



19 February 2024
NZX/ASX Market Release

The a2 Milk Company 1H24 Results media release

The a2 Milk Company (“the Company”, “a2MC”) today announces a positive 1H24¹ result driven by strong execution of its growth strategy which is mainly focused on capturing the full potential of its China market opportunity. More specifically, the Company:

1. Delivered a positive interim result with 3.7% revenue growth and 5.0% EBITDA² growth
2. Grew total IMF sales despite a double-digit decline in the China infant milk formula (IMF) market
3. Achieved top-5 China IMF position with brand health reaching new highs supported by record levels of marketing
4. Launched new GB registered China label IMF product successfully with transition ahead of plan
5. Stabilised English label IMF sales on 2H23 after several periods of decline with new products on the way
6. Improved revenue growth guidance for FY24 relative to prior outlook statement

Financial results and outlook^{3,4}

- Revenue growth of 3.7% to \$812.1 million
 - Regional revenue: China & Other Asia segment up 16.5%, ANZ down 24.1% due to a change in distribution strategy, USA up 8.6% and MVM down 4.7%
 - Category revenue: Total IMF up 1.5% with China label up 10.4% and English label down 6.9%⁵, liquid milk in ANZ and USA up 1.5% and 7.0% respectively, other nutritionals⁶ up 48.5% and ingredients (MVM) down 4.7%
- EBITDA up 5.0% to \$113.2 million with an EBITDA margin of 13.9% (up 0.2ppts)
- Net profit after tax (NPAT) attributable to owners of the Company up 15.6% to \$85.3 million⁷
- Basic earnings per share (EPS) up 18.6% to 11.8 cents
- Closing net cash⁸ of \$792.1 million up \$34.9 million on June 2023 with operational cash conversion of 86.8%⁹
- FY24 revenue growth guidance increased from low, to low-to-mid single-digit percent on prior year. EBITDA margin expected to be broadly in line with FY23 (see FY24 Outlook in the “1H24 Results Commentary and Outlook” announcement)
- Medium-term revenue ambition timing modified to reflect market conditions (see Medium-term revenue ambition update in the “1H24 Results Commentary and Outlook” announcement)

Operational highlights

- Delivered total IMF sales growth of 1.5% in a challenging China IMF market that continues to be impacted by the cumulative decrease in newborns over the past few years, market-wide transition to products formulated under the new GB standards, and macroeconomic conditions, with total market sales down 13.6%
- Reached new highs in China brand awareness, trial and loyalty metrics supported by increased investment and more targeted and integrated sales and marketing campaigns
- Achieved record market share in China label IMF channels, with 3.5% market value share in mother and baby stores (MBS) and 3.6% market value share in domestic online (DOL) retail channels, resulting in being a top-5 share gainer in the China label market and top-5 brand overall including English label

¹ All references to full year (FY), halves (H) and quarters (Q) relate to the Company’s financial year, ending 30 June.

² EBITDA is a non-GAAP measure and does not have a standardised meaning prescribed by GAAP. However, the Company believes that in combination with GAAP measures, it assists in providing investors with a comprehensive understanding of the underlying operational performance of the business. A reconciliation of EBITDA to net profit after tax is shown in the Company’s 1H24 Investor Presentation (slide 58) dated 19 February 2024.

³ All figures are in New Zealand Dollars (NZ\$), unless otherwise stated.

⁴ All comparisons are with the 6 months ended 31 December 2022 (1H23), unless otherwise stated.

⁵ English and other labels IMF included in China & Other Asia, ANZ and USA segments.

⁶ Other nutritionals consists of powdered milk products (plain and fortified), and liquid milk products (plain and fortified) exported to China & Other Asia.

⁷ Excludes non-controlling interest in Mataura Valley Milk (MVM), a loss of \$6.7 million.

⁸ Including term deposits and borrowings, excluding subordinated non-current shareholder loans.

⁹ Operating cash conversion defined as net cash flow from operating activities before interest and tax divided by EBITDA.

- Launched upgraded China label IMF product *a2 至初*[®] range successfully, formulated in line with China's new GB standard, and with transition ahead of plan
- Stabilised total English label IMF sales compared to 2H23 with English label market value share relatively stable – achieved 20.6% overall share of the English label market, with 21.4% share in the cross-border e-commerce (CBEC) channel and 20.5% in the combined offline-to-online (O2O) and Daigou channels, with high growth in emerging channels such as Douyin/TikTok
- Continued to optimise English label route-to-market through drop-shipping from Tier 1 distributors to consumers, and developed a new distribution partnership with the market leader in the O2O channel (Yuou)
- Progressed development of two new English label IMF products with MVM and a new commercial IMF supply chain partner (Yashili NZ, a subsidiary of Mengniu) – targeting to launch the first product (*a2 Gentle Gold*[™]) in 2H24
- Commenced production of *a2 Platinum*[®] Stage 4 IMF with MVM and another new commercial IMF supply chain partner (New Zealand New Milk, a subsidiary of Lactalis)
- Accelerated sales growth of other nutritional products, up 48.5%, utilising A1 protein free milk powders produced by MVM
- Developed two new fortified English label adult milk powder products (*a2[™] Immune* and *a2[™] Move*), to launch in 2H24
- Continued to develop *a2 Milk*[®] *Lactose Free* market penetration and progressed major upgrade of Kyabram processing facility in Victoria with Kyvalley Dairy Group
- Improved profitability of USA business, commenced distribution of *a2 Platinum*[®] IMF under US Food and Drug Administration (FDA) Enforcement Discretion with selected retailers in-store and online, and progressed long-term FDA IMF approval with clinical trial underway
- Advanced sustainability programme significantly including commissioning a high-pressure electrode boiler at MVM powered by certified renewable energy¹⁰ to materially reduce greenhouse gas emissions from the site and achieved CY23 target of all certified farms supplying A1 protein free milk attaining an animal welfare certification and farm environmental plan via third party audit and verification processes

CEO commentary

The a2 Milk Company's Managing Director and CEO, David Bortolussi said:

- "We continued to execute against our growth strategy, primarily focused on the China market which now represents approximately 80% of our total branded sales."
- "We grew our IMF sales in a market that was down double-digits with China label sales up significantly, and launched our new GB registered China label IMF product which is progressing well."
- "After several years of COVID-19 related disruption and market decline, we are pleased that our *a2 Platinum*[®] sales and the English label market have stabilised compared to 2H23."
- "Beyond IMF, we are investing in growth in other nutritional products for kids, adults and seniors, and we are also pursuing growth in new markets."
- "As we continue to invest and grow, consumers are increasingly seeing the benefits of *a2 Milk*[™], providing us with a platform to further expand our portfolio, with the launch of more new products expected later this year."

Authorised for release by the Board of Directors

David Bortolussi
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¹⁰ MVM purchases Meridian's Certified Renewable Energy product to enable it to match the amount of electricity it uses on an annual basis with an equivalent amount of electricity put into the national grid from one of Meridian's hydro stations or wind farms (which have been independently verified as producing 100% renewable electricity).