



28 September 2020  
NZX/ASX Market Release

### Updated FY21 Outlook

The a2 Milk Company today provides an update to its FY21 outlook statement which accompanied its FY20 results presentation.

In that statement, we noted that for FY21 there continues to be uncertainty resulting from COVID-19 and the potential for moderation of economic activity and that this could have various impacts, including on participants within the supply chain.

We have also previously advised of a number of issues being experienced relating to our infant nutrition business as a result of COVID-19. This included the flow-on effect of pantry destocking continuing into FY21 following the strong sales uplift in 3Q20 and lower than anticipated sales to retail daigous in Australia, due to reduced tourism from China and international student numbers.

In September we have started to observe emerging additional disruption to the corporate daigou / reseller channel, particularly due to the Stage 4 lockdown in Victoria.

As a result of all these issues, we are now witnessing a contraction in the daigou channel beyond our previous expectations and without the replenishment orders that would typically be anticipated at this point.

This disruption in the daigou channel is impacting our September sales and it is currently anticipated that this will continue for the remainder of the first half of FY21. Sales in the daigou channel represent a significant proportion of infant formula sales in our Australia & New Zealand (ANZ) business and, as such, we now expect ANZ revenue to be materially below plan for the first half.

However, based on the continuing strong growth in our underlying China IMF brand health metrics and the performance of the rest of our business, we believe this to be a single channel logistics issue, as we are continuing to see strong underlying consumer demand for our brand in China. We are of the view that this short-term impact to the daigou channel will prove to be temporary, assuming stabilisation of COVID-19 related issues in Australia.

Performance in all other areas of our business is strong, including our liquid milk businesses in Australia and the USA. Importantly, our local China business is performing strongly, notably in Mother & Baby Stores (MBS), which we anticipate will continue. We also continue to see a positive impact from the marketing investment in activation and brand building activities from 4Q20. This strong performance continues to be well supported by the on the ground capability investments we have made over the past 18-24 months.

The increasingly strong underlying brand health metrics we are achieving in China IMF, including market share and brand awareness for example, confirm the effectiveness of our continued significant investment in marketing to drive future growth.

These factors underpin our confidence of a significant improvement in overall Group performance in the second half of the year once the disruption in the daigou channel is reduced.

Notwithstanding the significant uncertainty and volatility in market conditions as a result of COVID-19 we have determined it appropriate to provide an update to our outlook to include our view of Group revenue as follows:

- Group revenue for 1H21 of \$725 million to \$775 million
- Group revenue for FY21 of \$1.80 billion to \$1.90 billion
- Group EBITDA margin for FY21 in the order of 31%.

It should be noted that the sale of infant formula through the daigou channel is only one component of our multi-channel and multi-product sales strategy into China. Our growth plan assumes MBS and CBEC sales will represent an increasing proportion of our infant nutrition business over time, driven by the continuing growth in underlying consumer demand.

**Geoffrey Babidge**

Chief Executive Officer

The a2 Milk Company Limited

Authorised by the Board of Directors

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