INTERIM RESULTS

2021 Half year interim results – 25 February 2021

The a2 Milk Company Limited

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AGENDA

MANAGING DIRECTOR AND CEO

David Bortolussi

Fundamentals remain strong despite significant COVID-19 disruption

1H21 challenging

- Total revenue of $677.4 million down 16.0% and EBITDA of $178.5 million down 32.2%
- EBITDA margin of 26.4% (27.0% excluding MVM acquisition costs)
- Challenges resulting from COVID-19 disruption experienced in the daigou/reseller channel with a flow on impact to CBEC
- Strong China label infant nutrition performance
- Pleasing liquid milk performance in Australia
- Positive earnings impact from change in execution approach in USA

Business fundamentals remain strong

- Brand health metrics strong
- Compelling consumer product with innovation potential
- Significant further growth potential in core markets
- Robust balance sheet to invest in growth
- Improving capability to execute


FINANCIAL OVERVIEW

Key financials[1]

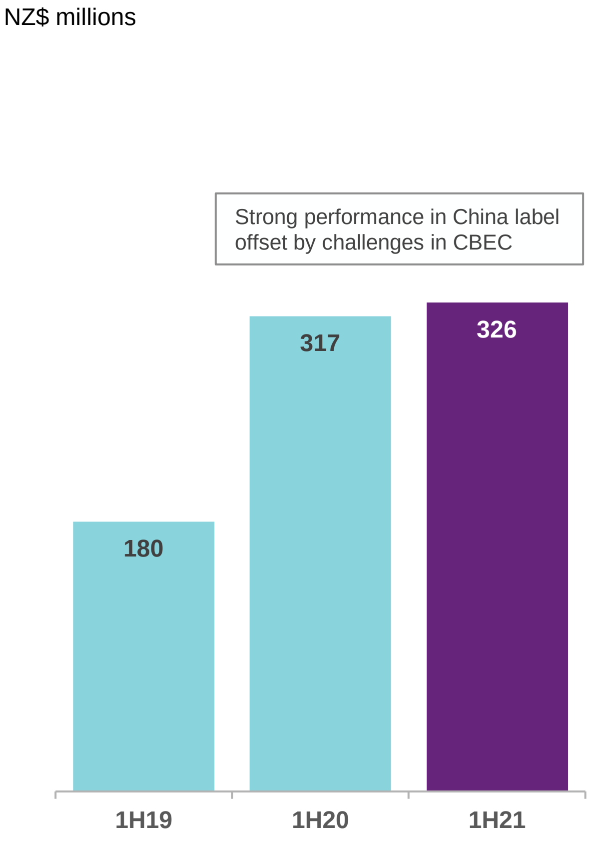
NZ$ million	1H21	1H20	% change
Revenue	677.4	805.3	(16%)
Gross margin	340.5	460.7	(26%)
Distribution	(22.6)	(19.8)	+14%
Marketing	(67.4)	(83.9)	(20%)
Employee costs	(26.0)	(32.4)	(20%)
Admin & other[2]	(46.0)	(58.2)	(21%)
Loss from discontinued operations	-	(3.2)	nm
EBITDA[3]	178.5	263.2	(32%)
EBIT	175.3	261.5	(33%)
NPAT	120.0	184.9	(35%)

- Revenue decline driven by challenges in daigou / reseller and CBEC channels, partially offset by growth in China label infant nutrition and growth in liquid milk
- GM of 50.3% reflects stock provision, higher COGS for China label, and adverse mix effect from higher proportion of liquid milk and China label infant nutrition sales
- Higher distribution costs due to higher inventory levels and higher proportion of China label
- Investment in China and Australia broadly in-line with prior corresponding period; USA reflects lower marketing but higher trade spend to support execution of new pricing strategy
- Reflects investment in capability, particularly in China, offset by reduction in accrued employee incentive benefits
- Reduction in discretionary spending, including consulting, as well as travel related costs due to COVID-19, partially offset by increased cost of insurance

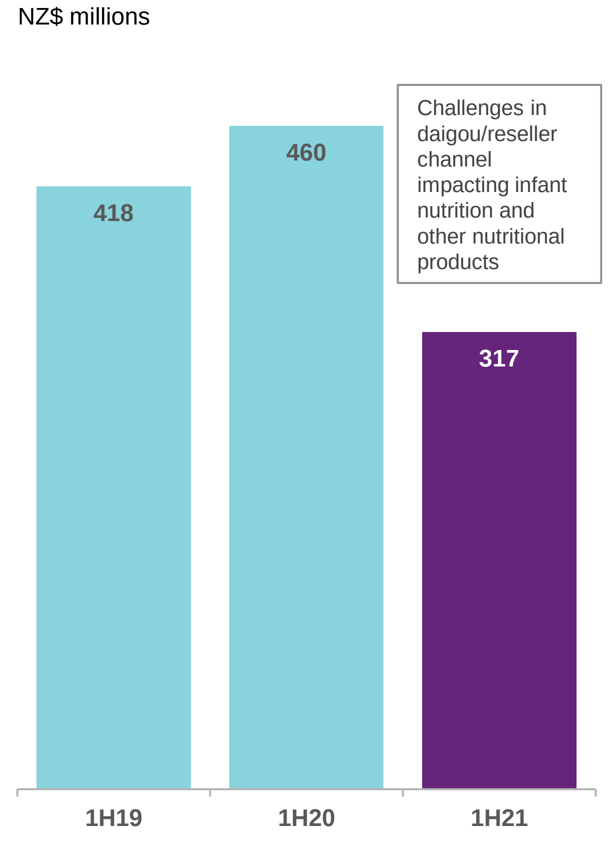
[1] The Company's financial year ends 30 June; 1H refers to the first half period from 1 July to 31 December; 2H refers to the second half period from 1 January to 30 June. Numbers may not add down due to rounding.
[2] This includes MVM acquisition costs in 1H21 of $4.5 million.
[3] EBITDA is a non-GAAP measure and represents earnings before interest, tax, depreciation and amortisation, and is shown after non-recurring items.

Decline in revenue due to challenges in daigou/reseller and CBEC channels, partially offset by growth in China label infant nutrition and liquid milk

China & Other Asia segment revenue



ANZ segment revenue



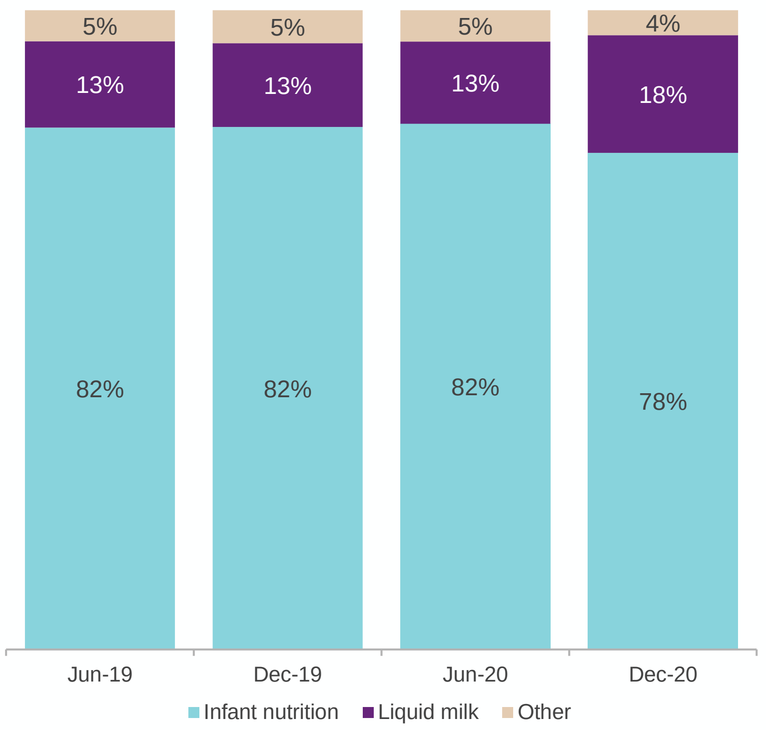
USA segment revenue

Gross margin decreased to 50.3% mostly reflects English-label disruption

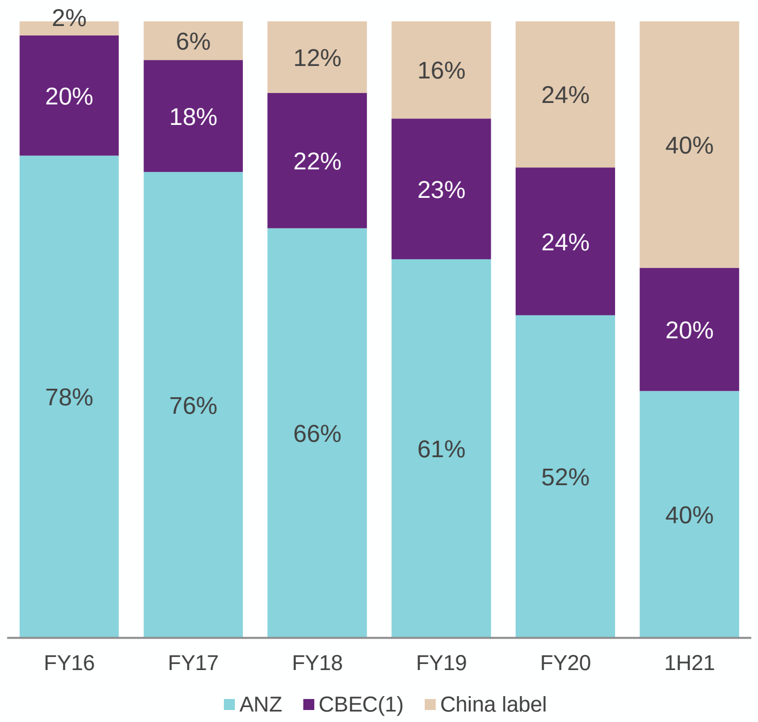
1H21 gross margin drivers

- Stock provision of $23.3m
- Higher proportion of China-label infant nutrition
- Increased China label infant nutrition COGS (ingredients and packaging)
- Higher proportion of liquid milk to infant nutrition
- Benefits of improved price yield

1H21 adverse product mix higher proportion liquid milk

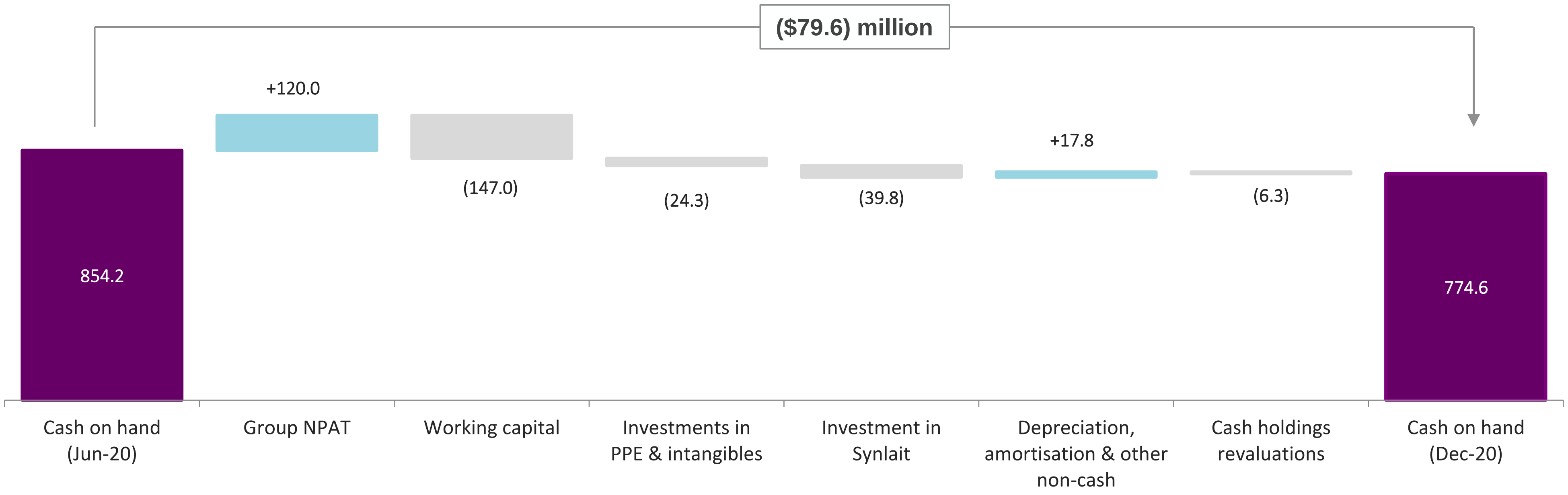


1H21 higher proportion of China-label infant nutrition



[1] *CBEC: Cross-border e-commerce (English and other label infant nutrition).*

Robust balance sheet, investment in strategic assets



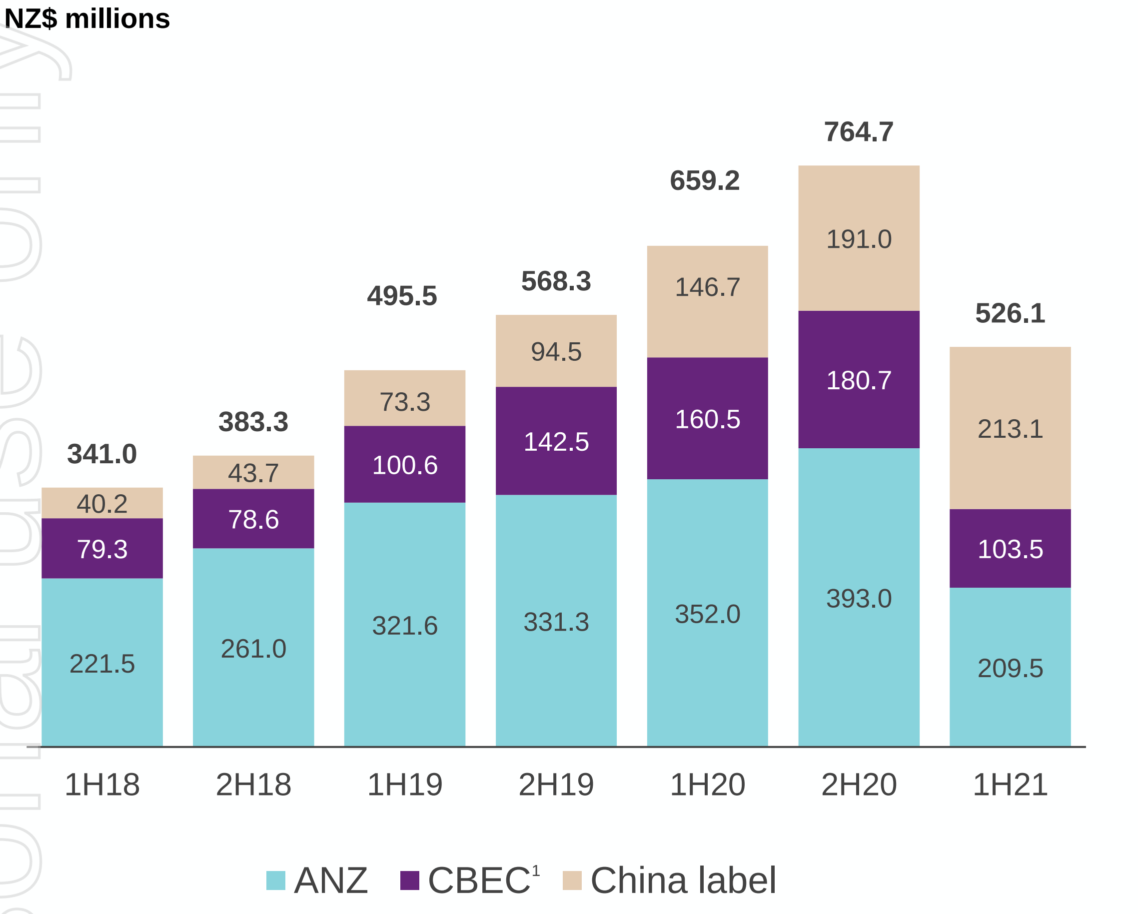
- Closing cash balance of $774.6 million
- Increase in working capital of $147.0 million due to increase in inventory and reduction in accounts payable
- Acquisition of KyValley milk processing facility ($16.4 million)
- Participation in Synlait's recent capital raising ($39.8 million), maintained shareholding of 19.84%
- MVM acquisition will be funded from cash reserves
- Balance sheet strength provides capacity to support growth opportunities

REGIONAL PERFORMANCE

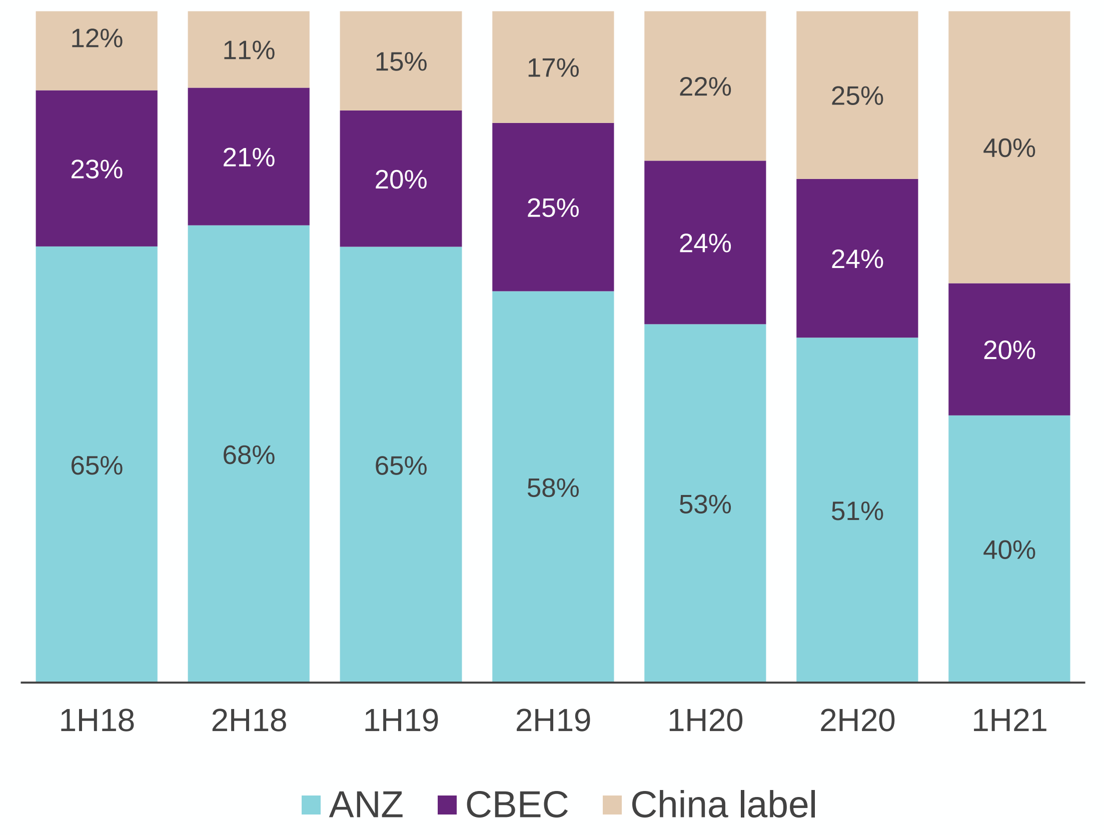
Asia Pacific – infant nutrition

We are growing in the largest infant nutrition channel in China

Revenue composition across infant nutrition channels



China label proportion of total sales increasing



[1] *CBEC: Cross-border e-commerce (English and other label infant nutrition).*

Asia Pacific – infant nutrition
Strong China label infant nutrition growth in line with strategy

Performance

- Sales of *a2 至初*® China label infant nutrition of $213.1 million; +45.2%
- Expanded store footprint to ~22.0k stores, up from ~19.1k at the end of 2H20
- MBS value share continues to increase, achieving 2.4%[1] share at end 1H21,up from 2.0% at end of FY20

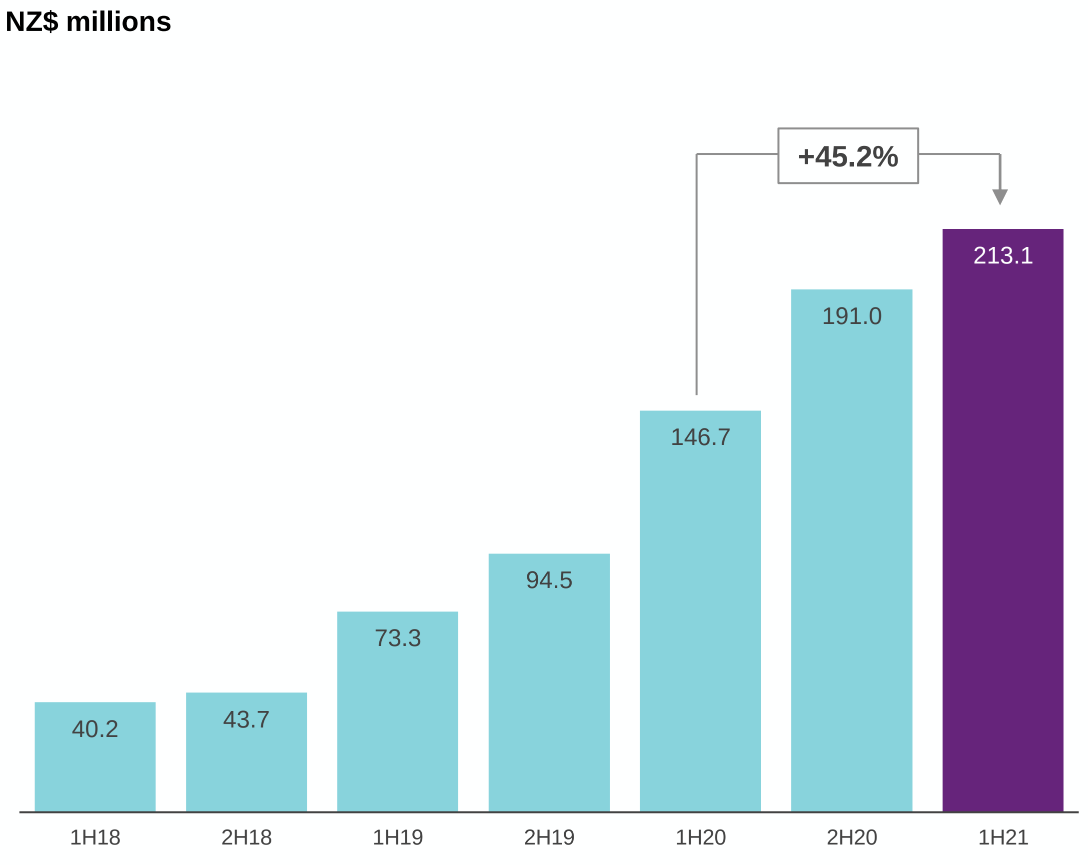
Key activities

- Increased investment behind in-store activation, mama classes and promotional people
- Investment in China based team to support growth and execution plans

Strong fundamentals

- Brand health metrics continue to strengthen
- Growing sales in MBS, the largest infant nutrition channel in China

China-label revenue growth



[1] Source: Nielsen MBS 12-month value share.

Asia Pacific – infant nutrition

We are continuing to invest in our brand and engage with consumers in China

Social media advertising campaign

Investment in mama classes and in-store promotional people

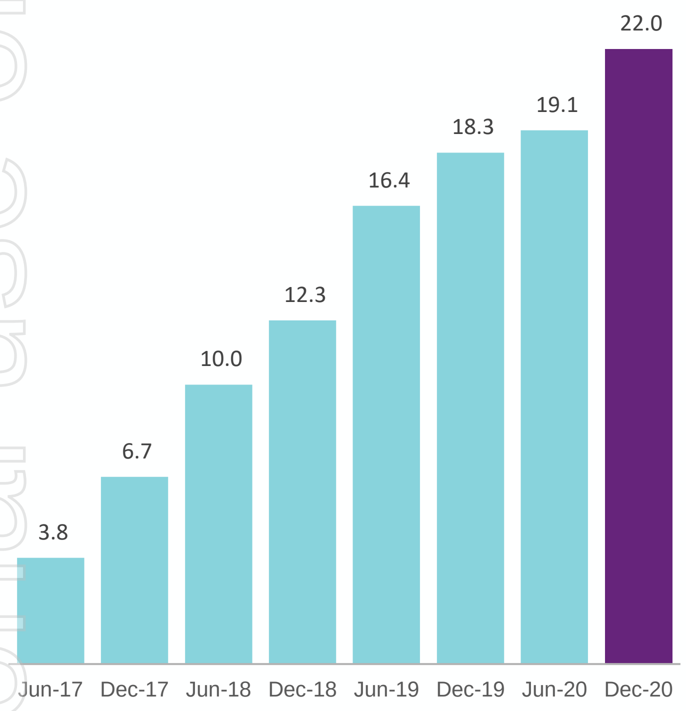
Roadshows and in-store activations to engage and build brand connection with consumers

Asia Pacific – infant nutrition

Investment in the brand driving increases in footprint and share in MBS

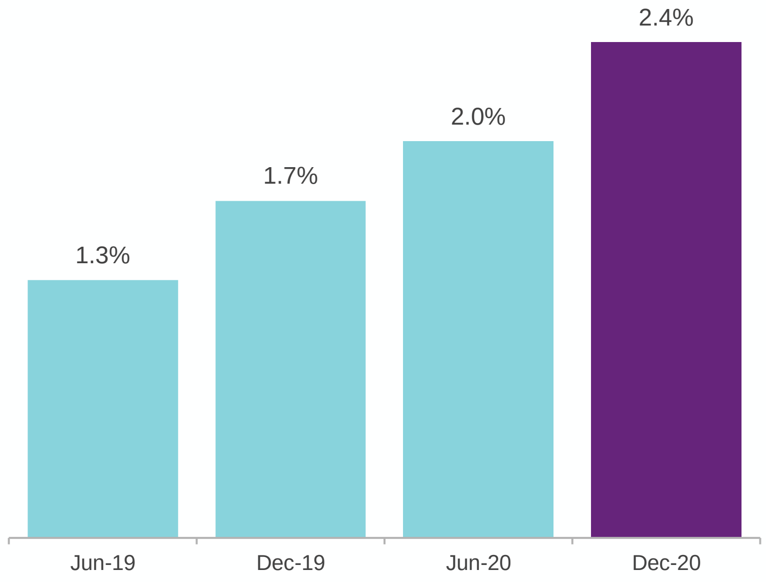
Expanding footprint

China distribution (store count '000)



Market value share increasing

MBS value share (%)[1]



[1] *Source: Nielsen MBS 12-month value share.*

Asia Pacific – infant nutrition

Challenging 1H21 for English label infant nutrition

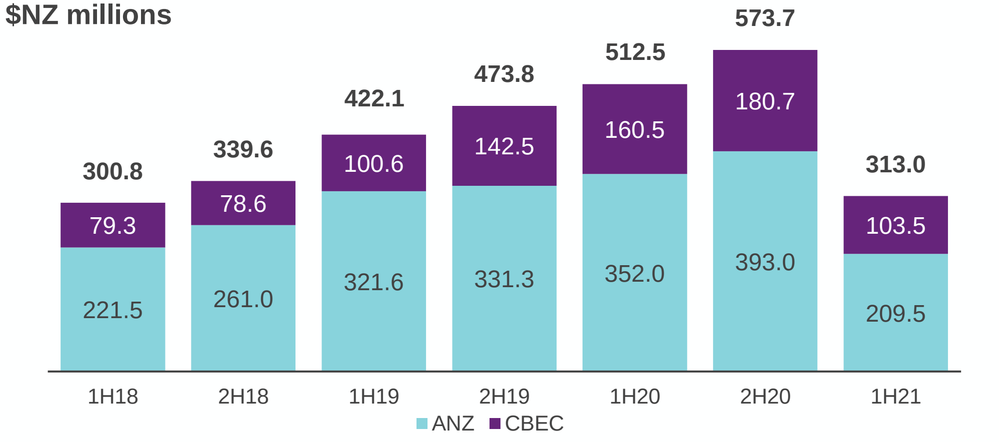
Australian daigou/resellers and retailers

- Sales of *a2 Platinum*® English label infant nutrition of $209.5 million, down 40.5%
- Challenges resulting from COVID-19 disruption experienced in daigou/reseller channel with a flow on impact to CBEC
- Subdued online pricing and channel inventory unwinding, has resulted in daigou/resellers being slower to fully re-enter the market
- Steps taken to re-activate the channels, and improvement expected
- Continue to invest behind the brand, and in daigou/reseller incentive programs
- Remains a strategically important channel

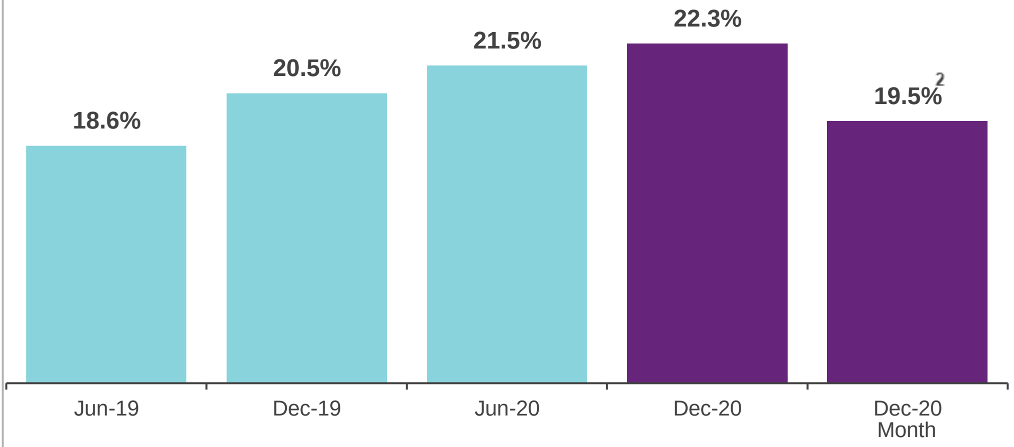
Cross border e-commerce (CBEC)

- Sales of *a2 Platinum*® English and other labels of $103.5 million, down 35.5%
- Decline in sales due to a lower level of sales to informal social e-commerce channels and traders and the Company's view that inventory unwound in these channels
- A temporary cessation of *a2 Platinum*® Hong Kong label
- Actively rebalancing inventory in the channel and continuing to refine promotional approach

English and other label infant nutrition revenue



CBEC market value share[1]



[1] *Smartpath CBEC 12-month market value share (MAT).*
[2] *Smartpath CBEC December market value share.*

Asia Pacific – infant nutrition

Plan in place for 2H21 to re-activate English label infant nutrition channels

2H21 plan to re-activate English label channels

Australian daigou/resellers and retailers

- Rebalancing inventory levels and improving traceability through the channel
- Providing temporary support to the daigou/resellers
- Working with corporate daigou to drive distribution innovation

CBEC

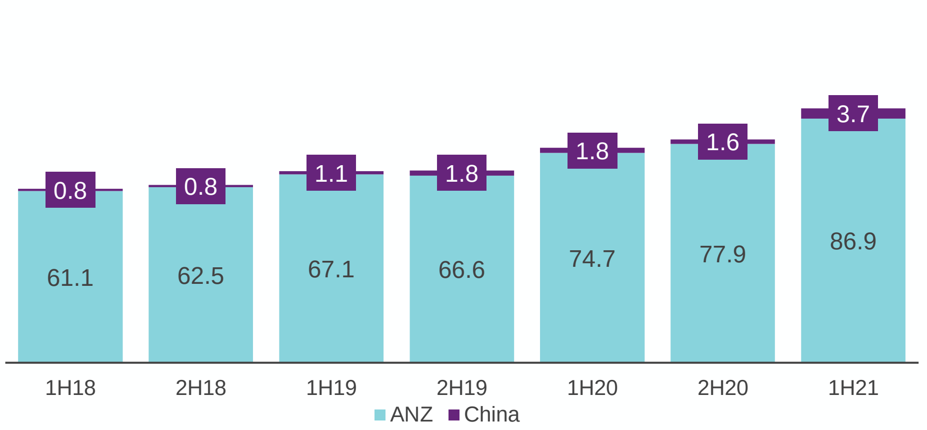
- Rebalancing inventory in the channel
- Continuing to refine promotional approach

Continuing corporate daigou incentive program and investment behind the brand

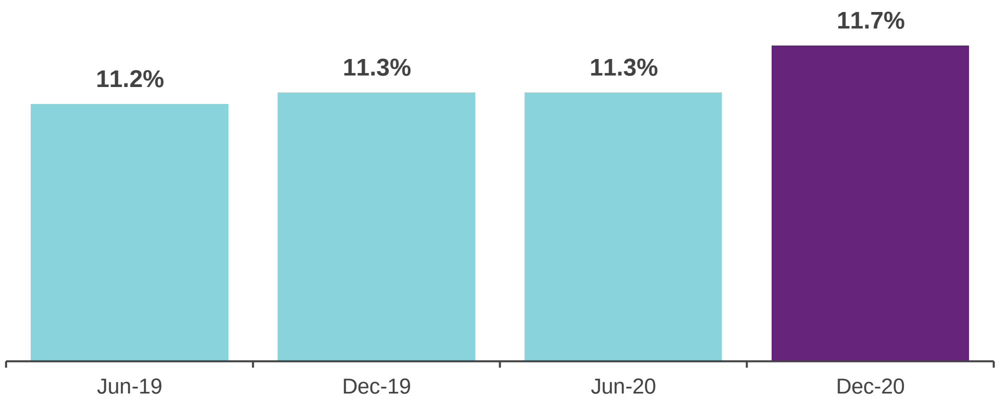
Asia Pacific – liquid milk
Liquid milk growing strongly

- ANZ liquid milk revenue +16.3% to $86.9 million
- Australia achieved a record market share of 11.7%[1]
- The *a2 Milk*™ brand continues to be the only fresh milk brand ranged in all major Australian supermarket chains
- Largest brand advertiser in the fresh milk category in Australia
- New Zealand licensing fees +33.2%
- China revenue +107% to $3.7 million

Liquid milk revenue (Australia & China)



Australian milk market value share(1)



[1] *IRI Australian Grocery Weighted Scan 12-months ending 31 December 2020.*

Other nutritional segment impacted by challenges in daigou/reseller channel

- The most significant proportion of the Company's other nutritional products segment remains *a2 Milk*™ whole milk and skim milk powders, available in ANZ and China
- Overall revenue decline of 36.2% to $26.5 million
- Significantly impacted by challenges in daigou/reseller channel
- Focus on re-activating the daigou/reseller channel in 2H21
- Further growth potential across new channels, particularly in offline China retail channels

North America

USA result driven by change in execution approach

Impact of COVID-19 in the USA market overall has been significant

- During 2020, it was observed that consumers were becoming more value conscious
- Proactively responded with change in execution approach
- Greater investment in account specific activity to position pricing at a more affordable premium level and stepped up in-store activation

Results driven by change in execution approach

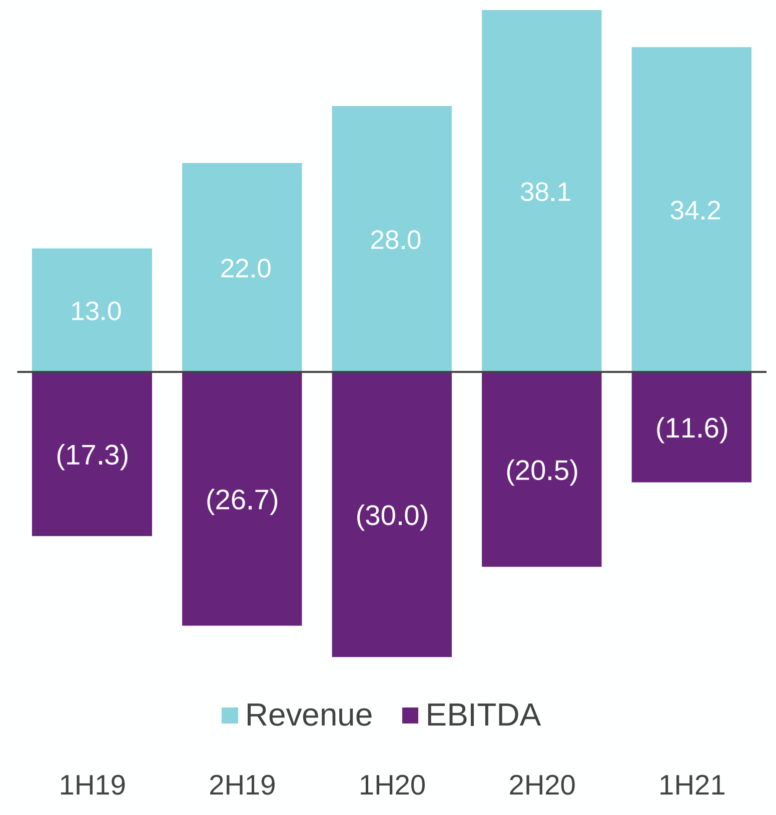
- Significant increase in gross revenue and volume
- Reported net revenue +22.3% to $34.2 million
- Significantly reduced EBITDA loss, $18.4 million improvement on pcp
- Increasing shelf space and in store stock weight

USA continues to be an important market

- Largest global milk market with significant and growing premium segment
- Growth in awareness to create a platform for future product innovation

Launched in Canada via a licensing agreement with Agrifoods in 1H21

Significantly improved EBITDA

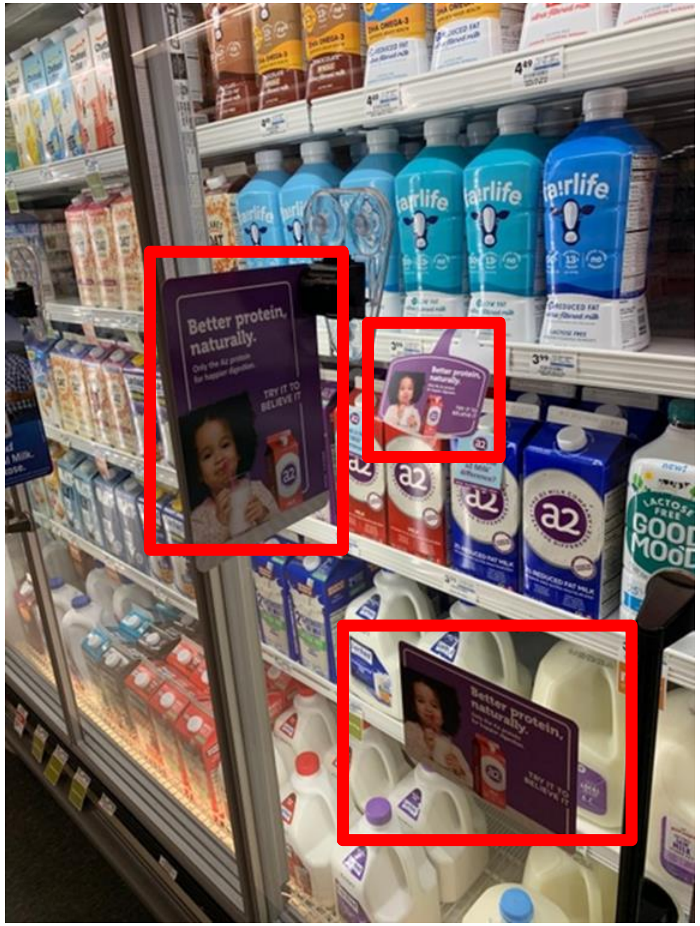


North America

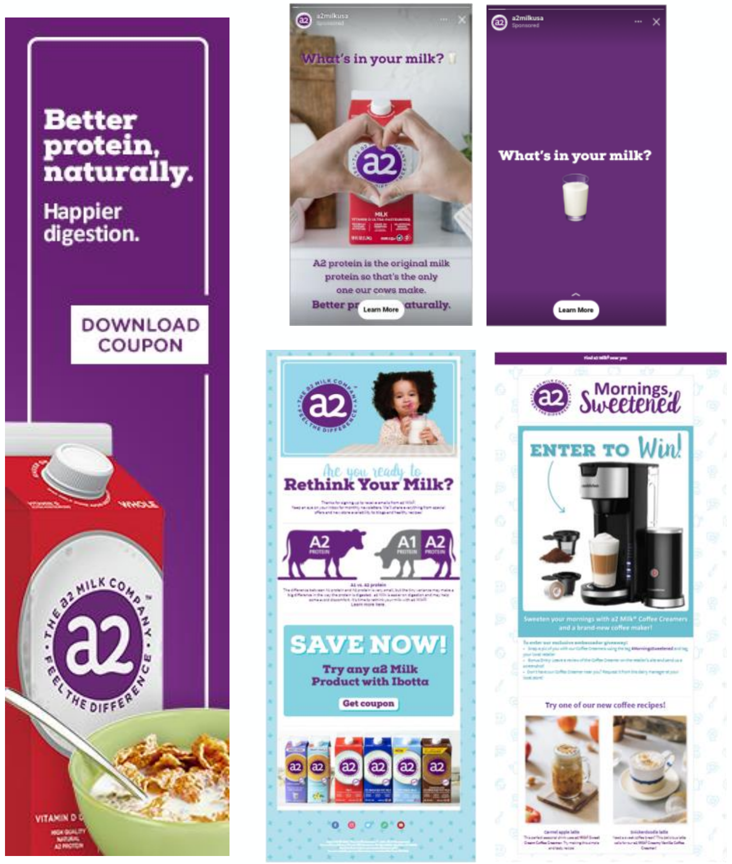
USA plan positioning pricing at a more affordable premium level and stepping up in-store activation

More affordable premium pricing

In-store activation

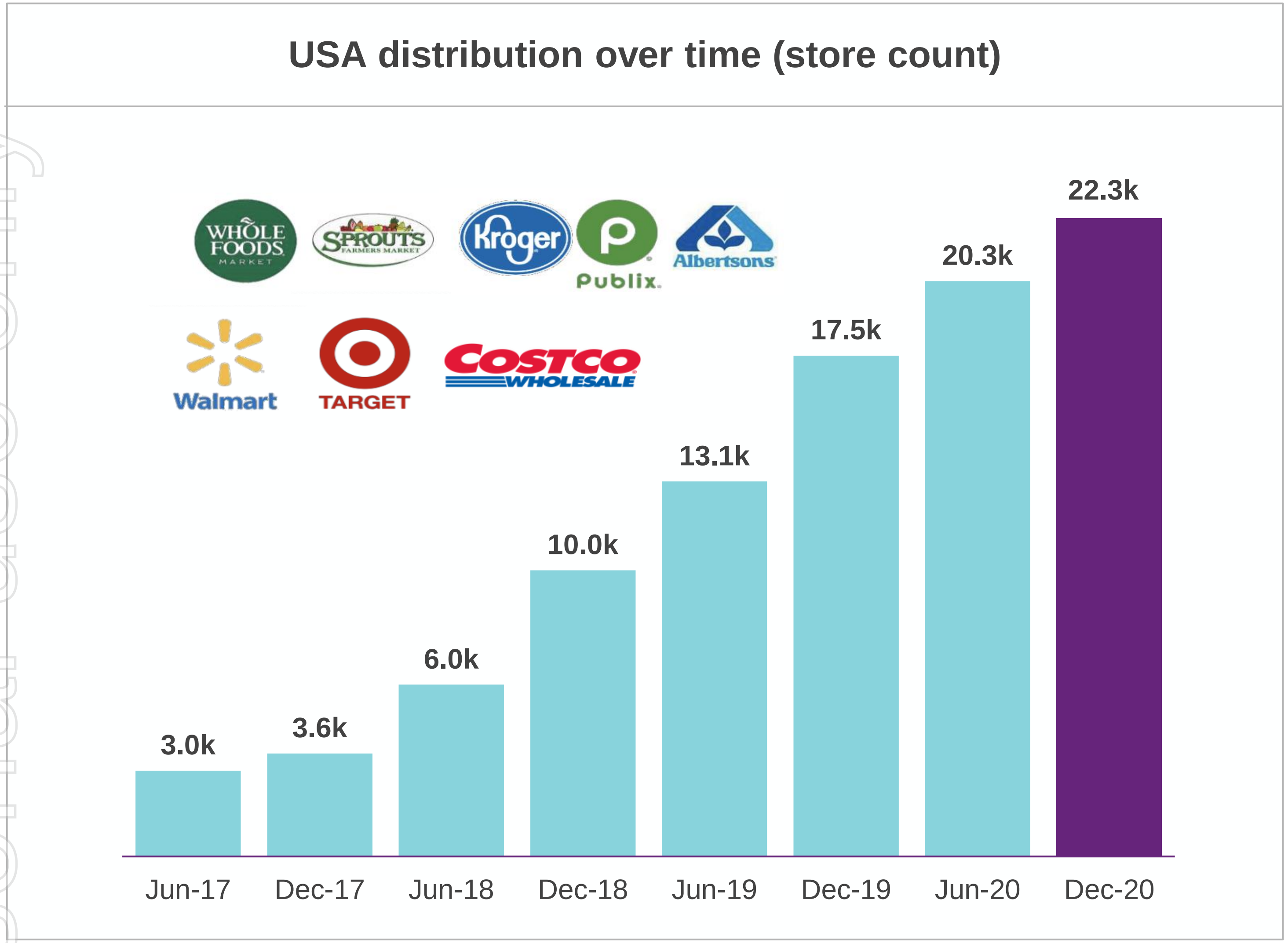


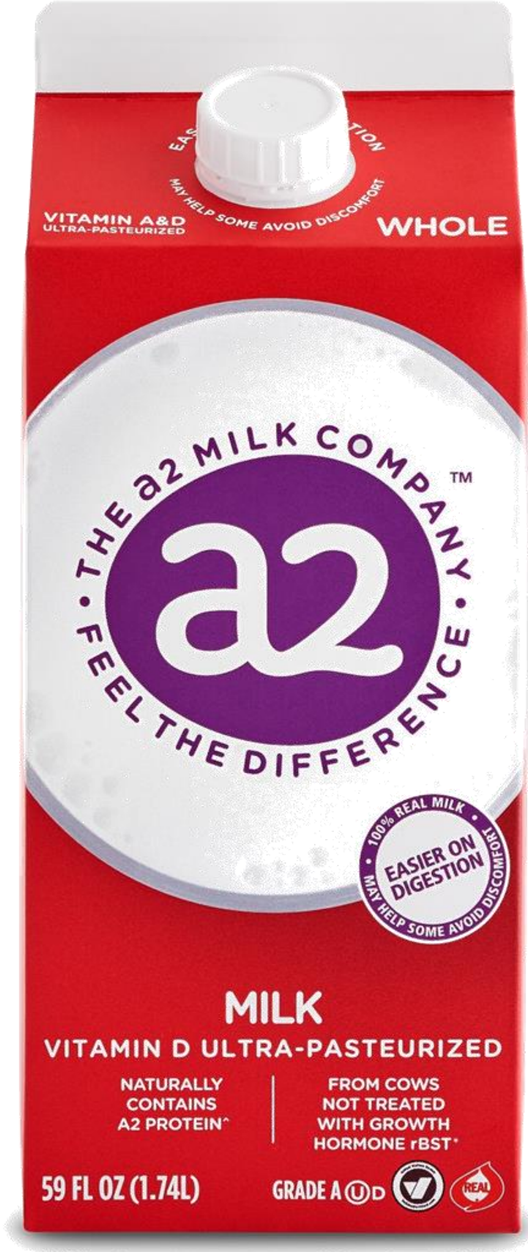
Supported by digital activation



North America

Broad national distribution in over 22k stores in USA






GROUP UPDATES

Continuing to strengthen our supply chain capability with MVM investment

Overview

- In August, we made a non-binding indicative offer to acquire 75% of MVM for approximately $270 million, based on an enterprise value of $385 million
- In December, we agreed the terms of the proposed acquisition which is subject to approval of the New Zealand Overseas Investment Office, with completion expected to occur around the end of May 2021

mataura™ VALLEY MILK

Strategic rationale

- Mitigate risk by providing both supplier and geographic diversification
- MVM is a recently constructed and commissioned state of the art nutritionals facility, which will complement our existing supply relationships
- The plant has been independently validated by industry experts as being capable of producing the highest quality nutritional products
- It is well located for access to a growing productive milk pool supported by favourable climatic conditions and water availability
- Currently majority owned by a respected China state owned enterprise – China Animal Husbandry Group – which will continue as a strategic shareholder and assist with developing the business in China

Transitional period

- Due to revised volume assumptions, the Company now expects an EBITDA loss of up to $10 million per annum during the transition period and still expects EBITDA to be positive from FY25.
- Exploring business development opportunities to improve the financial performance during this period

Building a sustainable business for the future

- Progress establishing *The a2 Impact Fund*™
- Working towards setting targets and metrics across our six capitals
- Commenced research relationship with Sea Forest – Asparagopsis research project, aiming to reduce methane production from dairy cows
- Investment in LED lighting and solar at Smeaton Grange processing facility
- Progress on farm environmental plans and animal welfare
- Community engagement initiatives including Foodbank and Landcare Australia
- People development initiatives including *“a2 For You™”* program expansion and rollout, and leadership development programmes

2H21 PLAN & OUTLOOK

Summary of 2H21 plan

Grow China label infant nutrition

- Continue to invest behind the brand and in-market capability to gain share

Re-activate Australian daigou/resellers and retailers

- Rebalancing inventory levels and improving traceability through the channel
- Providing temporary support to the daigou/resellers
- Working with corporate daigou to drive distribution innovation

Optimise CBEC

- Rebalancing inventory in the channel and refine promotional approach
- Investing in building digital and e-commerce capability

Maintain leading position in Australian liquid milk

- Continue to invest behind the brand to maintain share

Drive towards meaningful scale for USA liquid milk

- Continue to execute revised approach to increase volume and improve profitability

Review growth strategy

- Maximise full potential of the brand and business

FY21 Outlook

- Globally there continues to be unprecedented levels of uncertainty and volatility due to COVID-19.
- The Company remains confident in the underlying fundamentals of the business and will continue to invest behind the brand and in its capability to drive long term growth.
- However, the pace of recovery in the daigou/reseller channel and in the CBEC channel has been slower than previously anticipated and the Company now expects revenue to be at the lower end of the previous guidance range.
- A lower EBITDA margin range is also expected due to lower revenue, higher brand investment, longer daigou/reseller support, movements in foreign currency and adverse channel mix relative to what was anticipated in December.
- Accordingly, the Company's FY21 outlook is now as follows:
  - Group revenue for FY21 in the order of $1.4 billion
  - Group EBITDA margin for FY21 of 24% to 26% (excluding MVM acquisition costs)
- The outlook for FY21 assumes the actions being taken to re-activate the daigou/reseller channel delivers a significant improvement in quarter-on-quarter growth from 3Q21 to 4Q21.

APPENDIX

Reconciliation of non-GAAP measures

NZ$ million	1H21	1H20
Australia & New Zealand EBITDA	117.5	227.9
China & Other Asia segment EBITDA	94.4	117.5
USA segment EBITDA	(11.6)	(30.0)
Corporate EBITDA	(21.7)	(48.9)
UK EBITDA	-	(3.2)
EBITDA[1]	178.5	263.2
Depreciation/amortisation	(3.2)	(1.8)
EBIT[1]	175.3	261.4
Net interest income	1.7	2.9
Income tax expense	(57.0)	(79.4)
Net profit for the period	120.0	184.9

[1]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. EBITDA is shown after non-recurring items. This includes MVM acquisition costs in 1H21 of $4.5 million.

Strong performance in China-label and liquid milk, offset by challenges in English label and other nutritional products

Geographic segment revenue & EBITDA

NZ$ million		ANZ	China & Other Asia	USA	UK (Discontinued Ops)	Corporate	Total Group
1H21	Revenue	317.2	326.0	34.2	-	-	677.4
	EBITDA	117.5	94.4	(11.6)	-	(21.7)	178.5
	EBITDA %	37.0%	29.0%	nm	nm	-	**26.4%**
1H20	Revenue	460.2	317.2	28.0	1.4	-	806.7
	EBITDA	227.9	117.5	(30.0)	(3.2)	(48.9)	263.2
	EBITDA %	49.5%	37.0%	nm	nm	nm	32.6%
% change	Revenue	(31.1%)	2.8%	22.1%	nm	-	(16.0%)
	EBITDA	(48.4%)	(19.7%)	61.3%	nm	55.6%	(32.2%)

Product segment revenue[1]

	Liquid milk	Infant nutrition	Other nutritional
1H21	**124.7**	**526.1**	**26.6**
1H20	104.4	659.2	41.7
% change	**19.4%**	**(20.2)%**	**(36.2%)**

[1] *Product segment revenue excludes discontinued operations (UK) in 1H20.*

Geographic and product segment revenue performance

Revenue (NZ$ million)		ANZ	China & Other Asia	USA	Total Group	UK (discontinued operations)
1H21	**Liquid milk**	86.9	3.7	34.1	**124.7**	-
	Infant nutrition	209.5	316.6	-	**526.1**	-
	Other nutritional	20.8	5.7	0.1	**26.6**	-
	TOTAL	317.2	326.0	34.2	**677.4**	-
1H20	**Liquid milk**	74.7	1.8	28.0	104.5	1.4
	Infant nutrition	352.0	307.2	-	659.2	-
	Other nutritional	33.5	8.2	-	41.7	-
	TOTAL	460.2	317.2	28.0	805.4	1.4
% Change	**Liquid milk**	+16.3%	+105.6%	+21.8%	**+19.3%**	nm
	Infant nutrition	(40.5%)	+3.1%	-	**(20.2%)**	nm
	Other nutritional	(37.9%)	(30.5%)	-	**(36.2%)**	nm
	TOTAL	**(31.1%)**	**+2.8%**	**+22.1%**	**(15.9%)**	nm

Capital allocation framework prioritises investment in growth initiatives ahead of returning capital to shareholders

Operating cash flow generation

Capital funding

Grow the core business in existing markets

- Investment in building core business
- Assess participation in IMF manufacturing
- Enabling investment in systems, infrastructure, quality, safety and expertise
- Organic growth – existing and new products / new retail channels

Expand the boundaries

- Adjacent new product categories in existing markets
- Geographic expansion of existing products into new markets
- Assess complementary M&A to drive further growth within core markets

Balance sheet strength & flexibility

- Capacity to support business growth and risk management initiatives
- Maintain a conservative cash reserve to manage in an uncertain environment

Excess cash flow

Shareholder returns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