

Australian Dairy Nutritionals Group

STRATEGY UPDATE



2019

11 April 2019

Market statistics for Organic Infant Formula (OIF) in this presentation are sourced from an independent confidential report (UCP Report) and assessments on the future markets of OIF and AHF's strategy was commissioned by AHF from industry experts, Ultima Capital Partners Pty Ltd.

Introduction

About Australian Dairy Nutritionals Group

Australian Dairy Nutritionals Group (ASX Code: AHF) is an ASX listed dairy nutritionals manufacturer, Camperdown Dairy Company Pty Ltd (CDC) , with a very busy factory in the South Western Victorian town of Camperdown, which processes high quality milk from its own nearby dairy farms in the famous Dairy Golden Triangle region between Warrnambool and Colac South of the Princes Highway and elsewhere in the region.

AHF was first listed in August 2014 and in April 2016 the Group completed the acquisition of its dairy processing facility at Camperdown.

In March 2018 the Group announced it was converting its dairy farms to organic milk production and entering the Organic Infant Formula market.

In April 2019, the Group announced the acquisition of an existing market entrance stage Infant Formula plant from outside Australia for relocation to Camperdown to be in production by early 2020.

The Group's dairy farms are in conversion to organic milk production and the Camperdown factory is certified for organic milk processing. CDC produces organic and conventional milk products including a special organic cream, butters, a wide range of specialist yoghurts, kefir and bottled milk under the Group's own brands as well as for contracted customers.

The Group is on track to become a vertically integrated milk producer, processor and product distributor in Australia.



Key milestones

- 12 months of solid progress

Goals from 26 March 2018 Strategy Presentation

- AHF intends to enter the Australian and global organic infant formula market with new company owned brands, and a vertically integrated Australian manufacturing facility using Australian organic milk.
- AHF has completed applications for conversion to organic milk production on all 3,600 acres (which based on today's market will become the largest single owned entity organic dairy farming operation in Australia).
- AHF will have an integrated vertical supply chain and control, with organic farms, processing and infant formula tinning in South Western Victoria.
- AHF is growing from bottled milk, yoghurt and butter markets to Australian Origin Organic Infant Formula – high value, growth rates and high barriers to entry nationally.

Key Progress to April 2019

- Repositioning the company - renaming of company to Australian Dairy Nutritionals Ltd.
- Moving up the value chain – completed purchase of Flahey's Nutritionals and new ranges of formula products in progress.
- Brought forward the organic milk farm production timeline with the purchase of "Yaringa" farm which will be fully certified organic November 2019. All farms in conversion to organic.
- Secured initial 4, extended to 6 year exclusive contract with a major customer for material volume of yoghurt and related products being sold nationally via a major supermarket retailer.
- Negotiated the acquisition of an infant formula plant for relocation to Camperdown Dairy Park for 2020 production.
- Discontinued supply to customers in the low margin commodity products segment.



Key milestones

- 12 months of solid progress

Delivering on consistent strategy continued

- Camperdown Dairy (CDC) produces organic and non-organic dairy products across milk, butter and yoghurt categories.
- Market reach expansion – products manufactured by Camperdown Dairy are now sold and consumed in Victoria, NSW, QLD, SA and WA (either company owned or customer branded products).
- Material growth in sales volumes of high value dairy products especially since January 2019.
- Building on experienced Executive Management capability with the addition of Sales and Marketing Director with extensive infant formula experience and In-house Legal Counsel and Company Secretary.
- Completed yoghurt factory capacity upgrade on time and in budget.
- Executed contract to acquire existing offshore infant formula plant for relocation to Camperdown Dairy Park owned by the Group - producing in 2020.



AHF's plan for Organic Infant Formula

*Sourced from UCP Report

- Australian Dairy Nutritionals Group ("AHF") is expanding into the high value and exclusive Australian Organic Infant Formula ("OIF") market as the next step in its strategic growth. The Global OIF market is predicted to grow at a growth rate of c. 4.16% pa by 2023. The product outputs are intended primarily to satisfy Australian market demand.
- The proposed Infant Formula Plant acquisition announced on 4th April 2019 is intended to provide the Group with a first stage plant to produce OIF in a relatively short time frame at a relatively low cost and low risk.
- The independent assessment by Ultima Capital Partners Pty Ltd indicates profitability from commencement and enables the Group to establish and build it's own brand in the OIF market in Australia.
- Once the Group's brand is established and strongly growing consideration can be given to adding additional production capacity for further expansion.
- The Camperdown Dairy Park, owned by the Group, has the space and services to progressively accommodate an expanded fully integrated processing and packaging facility, including storage on the one site.
- The project is staged to permit concurrent market development, business growth and progressive investment.

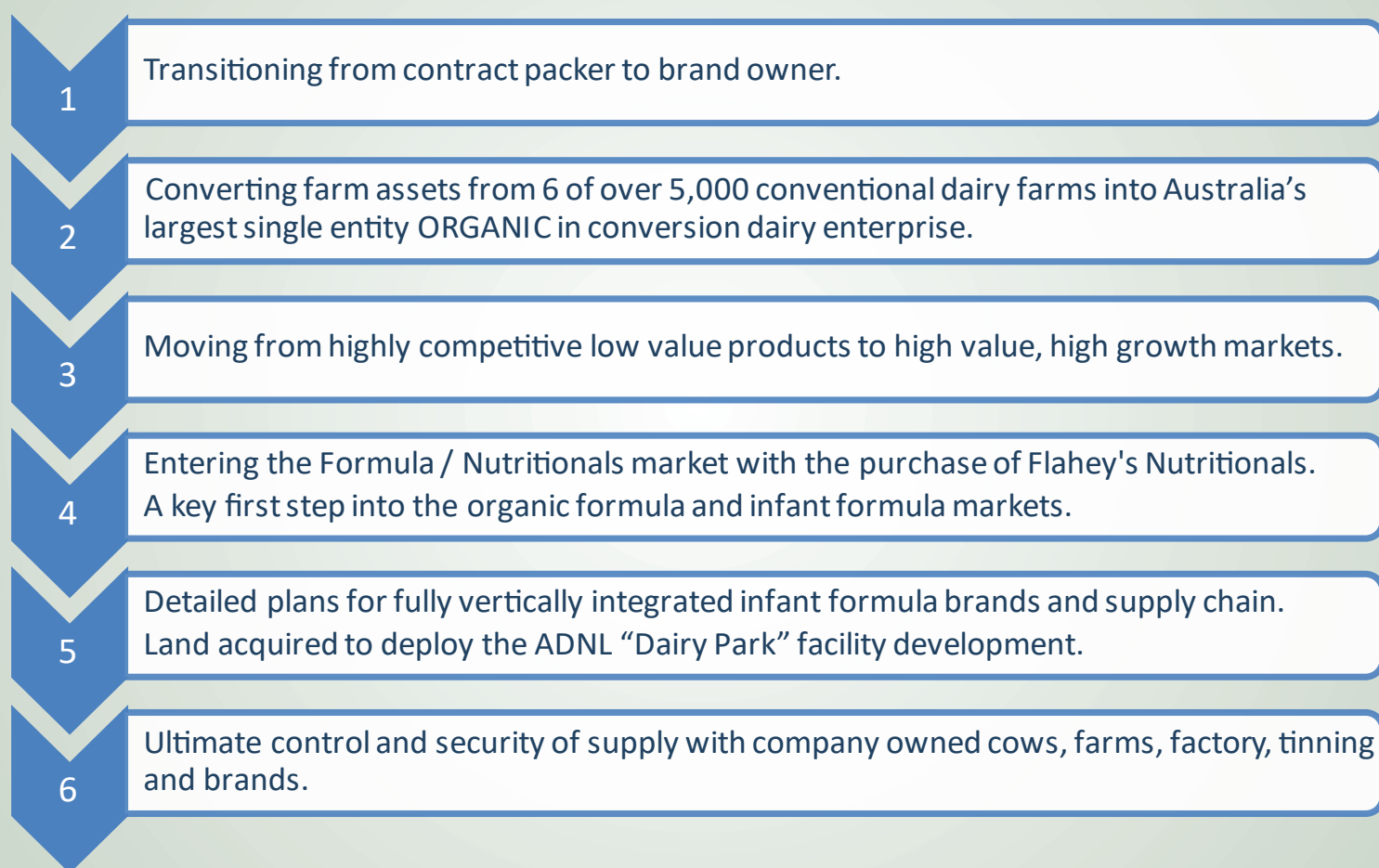


Implementation Plan

A systematic drive towards strategic goals and value

*Sourced from UCP Report

AHF's corporate strategy is summarised in this statement to the ASX in September 2018, and has been systematically developed to support the Organic Infant Formula.



Highlights of the AHF Organic Infant Formula Project

*Sourced from UCP Report

High growth market segment

- Global OIF is c. 1.9% of the global Infant Formula (2016 Rev), or 1/50th the size, representing a high growth potential.
- Consistent global demand CAGR c. 15% pa for next decade.
- Global demand exceeds capacity.
- Supply response time is slow due to supply chain development cycles.

Staged project

- Entry level dryer is a plant relocation from offshore Australia not a green fields development.
- Suitable for equity and debt placement.
- AHF Capacity < 5% of Asia Pacific Organic Infant Formula market.
- Additional growth options for export development and premium product.

Robust business model

- Pressure tested for range of key variable exposures.
- Present business plan has very limited FX exposure.
- Readily able to service and retire debt within 5 years.

Board, governance and leadership

- Strong governance from AHF Board.
- ASX listed platform.
- Experienced Management.

Builds on existing strengths

- Camperdown Dairy Company business, and industry networks.
- Product, technology, supply chain established
- Quality attainments and processes.
- Brand experience.
- Participation in organic dairy market.
- Applies the infant formula design expertise acquired by AHF during 2018.

Attractive financial returns

- To AHF shareholders.
- To venture funders / partners.
- Consistent dividend returns and high enterprise value.
- Benefits of working with an established core enterprise to manage risks during the growth phase.



Organic Infant Formula Market Perspectives

*Sourced from UCP Report

Infant formula is defined as food formula constituted to feed babies under the age of 12 months. Infant formula is an artificially synthesised substitute for mother's milk.

Organic Infant Formula (OIF) means infant formula which is manufactured from organic milk abiding the regulations set by the government for the product to be natural and organic. The ingredients used to produce Organic Infant Formula are certified as organically grown and free of chemicals and may be a healthier option for infants than the conventional infant formula.

The ability of the high growth OIF market to absorb AHF's OIF capacity is very high. These following points summarise this perspective:

- By 2023 forecast annual global demand for OIF is forecast to reach USD 7.75 billion at a CAGR of 14.1%.
- Asia Pacific demand dominates the global OIF market and is projected to reach USD 3.99 billion annually by 2023 at a CAGR of 16.0% from 2017 to 2023 in terms of value.



Organic Infant Formula

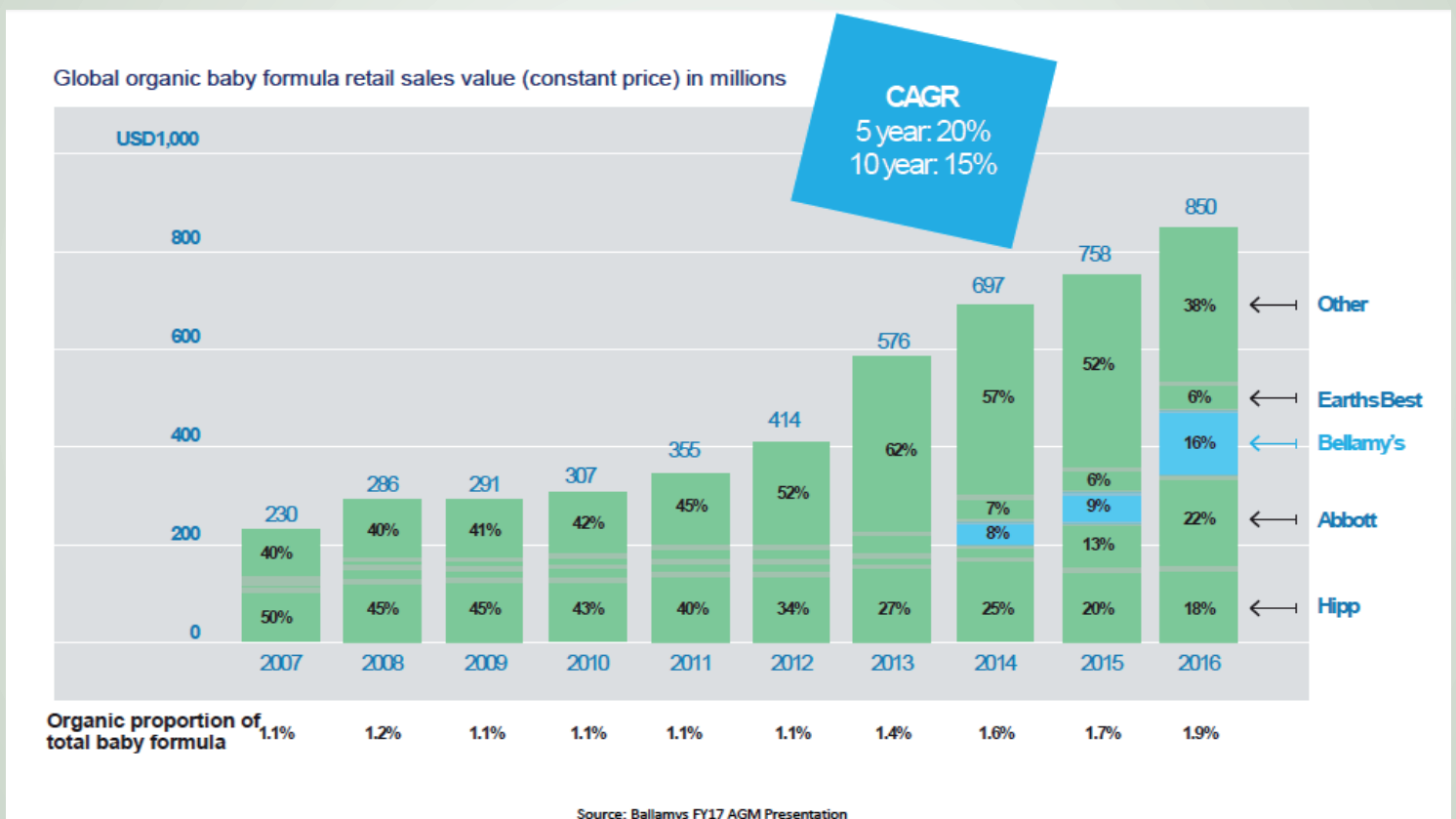
Competitors perspectives

*Sourced from UCP Report

Bellamy's Australia Limited (ASX: BAL) sees 20% CAGR growth. (BAL is currently the only Australian manufacturer of Organic Infant Formula for sale in Australian supermarkets. AHF)

Organic Infant Formula presents as a high volume, high growth strategic opportunity for AHF.

AHF's entry plan leverages on all stages of farm to factory brand growth over the past decade.



*HIPP, Abbott, Earth's Best and Other are references to international global produces of OIF (AHF)



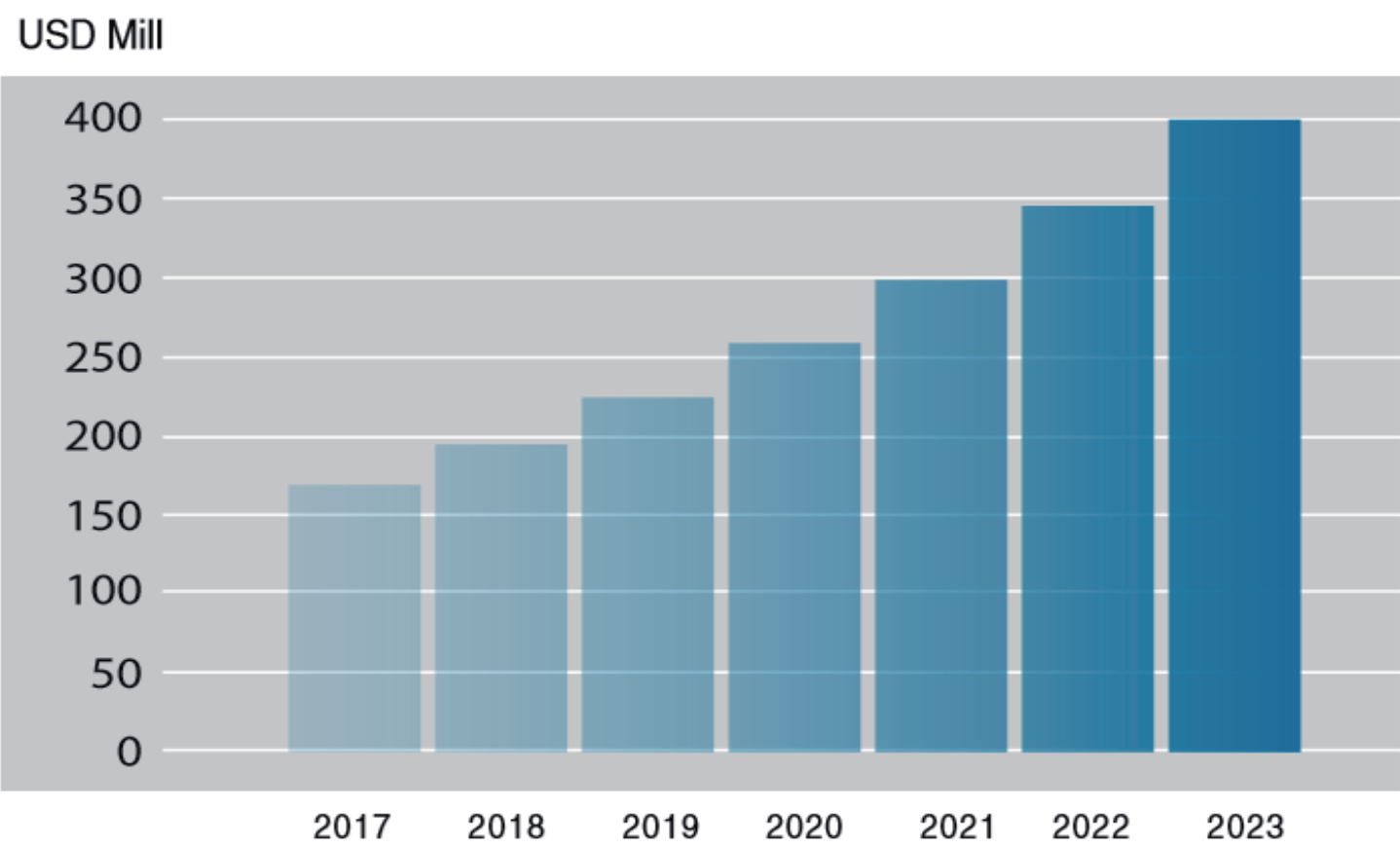
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Australian/ NZ Organic Infant Formula

Forecast from USD \$169M in 2017 to USD \$400M by 2023

*Sourced from UCP Report

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



Source: 'Market Research Future' - Global Infant Formula Report 2017



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

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THE END

(But really just the Beginning)



Australian Dairy Nutritionals Group
