



HD NZ:Kiwi slashes A2 Milk profit
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WELLINGTON, Aug 28 BusinessDesk - A2 Milk Co, which markets milk with a protein variant said to have health benefits, will ramp up its expansion in the US, the UK and Asia using cash generated in Australia after a year in which a strong kiwi slashed its earnings.

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Profit tumbled to \$NZ10,000 in the 12 months ended June 30, from \$NZ4.1 million (\$A3.82 million) a year earlier, the Auckland-based company said in a statement.

Sales rose 17 per cent to \$NZ111 million and would have been some \$NZ14 million higher if not for the strength of the New Zealand dollar against its Australian counterpart.

A2's cash flow comes from its success in Australia, where it now claims nine per cent of the fresh milk market sold through the grocery channel.

Australian sales from continuing operations climbed 16 per cent to \$NZ106.9 million in the latest year, accounting for 96 per cent of total revenue, while earnings rose 25 per cent to \$NZ4.5 million, helping make up for losses in China and the UK.

Managing director Geoffrey Babidge calls the Australian market A2's "big cash generator", which will bankroll its push into new markets.

"Our strategy is about increasing Australian profits fully funding initiatives in other markets," he told BusinessDesk.

"That's our core proposition."

Growth in Australian market share gave A2 confidence to launch a thickened cream product, which is performing to expectations and the range could be widened to include ice cream, he said.

The company has also trialled sales of fresh Australian milk into China, in small volumes.

A bigger opportunity will be sales of UHT milk from Australia into China, Mr Babidge said.

A2's sales push for its Platinum brand infant formula in China was thwarted this year by changes to Chinese registration rules.

New Zealand New Milk, which has been packing the product for A2, did achieve registration in July but sales of A2's products won't ramp up until its main partner, Synlait Milk, gains registration, which Mr Babidge hopes will be in September.

The company sees a "big revenue opportunity" in the US market, where it plans to invest \$NZ20m over three years, and plans to increase investment in the UK.

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