



Australian Dairy Nutritionals Group

Growing Local, Going Global

Investor Presentation
June 2019



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



A vertically
integrated
business model
guarantees ability
to supply versus
competitors



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



Strong domestic
distribution with
major
supermarket
chain



Export permits,
certification and
customer
relationships are
all in place



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



Transformation to a high value producer

■ Non-Organic
■ Organic certified

NOW

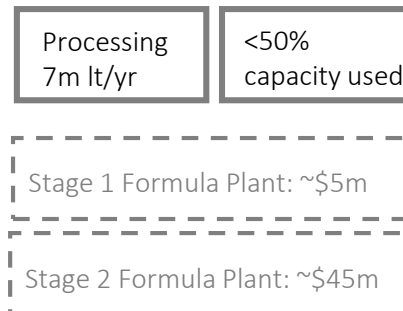
5 farms producing and processing milk mainly for third parties

Dairy Farms



Manufacturing

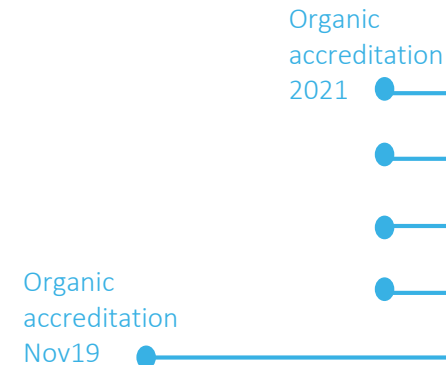
Certified to process organic inputs



Products/Revenues

80% of revenues relating to production and packing for third party brands

TRANSFORMING



Acquisition Aug19

Production

Build Jul20

Production

20% own brand "Camperdown Dairy"

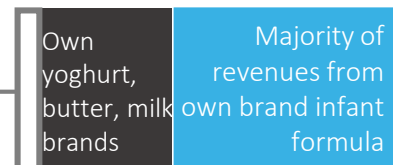
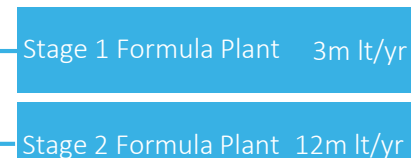
Production and packing for third party brands

END GAME

A vertically integrated portfolio of high margin organic milk brands



100% capacity utilisation on manufacturing facilities



Note: Stage 2 plant subject to due diligence, equipment selection, planning approvals and funding

Australian Dairy Industry

Key Statistics

Value of
Australian farm
gate production
\$4.27b

Australian dairy
herd is **1.56m**
cows

Total annual milk
production
9,289m litres

Dairy is
Australia's 3rd
largest rural
industry

36% of milk
production is
exported
\$3,363m

The global value
of **organic milk
production** is
estimated at
US\$4.3b

Large Australian Dairy Export Markets

Tonnes exported per Country



Average Australian Dairy Prices

Indicative Average Pricing (per litre of milk equivalent)	Related cents per ltr uplift
Ordinary Milk (farm gate price)	45
Ordinary Skim Milk Powder and butter	50 – 60
Organic Milk (farm gate price)	65
Organic Skim Milk Powder and organic butter	120 – 140

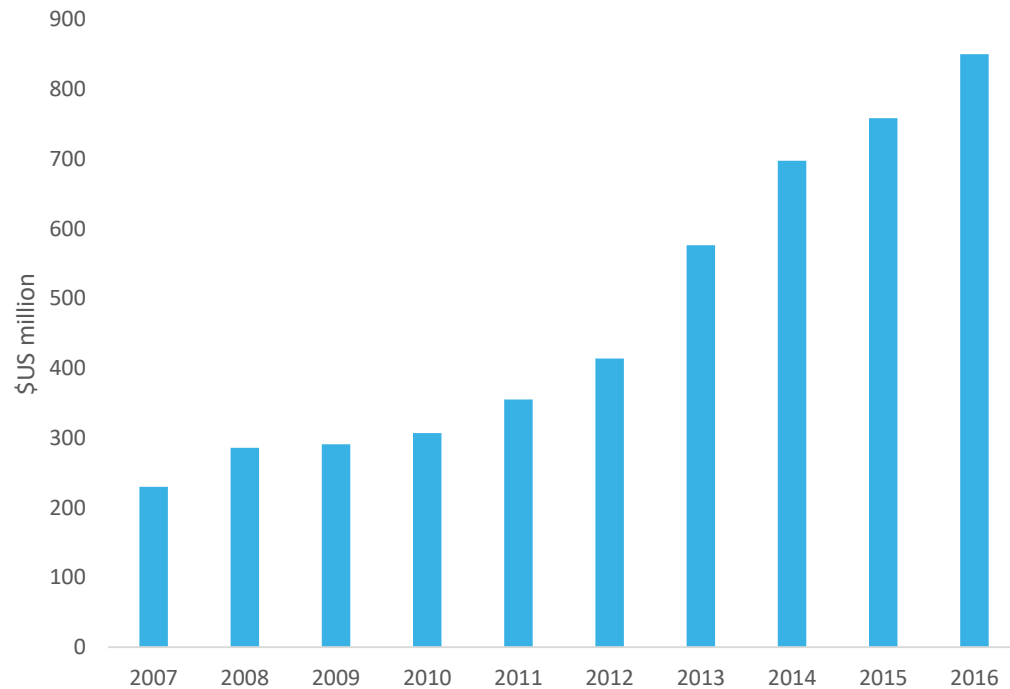
Notes:

- On average the amount of full cream milk needed to make 1 kg of skim milk powder is 11.13 LT. Around 10 LT is used for milk powder and 1 LT for butter (around 493g)
- On average the amount of full cream milk needed to make 1 kg of full cream milk powder is 7.8 LT of raw milk

Organic Formula Market

10 yrs of history showing increased growth rates – 15.6% CAGR¹

Global Organic Baby Formula
Retail Sales Value

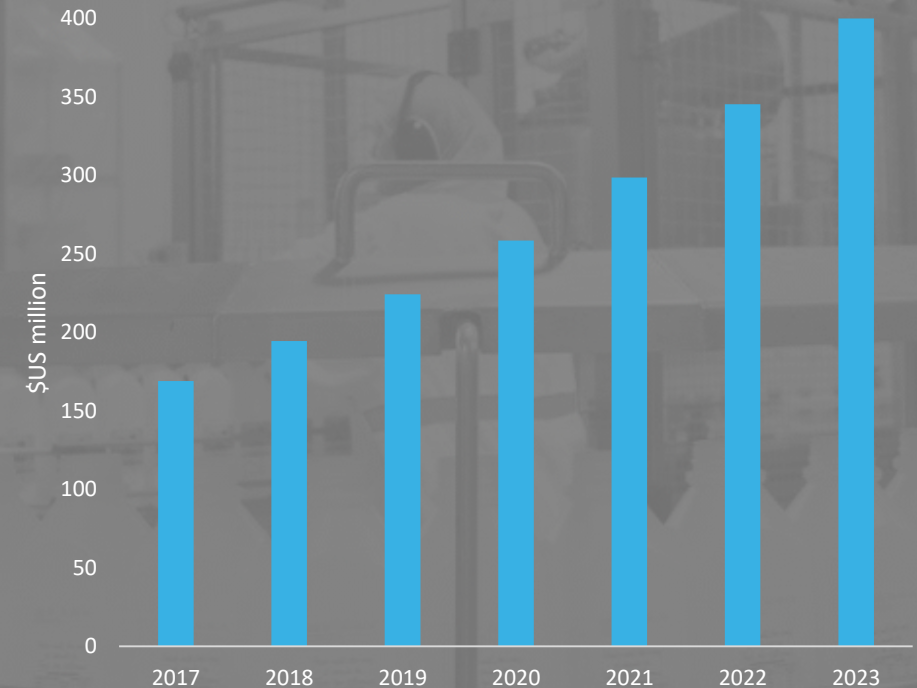


¹ Euromonitor

² Market Research Future (MRFR)

Forecast to continue to grow significantly – 15.4% CAGR²

Australia and New Zealand
Premium Organic Infant Formula Market



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



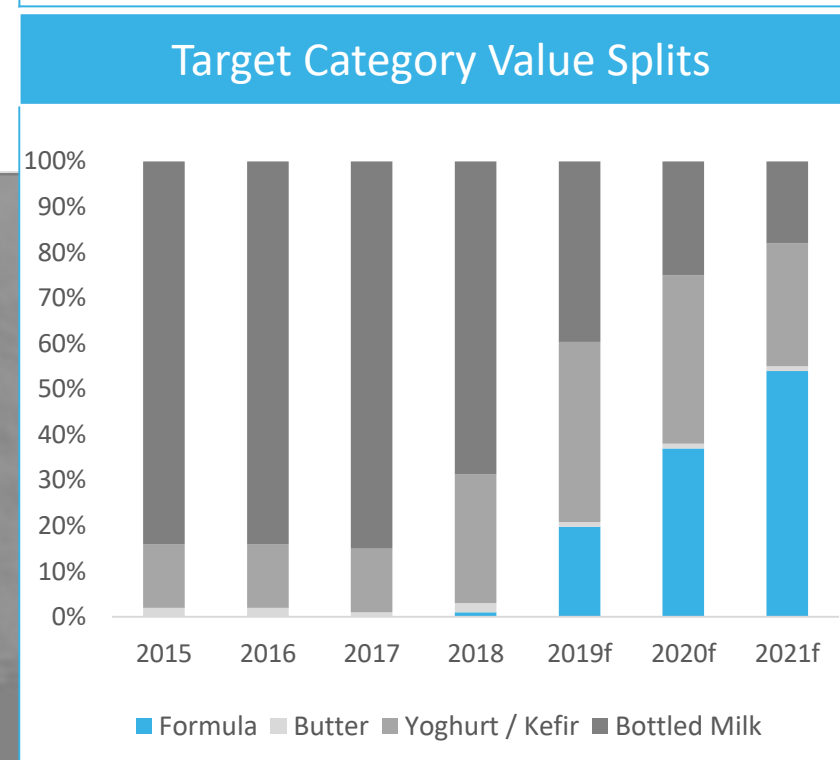
2017
<ul style="list-style-type: none"> ▪ Milk ▪ Butter ▪ Yoghurt

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 ▪ Paediatric Formula <p><u>New Additions</u></p> <ul style="list-style-type: none"> ▪ Organic Pouches ▪ Probiotic Yoghurts ▪ Organic Milk

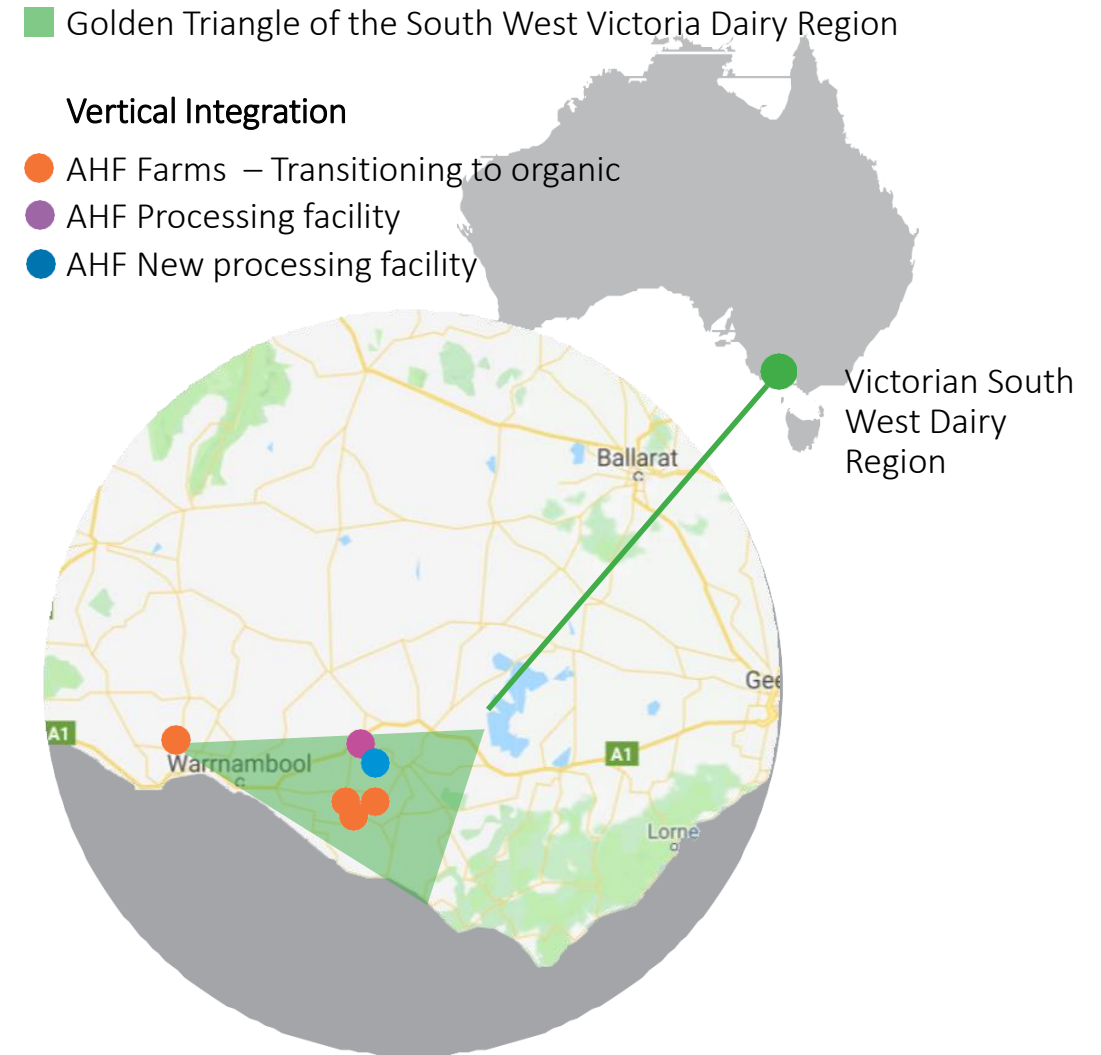
2020 & 21
<ul style="list-style-type: none"> ▪ Milk ▪ Butter ▪ Yoghurt ▪ Kefir ▪ Paediatric Formula ▪ Smoothies ▪ Cream <p><u>New Additions</u></p> <ul style="list-style-type: none"> ▪ Cultured Drinks ▪ Flavoured Fresh ▪ Infant Formula ▪ Organic Cream ▪ Organic Skim Milk Powders ▪ Whole Milk Powders

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

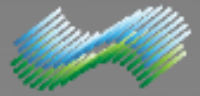


Our Dairy Farms

- 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
- All farms are in the 3 year process of converting to organic milk production. Yaringa to be fully certified in November 2019
- 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

Our Processing Business – Camperdown Dairy



- Fully certified organic processor
- Currently operating at less than 50% utilisation
- Processes yoghurt, butter and milk – margins of 10% – 15%
- Currently 100% domestic processing
- Significant capacity available to expand > 50,000 litres p/day
- Signed 6 year agreement with New Zealand based “The Collective” to process and package 17 yoghurt products
- Actively engaged in distribution discussions with Chinese buyers



Camperdown Dairy has a processing capacity of over
100,000 L per day – 30m L per annum
(subject to product mix)

Contract Manufacturing & Packing business

- 5 food and beverage retailing clients
- Premium yoghurts, milks and butters
- Margins of 10% to 15%
- Circa 5,000 tons in FY19F
- Operating at 40% capacity



The Collective Australia – 6 year contract

16 nationally distributed products
Sales of up to \$80m expected over contracted period



Macro Organic Milk

Sold in Woolworths



Jonesy's Premium Milks

Sold in Foodservice



Formula Plan



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	~\$5.0m
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)

Infant Formula Distribution Strategy



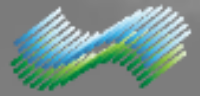
- Negotiating an exclusive distribution deal with a major Australian retailer
- Exclusivity encourages retailer support with respect to:
 - ✓ Access to a higher number of stores;
 - ✓ Better shelf positioning; and
 - ✓ Web / catalogue support
- Following a successful State launch, national distribution rollout to follow
- First state anticipated to be either New South Wales or Victoria
- Actively engaged in distribution discussions with Chinese distributors
- Trade marks registered in Australia, China and other Asian markets



Image pixelated for competitive reasons

Both Pure Organic and Future premium brands are 100% owned by AHF and provide a differentiated approach to organic infant formula

Where does AHF fit?



ASX listed Comps	Organic	Branded	Infant Formula	Vertical Integration	Market Cap* (A\$m)	Turnover FY18 (A\$m)
Bellamy's Australia	✓	✓	✓	✗	891	320.0
The A2 Milk Company	✗	✓	✓	✗	10,186	922.7
Wattle Health	✓	✓	✓	✗	109	1.6
Bubs Australia	✓	✓	✓	✗	535	18.4
Keytone Dairy	✓	✓	✓	✗	79	2.0
Longtable	✗	✓	✗	✗	38	8.6
Australian Dairy Nutritionals	✓	✓	Entering the Market	✓	43	19.5

AHF will be the only vertically integrated branded organic infant formula producer and marketer on ASX

Barriers to Entry



- A vertically integrated business model is difficult to replicate
- Converting a conventional farm to organic includes a 3 year transition
- Difficulty in securing a team with the requisite knowledge and experience
- Security of supply with upstream owned farms
- Large asset footprint with substantial economies of scale
- Developing brand recognition and customer loyalty
- Requisite export licences and other permit requirements in place
- Supplier and distribution arrangements in place
- Substantial capital and time would be required to become effective competition

Historical Financial Performance



- Historical sales highly concentrated to low value milk customer/retailer Aussie Farmers Direct (administration in March 2018), 30% of FY17 revenue
- Since 2018, focus has been on building a more diversified customer base and developing Own Brands
- 3Q19 sales from Camperdown Dairy produced products are up 37% on the same quarter FY2018

Financial Performance	FY16A	FY17A	FY18A	HY19A
Sales Revenue	\$9.8m	\$23.6m	\$19.5m	\$10.5m
Aussie Farmers Direct	\$1.7m	\$7.0m	\$1.9m	Nil
Normalised Revenues	\$8.1m	\$16.6m	\$17.6m	\$10.5m

FY18A	Revenue split
Dairy Farms	~40%
Manufacturing	~60%
Contract Manufacturing	~80%
Own Brands	~20%

Balance Sheet

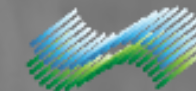
Asset Commentary

- Biological assets / livestock of \$5.2m with > 3,000 dairy cows
- Significant hard asset base of \$28.9m with > 3,750 acres of prime farmland
- Net tangible assets per security of 9.4c

Debt Facility Overview

- 3 year redrawable loan facility of \$14.55m with CBA
- Maturity date of October 2021
- Interest rate of 4.5% (interest only, variable rate)

31 December 2018	A\$ million
Assets	
Cash	3.1
Other Current Assets	6.2
Total Current Assets	9.3
Biological Assets	5.0
Intangible Assets	7.7
PPE	28.9
Total Non Current Assets	41.7
Total Assets	51.0
Liabilities	
Trade & Other Payables	2.6
Provisions	0.3
Borrowings	0.4
Total Current Liabilities	3.2
Provisions	0.1
Borrowings	14.9
Total Non-Current Liabilities	15.0
Total Liabilities	18.2
Net Assets	32.8



Use of Funds

AHF is seeking A\$12 million via a share placement (**Offer**)

Use of Funds:

- To fund the acquisition and relocation of an infant formula plant including mixing plant, dryer and evaporator, all of which have been used to produce all stages of infant formula in the past including a new building for the infant formula plant and installation of same and associated equipment including services – \$5.0m - \$6.0m
- New building for CDC expansion – \$2.0m
- For the launch of new Infant formula and other nutritional products – \$1.0m
- Working capital for Infant formula, CDC and other business opportunities – \$3.0m



Board and Management Team



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



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



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



Chris Flahey
Sales & Marketing Director

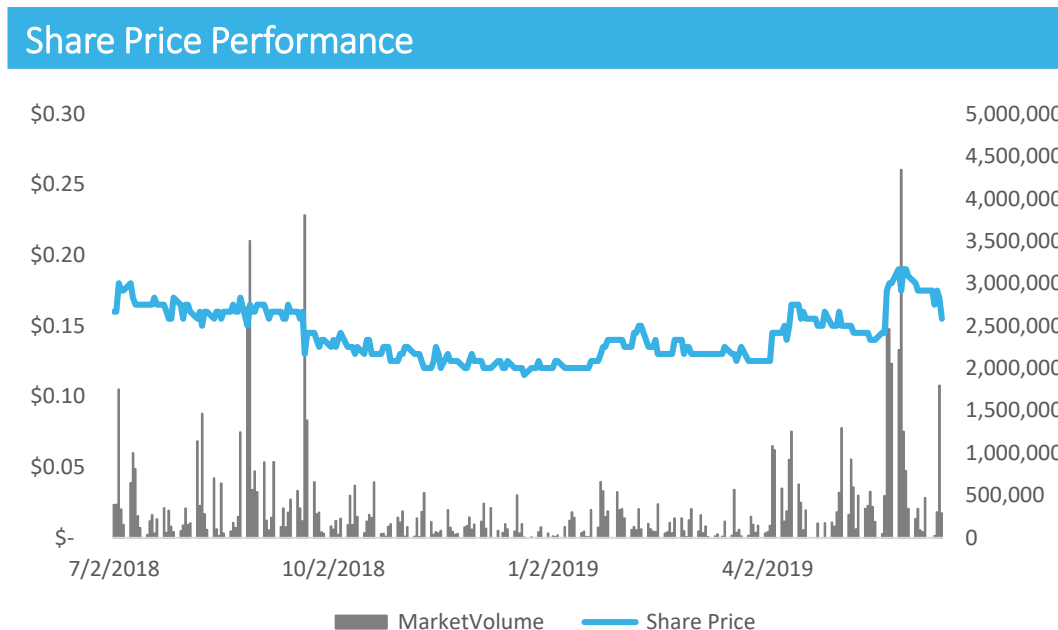
- Extensive knowledge, experience and relationships with the domestic and global infant formula markets
- Chris was the Sales & Marketing Director of Bellamy's Australia Ltd – revenues grew from \$12m to \$184m during his tenure (2012 – 2015)
- Held positions with Simplot Australia where he worked for iconic brands including BirdsEye, John West, Edgell, Leggos and Four & Twenty

Corporate Overview



Item	Volume / Value
Share price 15 Day VWAP (as at 17 June 2019)	~17.5 c
Market Capitalisation	\$42.8m
Total Stapled Securities on Issue	267.3m
Total options on issue	10.0m
Performance rights outstanding	6.3m
Cash as at 31 Dec 2018	\$3.1m
Debt at 31 Dec 2018	\$15.2m
Enterprise Value	\$55.0m

Major Shareholders	%
Ironbark-Vest (associated with Director P. Morrell)	13.9%
Corporate Solutions (associated with Director M. Hackett)	5.7%
Peter & Lynne Skene (associated with Director P. Skene)	4.6%
HSBC Custody (Australia) (associated with Director A. Rowley)	2.3%



Register	%
Board Shareholding	27.5%
Board and Management Shareholding	28.8%
International Shareholding	1.2%
Top 20 Shareholders	40.8%

Contact

For additional information or media enquiry matters please contact:

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