



Australian Dairy Nutritionals Group

Growing Local, Going Global

*Investor Presentation
December 2020*



Important Note & Disclaimer

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Building blocks in place for high-margin differentiated product roll-out to drive brand build and growth

Australian Dairy Nutritionals Group Highlights



Vertically integrated supply chain that can adapt quickly to domestic and global supply and demand changes



Secure supply of raw milk with AHF farms transitioning to Organic and A2 raw milk production



New production facility to produce nutritional powders and infant formula, expected completion in Q1FY22



Planned launch of two premium, differentiated infant formula brands in CY2021



Relationships with leading domestic retailers through our existing dairy products which are distributed across more than 2000 stores nationally



Highly experienced board and management team with capabilities across the entire supply chain from paddock to tin

First Roll-Out:

Future (Tummy Health) Formula Range Launch in Q4 FY21

AHF will be launching a scientifically developed formula which will position AHF to capture market share in a high-margin product category

Commentary

- ✓ **Unique product range innovation** to be disclosed closer to launch date
- ✓ **Capital-lite product** - produced by a third-party manufacturer enabling AHF to **increase scale**
- ✓ **Paediatric advocacy** to educate consumers on products' point of differentiation/value proposition
- ✓ Following domestic launch, **intend to target key export markets to realise further growth**
- ✓ **Premium, scientifically developed** product expected to achieve retail price points which deliver attractive margins

Product Innovation

- ✓ Matches infants digestive capability in the first 24 months of life
- ✓ Contains prebiotics and probiotics for infant gut development
- ✓ Arachidonic Acid (**ARA**) and Docosahexaenoic (**DHA**) promote brain development
- ✓ Gentle formulation
- ✓ Made with 100% Australian farm fresh milk



Image pixelated for competitive reasons

Followed by:

Ecklin South Organic A2 Infant Formula Launch in Q2 FY22

AHF recent transformation over the past three years has provided the platform for AHF to launch another unique infant formula product

Commentary

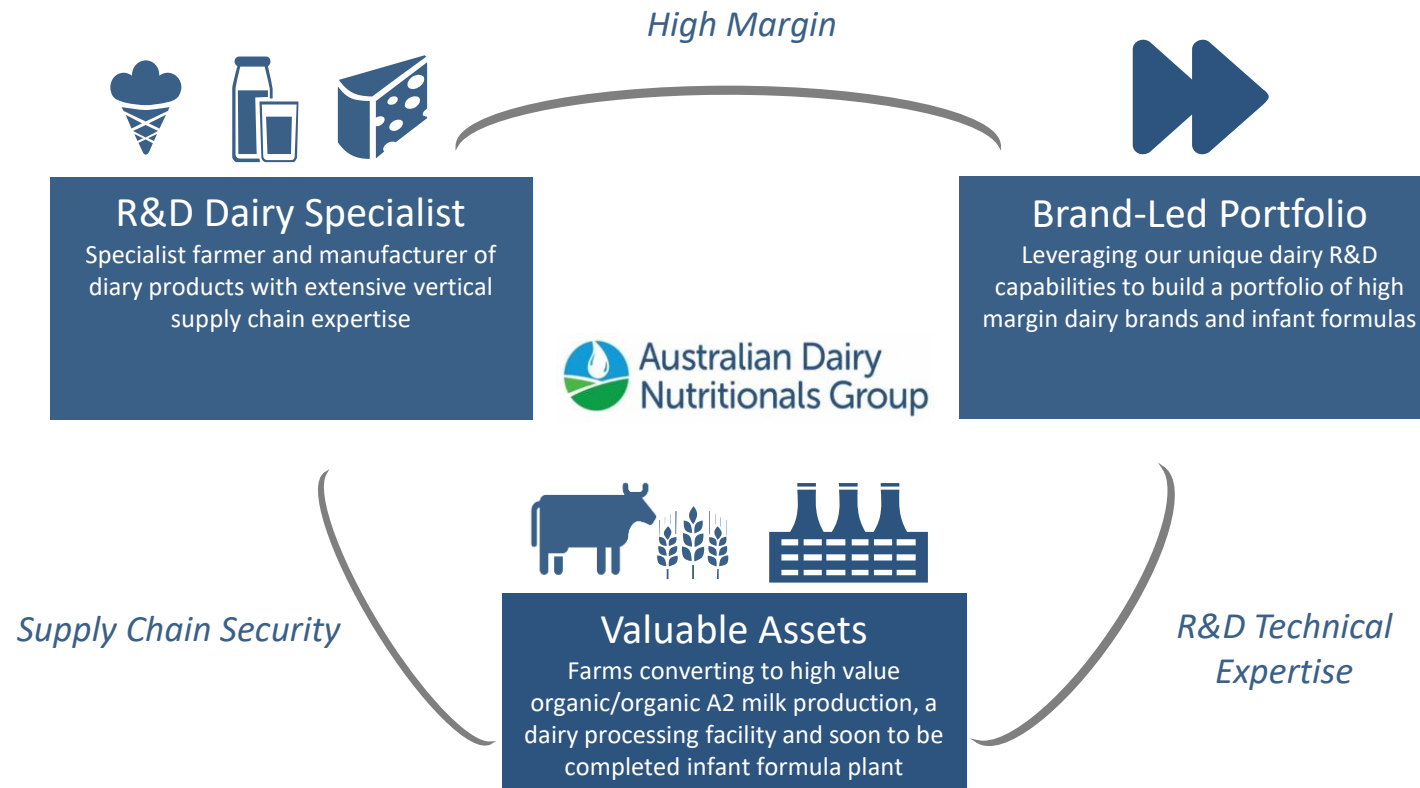
- ✓ Few producers globally of organic A2 infant formula, therefore opportunity to **price at a premium**
- ✓ AHF plan to be one of the first producers of organic A2 infant formula using **100% Australian milk sourced from its farms**
 - Gentle on infant tummy
 - Contains prebiotics for infant gut development
 - DHA and ARA promote brain development
- ✓ AHF's new infant formula plant to have a **production capacity of infant formula base 400,000 - 600,000 tins per annum** (relatively small volume compared to the estimated annual sales volume of the Australian infant formula market of 40 million tins per annum¹)
- ✓ Proof of concept and domestic success to open up potential cross-border JV distribution partners



¹ Estimated sales of tins of infant formula in Australian market in calendar year 2019

Leveraging Expertise Across Multiple Business Segments

AHF's value proposition is generated through its fully integrated business model combining ingredient and manufacturing expertise together with a growing portfolio of brand-led and consumer focused products



Why have we transformed?

Contracted Packer



Fully integrated brand owner
and manufacturer

Why vertical integration and focus on own branded products?

- ✓ Higher value/growth and margins across all speciality products – the global infant formula market is forecasted to reach US\$109.10 billion by 2027 (10.6% CAGR)¹
- ✓ Brand equity in new and existing “own brands” developed
- ✓ Diversification of revenue streams
- ✓ Ultimate control and security over supply with company controlled cows, farms, factory, tinning and brands

Why move to Organic and/or A2?

- ✓ In Australia, 9 billion litres of milk is produced annually but approximately 1% is organic production
- ✓ A2 milk production in Australia and overseas is still very scarce so AHF believes the shift to Organic A2 milk production will be very difficult for competitors to replicate
- ✓ Growing trend toward clean healthy, chemical free products and traceability to support provenance of food products particularly for infant/child nutrition
- ✓ Allows the group to utilize all of its resources to operate in markets where premium and product functionality considerations override price competition

¹ Fortune Business Insights: Infant Formula Market Size, Share & COVID-19 Impact Analysis (August 2020)

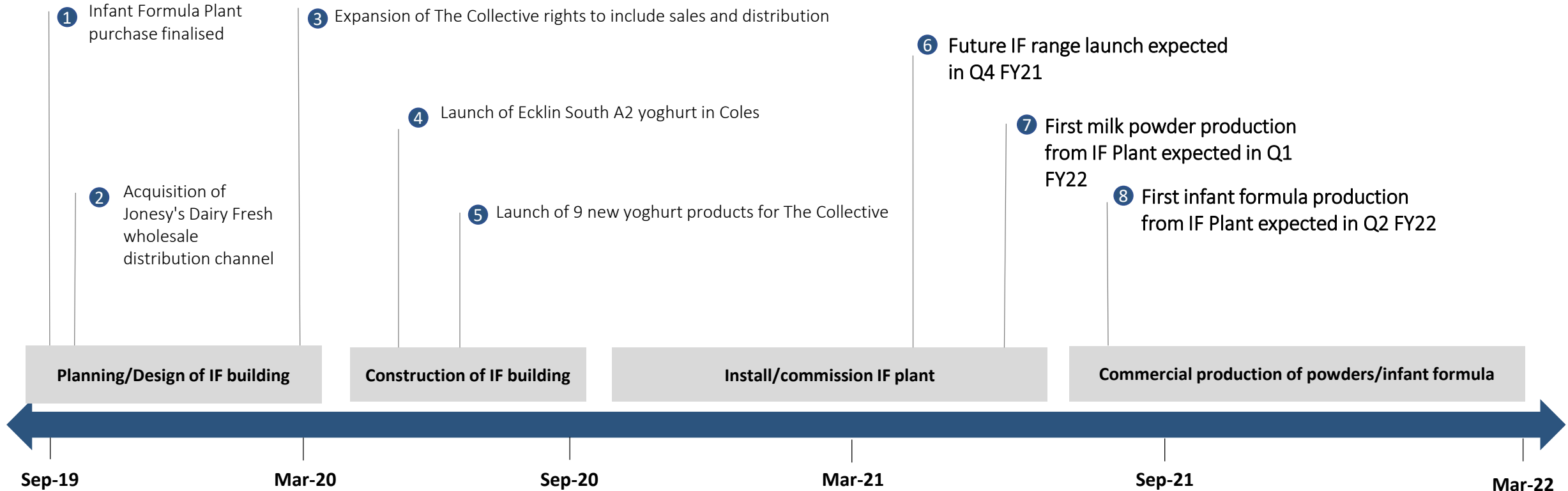
Progress and Delivering on Strategy

Three years ago, AHF outlined a 5-year strategy to become a fully vertically integrated producer, manufacturer and supplier of our own branded dairy products. We continue to progress and deliver on the strategy as highlighted below:

Objectives	Milestones
Transition from contract packer to brand owner	<ul style="list-style-type: none"> ✓ 90% of products distributed are owned or managed by AHF compared to 20% three years ago ✓ Expanded distribution reach from single State (VIC) to national exposure, AHF produced products are available in over 2,000 retailers nationally including Coles and Woolworths
Convert farm assets into Australia's largest single entity A2 organic dairy enterprise	<ul style="list-style-type: none"> ✓ Yaringa farm achieved organic certification in 2019 with Ecklin South organic A2 milk production to begin in March 2021 ✓ Remaining farms scheduled to achieve organic certification during CY21 ✓ Despite challenges and expenses of developing organic farms without the certification to sell milk at organic prices, the farms contributed a net profit of \$23k in FY20 compared with loss of \$1.9M in FY19
Move from highly competitive low value products to high value, high growth markets	<ul style="list-style-type: none"> ✓ Discontinued supply to customers in the low margin commodity products segment whilst focusing on our own brands ✓ Acquired the rights to manufacture, distribute and sell The Collective products to improve and realise efficiencies in the supply chain and give greater control over margins
Enter the formula and nutritionals market	<ul style="list-style-type: none"> ✓ Future Infant Formula range and Ecklin South Organic A2 Infant Formula range to be launched in CY21 ✓ Both ranges are differentiated, premium products ✓ Leverage existing AHF distribution network for the respective launches
Establish a fully vertically integrated infant formula brand and supply chain	<ul style="list-style-type: none"> ✓ Acquired introductory infant formula and nutritionals mixing plant in 2HCY19 ✓ Acquiring high speed blending and packing line for infant formula tins and powder bags in 2HCY20 ✓ Stage 1 Infant formula plant construction began in June 2020 with expected completion in 1HCY21

Transformation almost complete

First infant formula sales expected in the second half of CY2021. Indicative timeline of milestones and achievements:



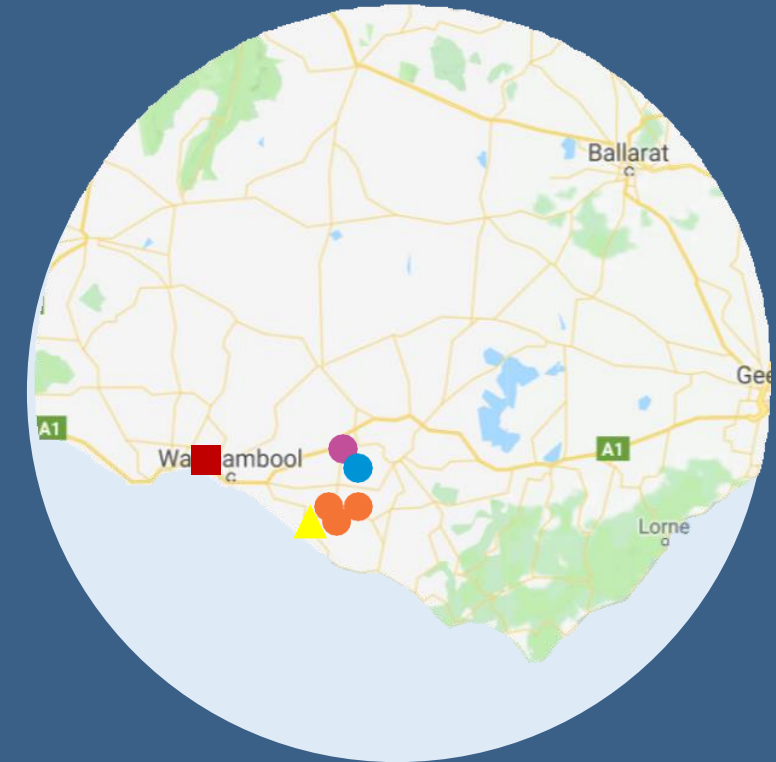
Security of Supply Via Dairy Farms

- AHF currently has raw milk supply including Organic, A2 and Jersey milk from our farm properties which are 30 minutes away from our processing facilities
- All farms are on track to becoming certified organic in calendar year 2021. Yaringa was the first to convert and is now producing Organic
- AHF has announced sale of non-core Drumborg Farm for \$6 million due to it being located further away from our processing facility¹

Farm Name	Balance Sheet Value	Size Hectares	FY20 Production Litres	Organic Conversion Date	Organic Milk Produced Upon Conversion
Brucknell No. 1	\$4.1m	275	2.2m	2021	~3m
Brucknell No. 2	\$4.1m	259	2.6m	2021	~3m
Missens Road / Brucknell No. 3	\$4.8m	241	1.7m	2021	~3m
Drumborg	\$5.3m	410	4.2m	2021	~3-4m
Yaringa	\$4.8m	333	2.1m	Nov 2019	~3m
Total	\$23.1m	1,518	12.8m	-	~15-16m

¹ Sale of Drumborg farm announced on 29 October 2020, sale is subject to the purchaser successfully obtaining finance for the sale, settlement is scheduled for 29 January 2021

Our Operations in the Golden Triangle of the South West Victoria Dairy Region



- AHF Farms: Transitioning to organic by CY21
- ▲ Yaringa Farm: Fully certified organic
- AHF Existing Processing Facility: Leased
- AHF New Processing Facility: AHF Owned
- Drumborg Farm, sold for \$6 million in October 2020¹

Adding Infant Formula Processing Capability

New Processing Capabilities: Focus on Higher Margin Products

- AHF expects to complete Stage 1 of its Infant Formula Project by June 2021 transforming its processing capability to:
 - fresh and nutritional processing (milk, yoghurt, milk powders and infant formula)
 - production capacity of 400,000 - 600,000 tins of infant formula per annum vs estimated sales of infant formula in Australian market of 40 million tins per annum¹
 - expanded milk receival and segregation capability
 - expanded raw material storage
- Located approx. 2km from our existing processing facility
- First commercial production of milk powders scheduled for Q1 FY22 with infant formula to commence shortly thereafter



New infant formula building at AHF site located 30 minutes from dairy farms

¹ Estimated sales of tins of infant formula in Australian market in calendar year 2019

Acquisition of Blend & Packaging Line

- AHF has secured the right to purchase a high-speed blending and canning line from a significant overseas manufacturer which includes 2 Bosch fillers for infant formula tins and nutritional powder bags
- High-capacity line with ability to produce in excess of 20 million tins per year and is in very good condition. The line will enable AHF in the future to tin or bag its own formula and powder products plus offer external blend and pack services
- AHF has the right to acquire the Line for \$US500,000, of which 20% will be paid through the issue of AHF securities and the remaining 80% in cash. AHF will also be responsible for the cost of transporting the dismantled plant to Camperdown, Victoria and associated border clearance costs
- The total investment is estimated at AU\$1 million, which is approximately 15-20% of new replacement value
- The purchase is subject to finance, with a 10% deposit payable post completion of the Placement (\$US25,000 in cash and US\$25,000 equivalent in AHF securities. A further \$US350,000 is payable progressively from January to end February 2021 as the dismantled plant is shipped to Australia. AHF takes ownership of the Line when it arrives in Australia at which time the final payment of US\$100,00 is due



Marketing and Distribution Strategy

As part of the launch strategy, AHF will engage a paediatrician (key opinion leader) to communicate our infant formula products point of differentiation and subsequent value proposition. We believe this strategy will assist in opening up new distribution channels to drive adoption / sales growth



Board of Directors

Experienced board of Directors with a diverse set of skills to deliver on the strategy



Martin Bryant
Non-Executive Chairman

- Martin Bryant was appointed to the Board on 11 November 2019 and was appointed Chairman of the Group on 23 December 2019
- Martin is a highly skilled senior executive and director with extensive international experience at senior levels and a particular focus on Asia including China, Vietnam and The Philippines
- Martin brings a wealth of strategic and operational experience to the Group and his insight and leadership of the Board will be invaluable as it executes its two-stage infant formula strategy



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



Michael Hackett
Non-Executive Director

- 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 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



Adrian Rowley
Non-Executive Director

- Adrian joined the board in 2011.
- Adrian has had a 20 year career in financial services and investment management and is the co-founder and Head of Equity Strategy at Watershed Funds Management (**WFM**).
- Adrian is the Lead Portfolio Manager for WFM's cross asset portfolio's, Large Cap Australian Share and Income portfolios and chairs the Investment committee for the International Equity and Emerging Leaders Portfolio's.
- Adrian is also a director of private wealth management business, Watershed Dealer Services and RNB Financial.



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

Senior Management Team

Management team with diverse experience in the dairy industry and FMCG sector to execute strategy



Graeme Willis
GM Farms

- Graeme joined the Group as Group Farm Manager in 2016
- Graeme has broad and deep experience in dairy farming from pasture & soil management, animal husbandry and environmental management including organic farm transition
- Graeme specialises in corporate farming focussing on commercial outcomes, compliance and operational management
- Graeme completed a Dairy Management degree with University of Melbourne and previously worked with Warrikirri Dairies



Chris Melville
GM Operations

- Appointed Factory Manager in 2010, before being internally promoted to GM in 2014
- Started career on the factory floor, moving to various dairy manufacturing roles from supervisory positions and quality management
- Appointed an Authorised Officer of Dairy Food Safe Victoria (DFS) and Australian Quarantine Inspection Service (AQIS)
- Graduate of Gilbert Chandler - Dairy Food Science & Technology, and has a postgraduate certificate in Management and Competitive Enterprise, Lean Operational Excellence



Gary Black
QA & Compliance Manager

- Gary was Appointed in Feb 2014 as Quality and Compliance Manager
- Prior to joining the organisation Gary has over 25 years experience working in various Quality Assurance & NATA testing Laboratories with Fonterra Australia
- Gary has Diploma of applied Science and has extensive HACCP experience and knowledge across almost every stream of Dairy manufacturing, products and testing



Jason Manos
GM Sales and Marketing

- Appointed General Manager Sales and Marketing in May 2020
- With 20+ years experience in FMCG tier 1 multi-nationals in large commercial customer and team leadership roles from Coca-Cola, Cadbury Schweppes, and Lactalis, Jason has worked across the entire value chain, whilst also leading a few start-ups in both New Zealand and Australia
- Jason holds a Bachelor of Commerce (Marketing major), and a Masters of Business Administration (majoring in Leadership and Communication)



Graham Verbunt
Chief Financial Officer

- Graham was appointed Acting Chief Financial Officer on 13 July 2020
- Graham is an experienced accounting and finance professional with extensive experience in the areas of fast-moving consumer goods (FMCG) and food manufacturing from multinationals to start-ups
- Graham's previous CFO experience includes stints at Delta Group, Menora Foods, Bread Solutions and The Heat Group
- Graham has a Bachelor of Business, and is a Chartered Accountant and Chartered Tax Adviser



Kate Palethorpe
Company Secretary

- Kate was appointed to the role in September 2018
- Kate is an experienced legal and governance professional with a strong understanding of the dairy and wider FMCG sector
- Kate is an experienced listed Company Secretary including advising Boards on acquisitions and capital raisings
- Held positions with Minter Ellison, Aesop and Aussie Farmers Direct (prior to acquisition by AHF)
- Kate holds a Bachelor of Science (Biochemistry) (Hons) and Bachelor of Laws and is admitted to practise in Victoria

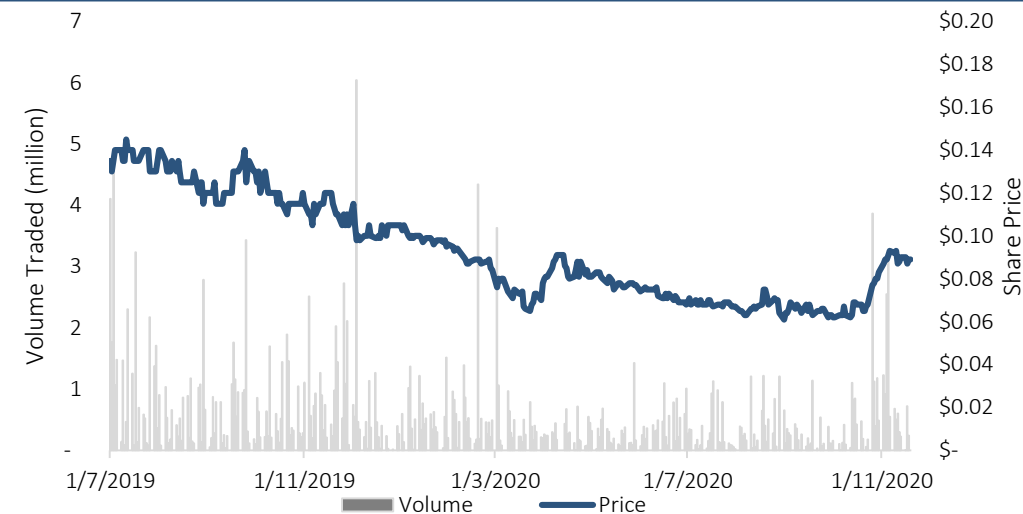
Corporate Overview

Board and Management have skin in the game and are aligned with shareholders interests

Item	Volume / Value
Share Price (as of 10 December 2020)	8.8 c
Market Capitalisation	\$32.7m
Total Stapled Securities on Issue	371.5m
Total options on issue	12.0m
Performance rights outstanding	6.0m
Cash as at 30 June 2020	\$6.4m
Debt as at 30 June 2020	\$12.9m
Enterprise Value	\$39.2m
Net Tangible Assets per security as at 30 June 2020	8.2 cents

Major Shareholders	%
We Say Go	17.8%
Corporate Solutions (associated with Director M. Hackett)	4.12%
Peter & Lynne Skene (associated with Director P. Skene)	3.37%

Share Price Performance



Register	%
Board Shareholding	10.32%
Board and Management Shareholding	11.58%
International Shareholding	1.57%
Top 20 Shareholders	40.9%

Appendix

1. Existing Processing Capacity
2. Financial Information



Existing Fresh Milk Processing Capabilities via Camperdown Dairy Owned Brands and Established Distribution Channels

- AHF's existing fresh processing facility, Camperdown Dairy (CDC), is a fully certified organic processor of milk, specialised yoghurt and butter with capacity to expand to over 100,000 litres per day (30 million litres per annum)
- CDC has strong relationships with Woolworths, Coles and the independent retailers and AHF products are stocked nationally across more than 2,000 stores
- Camperdown Dairy milks achieved over 35% volume growth in FY20 in Woolworths (in a category typically growing at 1-2% per annum)
- CDC acquired the rights to manufacture, distribute and sell The Collective products in Australia, exclusively sold into Woolworths nationally
- The Collective's 700mL Kefir range is the market leader in Woolworths with over 25% market share and the range achieved average growth of 30% in FY20
- CDC manufactures the only Kefir pouch yoghurt range and successfully launched 4 new 500g kefir tubs in October 2020

Camperdown Dairy
7 products



Jonesy's Dairy Fresh
4 products

Ecklin South
A2 Greek Yoghurt



The Collective
15 products



Financial Results – Income Statement

	FY19	FY20	Change
	A\$M	A\$M	%
Total Revenue	21.9	24.1	+10%
Cost of sales	17.2	18.6	+8%
Gross Profit	4.7	5.5	+18%
<i>Gross Margin</i>	<i>21%</i>	<i>23%</i>	<i>+7%</i>
Administration expenses	0.8	0.8	-3%
Employment expenses	5.8	6.3	+8%
EBITDA	(1.9)	(1.5)	+20%
<i>EBITDA Margin</i>	<i>(9%)</i>	<i>(6%)</i>	<i>+27%</i>
Depreciation and Amortisation	1.5	1.8	+21%
Finance costs	0.6	0.5	(17%)
Impairment Expenses	-	3.6	-
NPBT	(4.0)	(7.5)	(86%)
Income tax	-	-	-
NPAT	(4.0)	(7.5)	(86%)
Basic EPS (cents)	(1.55)	(2.08)	(53 bps)
Diluted EPS (cents)	(1.55)	(2.08)	(53 bps)

Commentary

- FY20 achieved 10% increase in Group revenue
- Farm segment improved despite incurring the cost to convert to organic without receiving an organic milk price
- Yaringa farm achieved full organic certification in September 2019 – organic grain prices for final 6 months of herd conversion very high due to drought conditions
- Record high milk prices impacted CDC's manufacturing cost (key cost driver)
- FY20 Group results impacted by non-recurring write-down of goodwill on acquisition of Camperdown Dairy of \$3.6 million
- Expanded the rights to manufacture The Collective yoghurt products to include sale and distribution giving greater control over the supply chain and margins
- Expanded sales function through The Collective acquisition

Financial Results – Balance Sheet

	FY19 A\$M	FY20 A\$M	Change %
Assets			
Cash & equivalents	3.7	6.4	+70%
Trade & other receivables	2.5	2.2	(13%)
Inventories	1.0	1.3	+26%
Biological assets	4.9	5.4	+9%
Other Assets	0.2	1.6	+700%
Intangible assets	7.0	2.8	(61%)
Property, plant and equipment	29.2	29.8	+2%
Total assets	48.5	49.2	+1%
Liabilities			
Trade & other payables	2.4	2.2	(7%)
Lease liabilities	0.0	0.8	-
Provisions	0.4	0.6	+50%
Borrowings	12.7	12.1	(5%)
Total liabilities	15.5	15.8	+2%
Net assets	33.0	33.4	+1%
Equity			
Issued Capital	25.5	33.2	+30%
Reserves	0.6	0.7	+22%
Accumulated losses	(16.3)	(23.7)	(46%)
Total equity attributable to shareholders	9.8	10.2	+4%
Non-Controlling Interest Issued Units	30.7	30.7	+0%
Non-Controlling Interest Accumulated losses	(7.5)	(7.6)	(1%)
Equity attributed to non-controlling interests	23.2	23.2	-
Total Equity	33.0	33.4	+4%

Commentary

- NTA per stapled security of 8.2 cents at end of FY20
- Strong asset backing in farms, plant, equipment and livestock (over \$35 million)
- Intangible assets represent only approximately 5% of total assets
- Proceeds of sale of surplus Glenfyne property (used for adjustment) used to reduced debt facility
- Further reduction of debt of approximately \$6 million post divestment of Drumbourg farm (scheduled for 29 January 2021)
- Negotiations in relation to the refinancing/repayment of the Group's finance facility due October 2021 progressing well with indicative proposals being progressed in relation to a variety of options

Financial Results – Cash Flow Statement

	FY19 A\$M	FY20 A\$M	Change %
Cash flows from operations			
Receipts from customers	22.0	25.3	+15%
R&D tax incentive	-	0.3	-
Payments to suppliers, employees	(23.9)	(27.4)	(15%)
Interest received	0.0	0.1	-
Finance Costs	(0.6)	(0.5)	+17%
Net cash from operations	(2.5)	(2.2)	+10%
Cash flow from investing			
Purchase of PPE	(6.6)	(1.3)	+422%
Sale of PPE	2.7	-	-
Payment for biological assets	(0.1)	(0.0)	+83%
Payment for intangible assets	(0.0)	(0.1)	(174%)
Payment for acquisition of Organic Nutritionals Pty Ltd	-	(1.2)	-
Payment for Flahey's Nutritionals Pty Ltd	(0.3)	-	-
Cash on Acquisition of Epicurean Dairy	-	0.1	-
Net cash from investing	(4.2)	(2.5)	+41%
Cash flows from financing			
Proceeds from issue of shares	6.4	7.7	+21%
Net proceeds from CBA facility	2.1	-	-
Repayment of borrowings	(0.3)	(0.7)	(123%)
Proceeds from borrowings	-	0.4	-
Net cash from financing	8.1	7.3	(10%)
Net increase (decrease) in cash	1.4	2.6	+84%
Opening cash & equivalents	2.3	3.7	+61%
Closing cash & equivalents	3.7	6.4	+70%

Commentary

- Purchased infant formula plant in September 2019 and transported plant from overseas to Camperdown, Vic
- Investment in planning and preliminaries for construction of infant formula building (commenced June 2020)
- Camperdown Dairy purchased high speed pouch machine (December 2019)
- Acquired Australian subsidiary of The Collective, Epicurean Dairy, as part of expansion of rights to include distribution and sales

Contact

For additional information or media enquiry matters
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