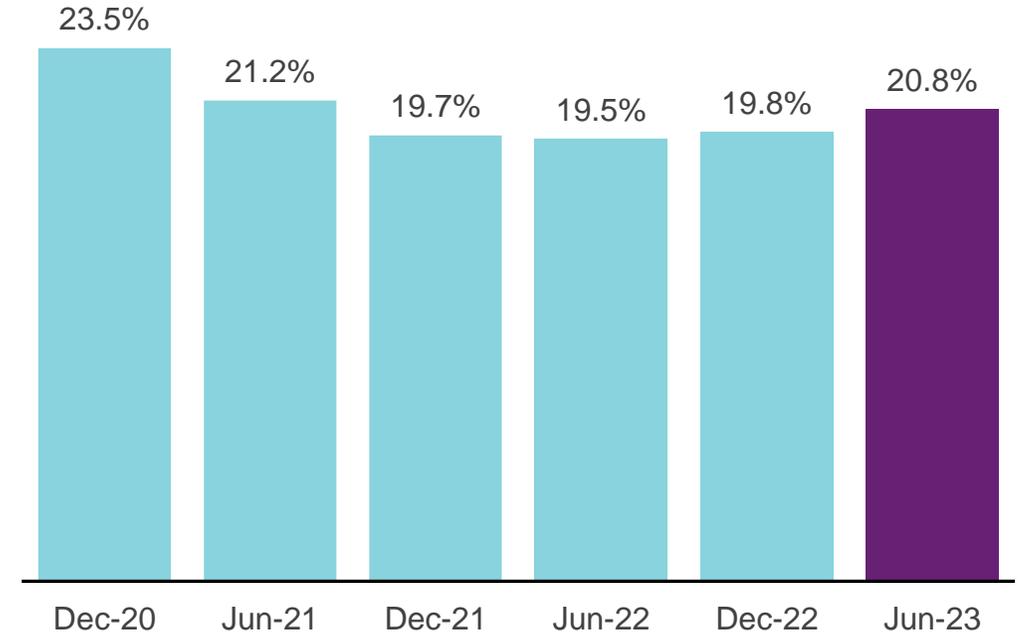
# Market share improvement in CBEC and O2O + Daigou channels

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



a2MC No.1 share gainer in CBEC in FY23

## O2O and Daigou market value share<sup>2</sup>



a2MC No.2 share gainer in O2O + Daigou channel in FY23

Note: Kantar had a universe update in April 2023 to better reflect baby population structure change; Smart Path had a data restatement in January 2023 to better reflect market size of CBEC channel; historical data were updated accordingly.

<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). Note: Due to sample size, data classification and associated volatility reasons, the Company focuses more on its combined O2O and Daigou channel market share.

# Strong English label performance in 618 sales event

## 618 activation overview – English label



## 618 performance – English label

- +7.4%** English label IMF tins sold through 618 sales period (vs 618 2022)
- #2** Tmall English label IMF Flagship store (#2 in 618 2022)
- #2** English label IMF Brand in both JD and Tmall Global
- #1** English label IMF Brand on Douyin (TikTok)
- 39%** Stage 1 + Stage 2 share of total sales volume (27% in 618 2022)

Improved performance on major platforms in English label with reduced promotional activity and improved market pricing

# ANZ liquid milk key messages

## Strategic priorities

- 1 **Maintain brand leadership**
- 2 **Increase household penetration**
- 3 **Drive product innovation**
- 4 **Invest in sustainability**
- 5 **Expand capacity and capability in our supply chain**

## Progress update

- Increased marketing investment with a greater focus on social and digital media, as well as direct engagement with consumers through retailers
- Expanded distribution of *a2 Milk<sup>®</sup> Lactose Free* following launch in 1H23
- Commenced preparation work for feasibility studies to better understand use of feed supplements to support methane emissions reductions
- Commenced upgrade of Kyabram processing facility in 3Q23

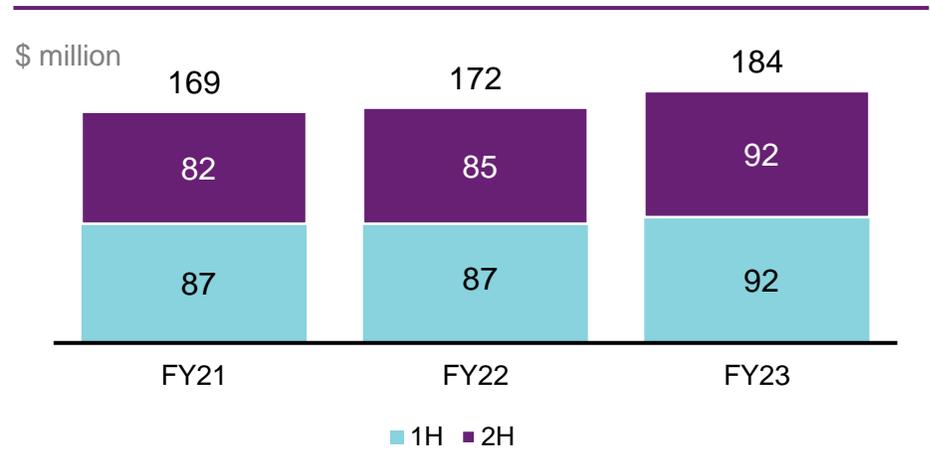
## Business impact

- Fresh milk market share declined slightly to 11.3%, primarily due to reduced household penetration associated with inflationary pressures and cycling higher in-home consumption during COVID-19
- *a2 Milk<sup>®</sup> Lactose Free* achieved 18.4% share in launch markets (NSW & VIC) and expanded distribution into QLD, TAS and SA
- *a2 Milk<sup>®</sup> Lactose Free* was the most successful grocery fresh milk new product launch in the last 12 months
- With change in marketing mix, a2MC brand awareness declined slightly with small increases in conversion to trial and stable brand loyalty

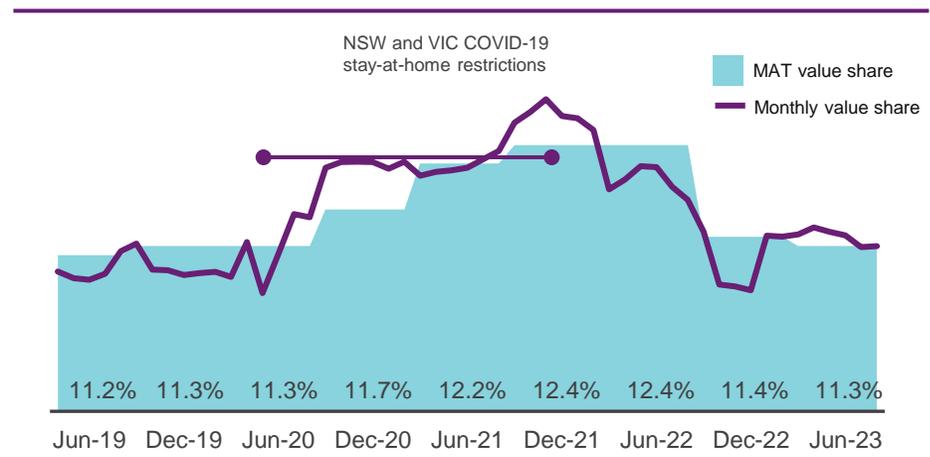
# ANZ liquid milk sales supported by innovation

- Australia liquid milk net sales revenue increased by 7.1% to \$184.1 million
- 2H23 growth was 8.5%, supported by a full 6 month contribution from price increases taken in 1H23 in response to higher raw milk prices and other input and logistics cost increases, favourable foreign currency movements, plus continued strong performance from *a2 Milk® Lactose Free* which was launched in August 2022. This was partly offset by consumption volume declines impacted by increased cost of living, as well as several challenges within the supply chain network impacting on-shelf availability
- a2MC market value share of 11.3%<sup>1</sup> was broadly in line with December 2022 but down from 12.4%<sup>1</sup> in June 2022, impacted by consumers trading down due to wider macroeconomic factors, as well as the prior comparable period (primarily 1H22) benefiting from strong in-home consumption from COVID-19 lockdowns
- Current market share is similar to pre-COVID-19 levels, with a2MC’s market volume share increasing from 6.6% to 6.8%. Whilst market volume for liquid milk increased during the COVID-19 lockdown period, it decreased 4.5% from January 2020 to June 2023

## Liquid milk net sales revenue (Australia)



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



<sup>1</sup> IRI Australian Grocery Weighted Scan 12 months ending.



- *a2 Milk® Lactose Free* has performed ahead of expectations, with sales supported by distribution expansion into QLD, SA and TAS in 2H23. Market share in the lactose free segment in initial launch cities (NSW and VIC) increased to 18.4% in June 2023 from 12.3% in December 2022
- *a2 Milk®* products achieved rankings in the top ten products in the dairy category in Grocery

# USA key messages

## 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 Improve profitability from cost reduction and improved margins

## Progress update

- Marketing mix focused on driving consumer understanding of the A2 protein proposition
- Building distribution and consumer engagement on both *a2 Milk*<sup>®</sup> *Half and Half* and *HERSHEY'S a2 Milk*<sup>®</sup> in both ESL and UHT formats
- Robust portfolio of innovation with *a2 Milk*<sup>®</sup> *Grassfed* launched in 3Q23 and *a2 Milk*<sup>®</sup> *Protein + Collagen* nutritional powder trials commenced in 3Q23
- Financial performance demonstrating progress on the path to profitability

## Business impact

- Household penetration steady at 2.3% with high loyalty rates versus competitors
- Brand awareness dropped with lower marketing spend but has stabilised since 1H23
- Achieved growth in market value share in the premium milk category for the Grocery channel
- Increased focus on profitability through management changes

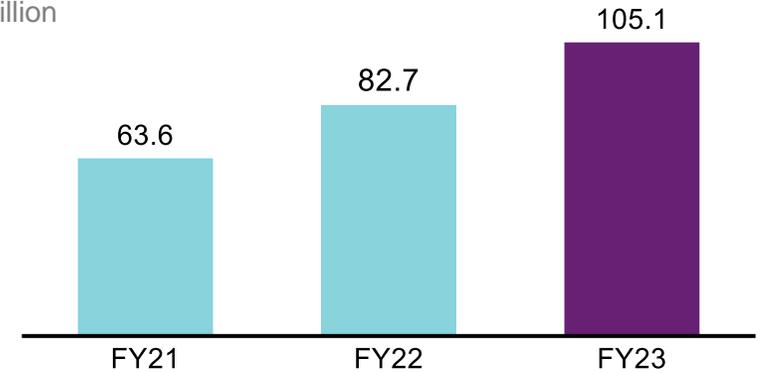
# Growth supported by innovation and improved profitability

- Revenue increased 27.1% to \$105.1 million
- Sales growth was driven by modest growth in core liquid milk volumes, contribution from new products, pricing and favourable FX. Sales in 2H23 were broadly in line with 1H23, as the Company reduced promotional spend
- EBITDA loss of \$23.3 million reduced compared with FY22, due to revenue growth, less promotional activity, improved input costs and distribution rates, lower marketing spend and reduced SG&A costs
- Despite lower promotional spend, a2MC's market value share in the premium milk category for the Grocery channel increased to 2.3%<sup>1</sup> in FY23 from 2.0% in FY22
- *a2 Milk® Grassfed* launched in 3Q23 in the Natural channel
- Following the receipt of FDA's enforcement discretion approval to import IMF, a small amount of *a2 Platinum®* IMF product has been produced recently to facilitate FDA required clinical studies and distribution trials during FY24
- a2MC is pursuing longer term FDA approval of *a2 Platinum®*, while carefully considering market entry options
- Accelerating the path to profitability in the USA by FY25 / FY26 remains a key strategic priority – steps taken to improve future profitability include price increases, reduced trade spend, marketing effectiveness, merchandising cost reduction and management changes



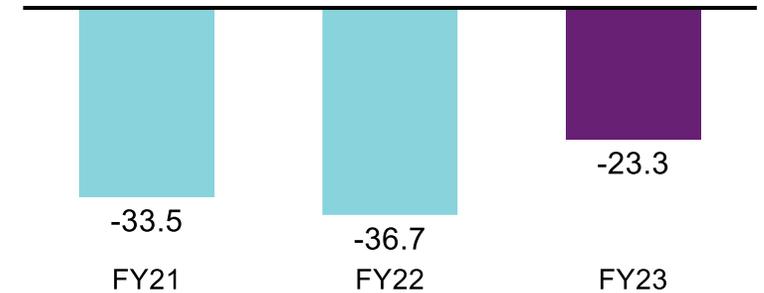
## Revenue

\$ million



## EBITDA

\$ million



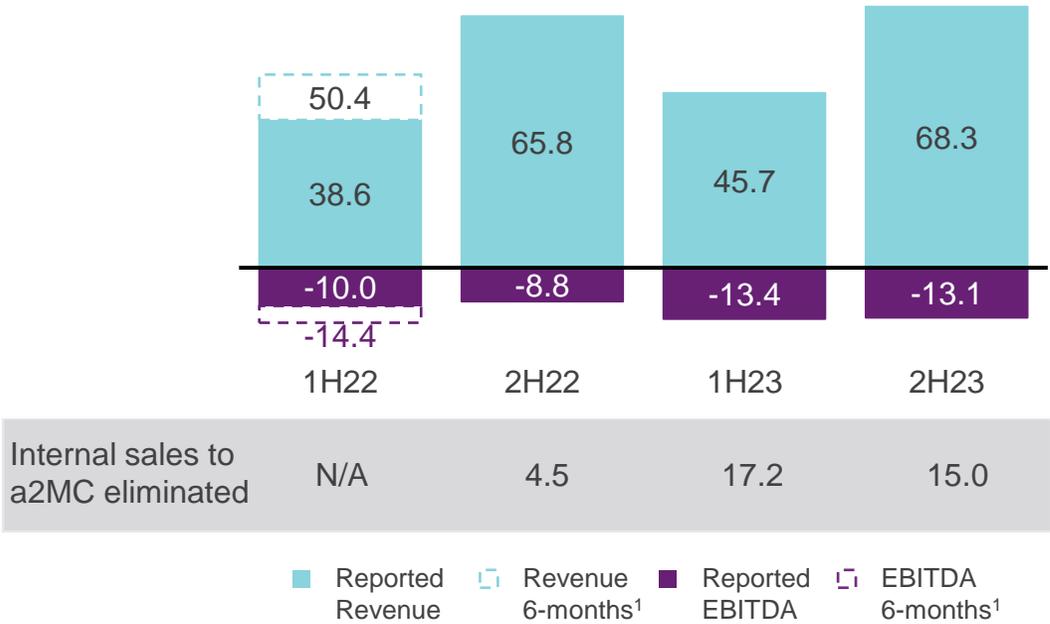
<sup>1</sup> SPINS data for the Grocery channel only for the 52 weeks ending 30 June 2023 and 2022.

# MVM remains focused on in-sourcing a2MC volumes and future innovation

- Net sales revenue of \$113.9 million in FY23, the first full year under a2MC ownership vs 11 months in FY22
- EBITDA loss of \$26.5 million, compared to a reported loss of \$18.8 million in FY22 (or a loss of \$23.2 million on a pro-forma unaudited basis for 12-months)
- The slightly higher EBITDA loss was due to the timing of sales in a volatile commodity and FX environment; reduced demand from third-party customers in China; increased investment in capability, significant product development trials; and investment to support future nutritional powder production
- Accelerated execution of its supply chain transformation strategy, including increasing raw A1 protein free milk supply, completing the insourcing of all *a2 Milk® Whole and Skim milk powder* products, completing production trials for insourcing of certain IMF product with manufacturing to commence in 1H24, and commencing production trials for a new English label IMF range, all with MVM and new blending and canning partners prior to installing similar capability at MVM
- Progression of the installation of a new high-pressure electrode boiler and the full electrification of the site supplied by 100% renewable energy such as hydro and wind
- Accelerating MVM’s path to profitability by FY26 or earlier is a key strategic priority for the Company

## Revenue and EBITDA

\$ million



<sup>1</sup> Pro-forma unaudited basis for 6-months. Reflecting a2MC ownership of 5-months (1H22) versus 6-month due to timing of acquisition completion.



# QUESTIONS



# APPENDIX



# Reconciliation of non-GAAP measures

\$ million	FY23	FY22
Australia & New Zealand segment EBITDA	93.5	173.2
China & Other Asia segment EBITDA	254.1	145.1
USA segment EBITDA	(23.3)	(36.7)
MVM segment EBITDA	(26.5)	(18.8)
Corporate EBITDA	(78.5)	(66.6)
<b>EBITDA<sup>1</sup></b>	<b>219.3</b>	<b>196.2</b>
Depreciation / amortisation	(18.2)	(18.9)
<b>EBIT<sup>1</sup></b>	<b>201.1</b>	<b>177.3</b>
Net interest income	21.8	4.1
Income tax expense	(78.0)	(66.6)
<b>Net profit for the period</b>	<b>144.8</b>	<b>114.7</b>



<sup>1</sup> EBITDA and EBIT are non-GAAP measures. However, the Company believes they assist in providing investors with a comprehensive understanding of the underlying performance of the business.

# Standard a2MC glossary of terms

Acronym	Meaning	Acronym	Meaning	Acronym	Meaning
a2MC	The a2 Milk Company Limited	FY	Financial year	MVM	Mataura Valley Milk Limited
ANZ	Australia and New Zealand	GAAP	Generally accepted accounting principles	NKA	National key accounts
APCO	Australian Packaging Covenant Organisation	GB	Guo Biao, national standards of China	NPAT	Net profit after tax
ASP	Average selling price	GDT	Global Dairy Trade	NSW	New South Wales
AU	Australia	GHG	Greenhouse gas	NZD/NZ\$	New Zealand Dollar
AUD	Australian Dollar	GM	Gross margin	O2O	Offline to online
BCD	Lower tier cities in China	GMV	Gross merchandise value	PCP	Prior corresponding period
CAGR	Compound Annual Growth Rate	HDPE	High Density Polyethylene	POSM	Point of sales marketing
CBEC	Cross-border e-commerce	IMF	Infant milk formula (Stage 1-4)	PP&E	Property, Plant and Equipment
CL	China label	IAI	International Advertising Awards	PR	Public relations
CNADC	China National Agriculture Development Group Corp.	IT	Information Technology	QLD	Queensland
COGS	Cost of goods sold	JD	Jingdong	RMB	Official currency of China
CSF	China State Farm Holdings	Key&A	Upper tier cities in China	SA	South Australia
CSR	Corporate Social Responsibility	KG	Kilogram	SAMR	State Administration for Market Regulation
DOL	Domestic online channel	KOL	Key opinion leader	SG&A	Selling, general and administrative expenses
EBIT	Earnings before interest and tax	LFL	Like-for-like	TAS	Tasmania
EBITDA	Earnings before interest, taxes, depreciation and amortisation	LKA	Local key accounts	Tmall	Taobao Mall
EL	English label	LTI	Long term incentive	TRIFR	Total recordable injury frequency rate
EPS	Earnings per share	Macro milk	Fresh, ESL, UHT and powdered milk products	UHT	Ultra-high-temperature treated milk
ESL	Extended shelf life	MAT	Moving annual total	UP	Ultra premium
FDA	Food & Drug Administration	M&B	Mom & baby	USA	United States of America
FX	Foreign exchange	MBS	Mother & baby stores	USD	United States Dollar
		MPI	Ministry for Primary Industries	VIC	Victoria



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