



A Presentation By

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De Worshop

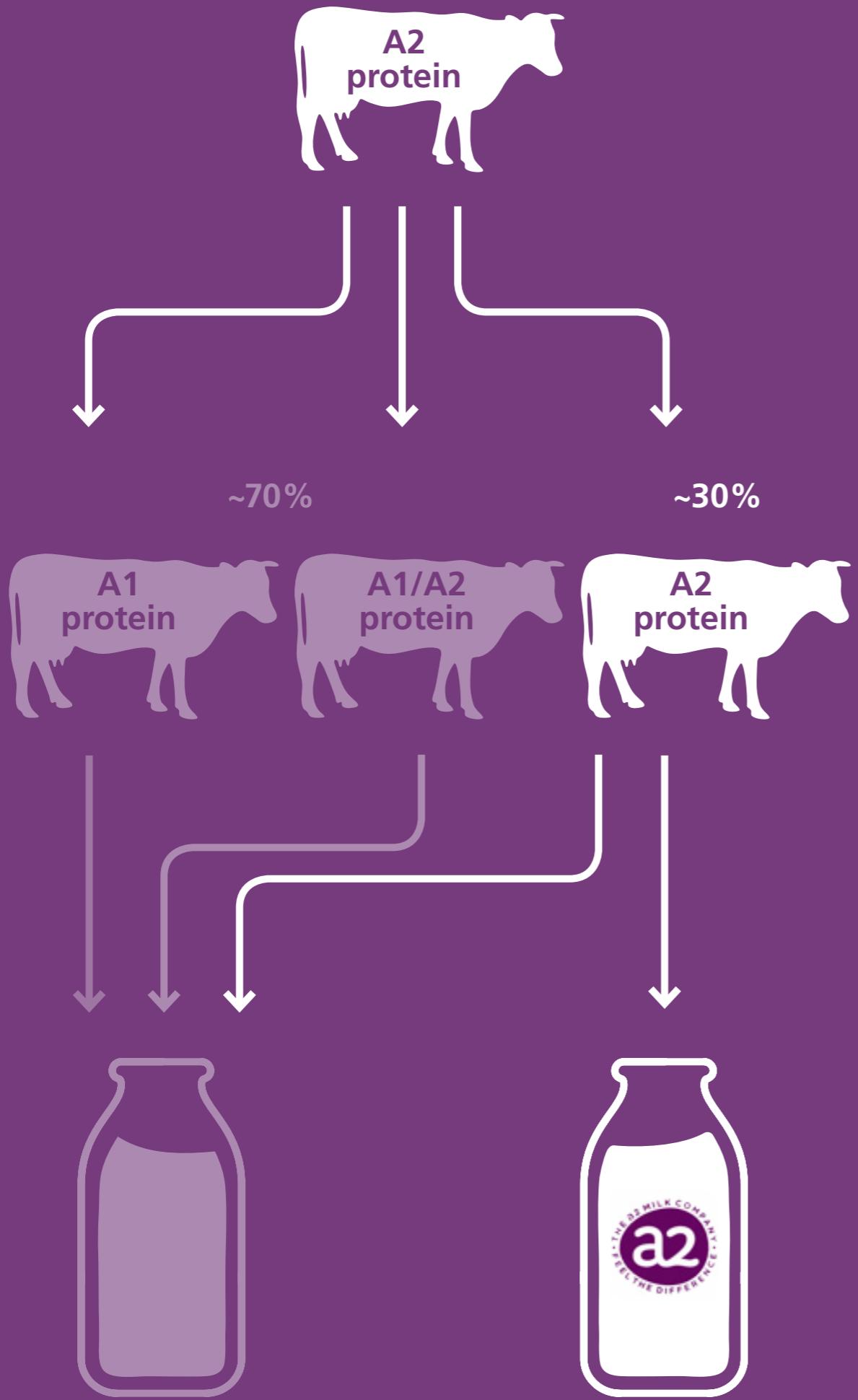
	Risk	Predicted Growth	Projected Expansion	Management Experience	Industry Risk
Mayne Pharma	High	Medium	Low	Medium	High
Primary Health Care	Medium	Low	Low	Medium	Medium
A2 Milk	Medium	Low	Low	Medium	Low
Grain Corp	Medium	Low	Low	Medium	Low
Technology One	Low	Medium	Medium	Medium	Low
Carsales .Com	Low	Medium	Medium	Low	Low

High

Medium

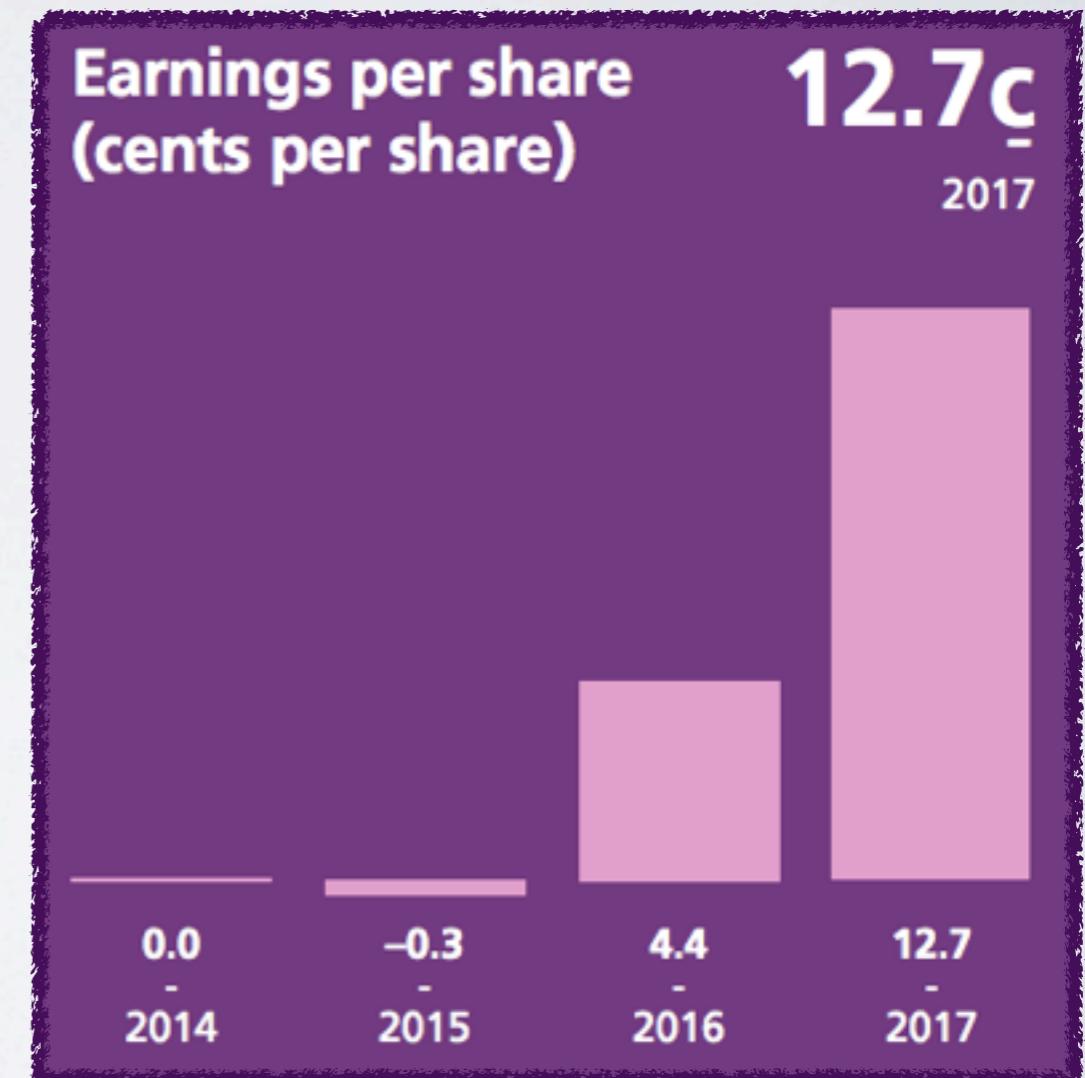
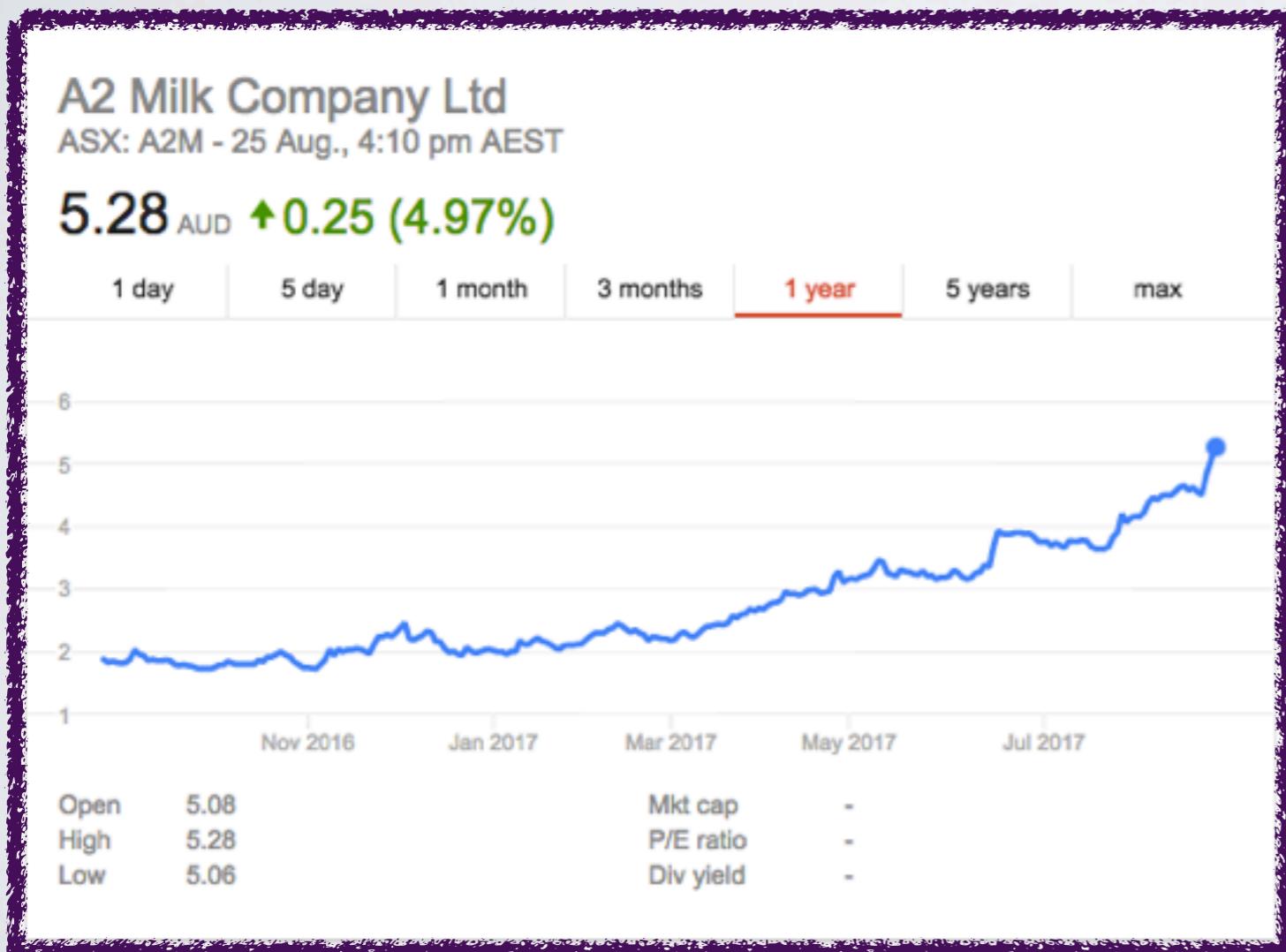
Low

THE COMPANY



- A high quality dairy-based A1 protein free dairy Company
- Now selling to America, UK, China and Australia and New Zealand
- Publicly listed on the ASX in April 2015
- Stock price has more than doubled over the past year

Strong performance over the past year has lead to a **drastic increase** in share price



Stock Analysis

P/E	37
Debt/Equity	0
WACC	10%
EPS	\$0.127
Growth last financial year	180.9%

- A2 Milk is a **growth stock** and as such they don't have a high P/E ratio.
- A debt to equity ratio of zero shows the company has **no debt**
- A high WACC means the company may have to make some financially **risky investments** in the future
- A low EPS shows the company is **retaining its earnings** in order to invest in future industries and fuel growth
- A2 Milk's extremely high growth over the past financial year indicates that management is **investing in profitable projects**

DCF Analysis

$$\begin{aligned} \text{Enterprise Value} &= \frac{C_1}{WACC - E(r)} \left[1 - \left(\frac{1 + E(r)}{1 + WACC} \right)^n \right] \\ &= \frac{149.8}{0.1 - 0.08} \left[1 - \left(\frac{1 + 0.08}{1 + 0.1} \right)^{25} \right] \\ &= \$2755 \text{ million} \end{aligned}$$

$$P = \frac{\text{Enterprise Value}}{\text{shares outstanding}}$$

$$P = \frac{2755 \times 10^3}{633 \times 10^3}$$

$$P = \$4.35$$

- Theoretical value of the stock calculated to be \$4.35
- Compared to the actual value of \$5.20
- Suggests the stock is overvalued

We believe you should ***invest***

1. Market Analysis
2. Asian Growth Potential
3. Experienced Board

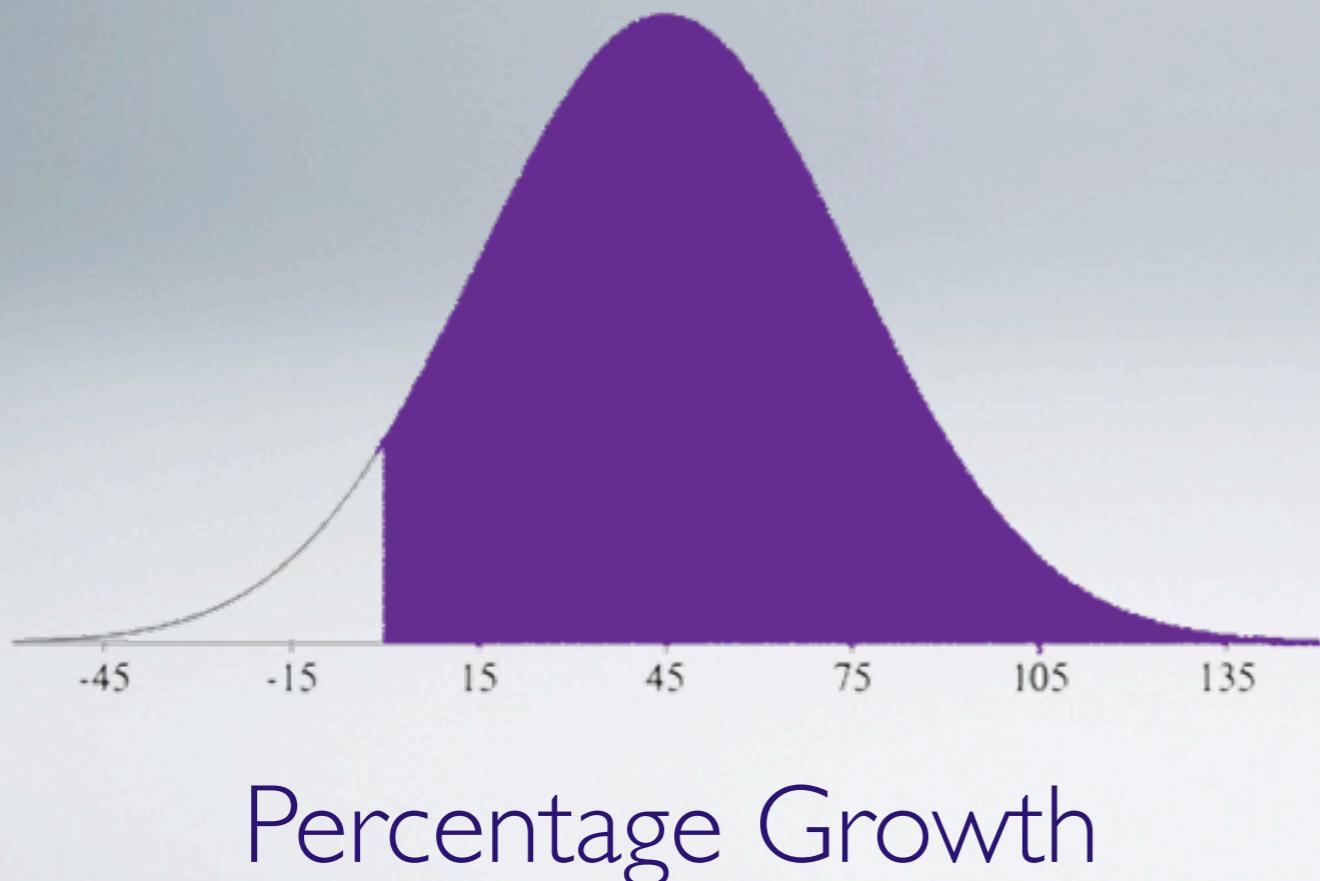


I. Market Analysis

	Time Frame	Growth (%)	Projected A2 Price
Blackmores	Aug 2015 - Aug 2016	81.36	9.52
Synlait	Aug 2016 - Aug 2017	30.21	6.33
Fonterra	Aug 2016 - Aug 2017	5.25	5.54
Capilano	Aug 2015 - Aug 2016	23.45	6.49
Freedom foods	May 2013 - May 2014	86.67	9.82

Average growth	45.2%	Predicted price in 1 year	\$7.54
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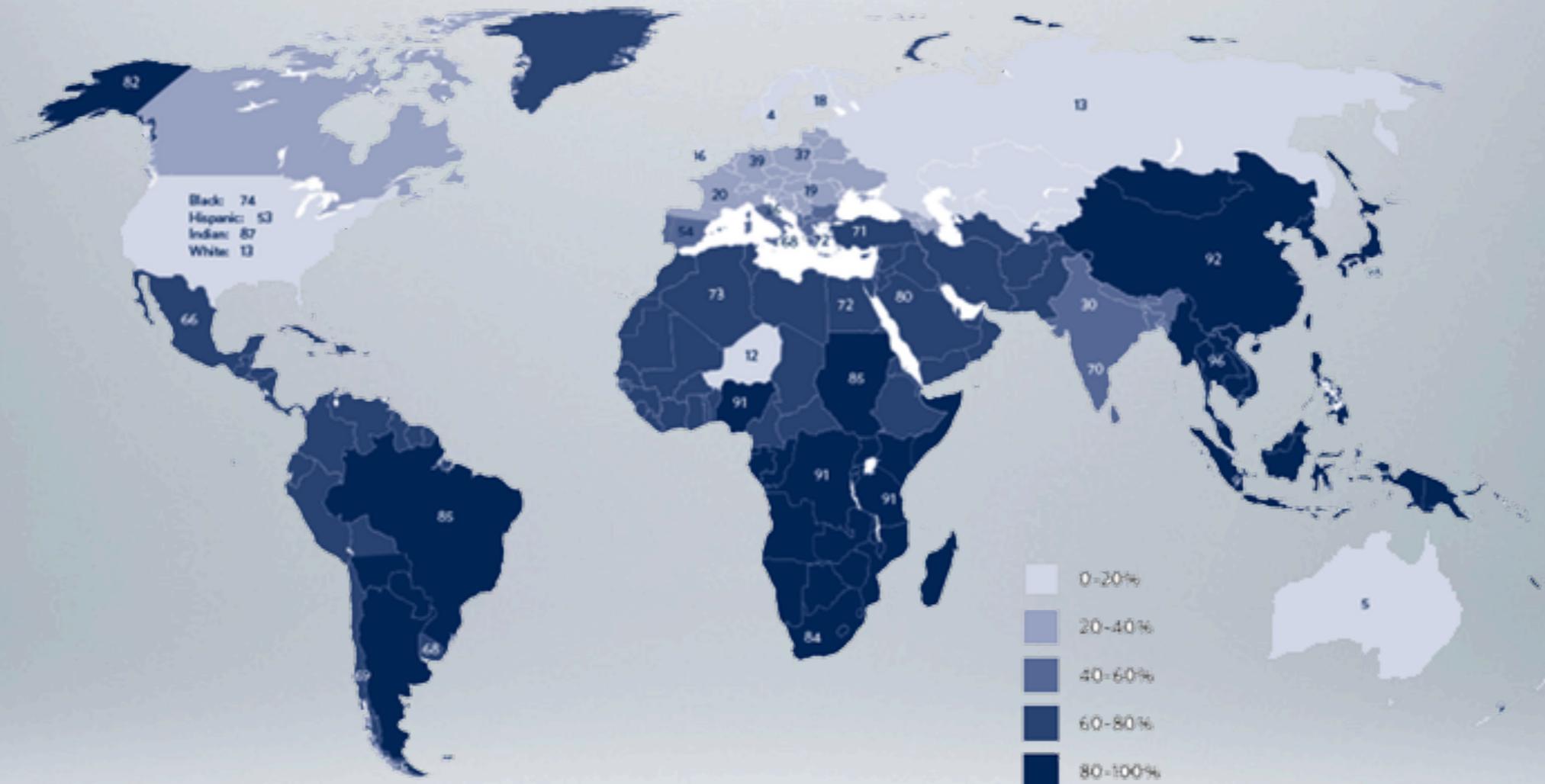
Approximating this data
to a normal distribution
provided convincing
incentive to buy



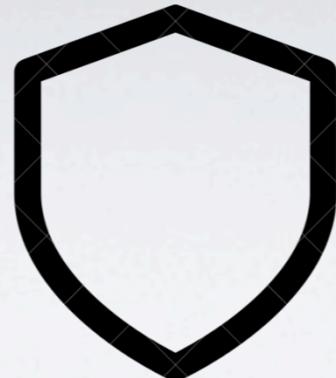
$$G \sim N(45.5, 33.8^2)$$
$$\Rightarrow \Pr(G > g) = Ncdf(g, E99, 45.5, 33.8)$$

g	$\Pr(G > g)$
0	91.1
10	85.3
15	81.7
20	77.5

2. High Market Potential in Asia



Easy to Digest



Trustworthy



Status Symbol

3. Strong Leadership & Experience



David Hearn
Chairman & Executive Director



MARKETING
EXPERIENCE &
CONNECTIONS

CEO



Jesse Wu
Non-Executive Director



PREVIOUS
SUCCESS IN
ENTERING THE
ASIAN MARKET

ASIA PRESIDENT

Risks for A2 Milk

Agricultural Management Competition Government Intervention



Low



Risk

High

Chinese government intervention

Government campaigns
against Australian milk

Import bans

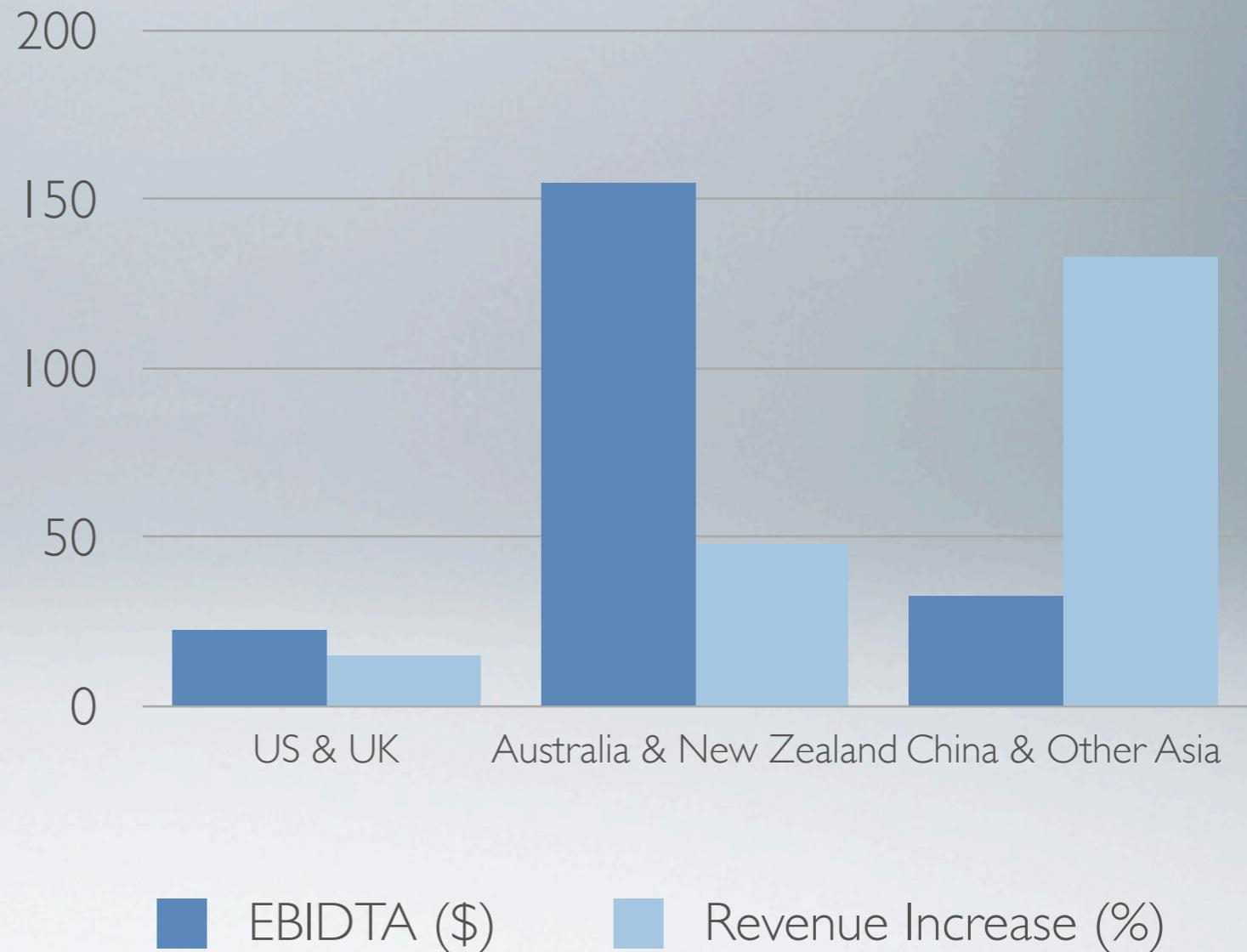
Support of local suppliers



Risk minimized by market diversity

- Large profits across **several markets**
- Diverse product range
- **Reduces risk**

introduced by government sanctions and competition



EBIDTA (\$)



Revenue Increase (%)

Our Final Verdict



Stock Currently
Overvalued



Fantastic
Management



Considerable **Risk**
Entering China



Market Analysis
Suggests **Further
Growth**

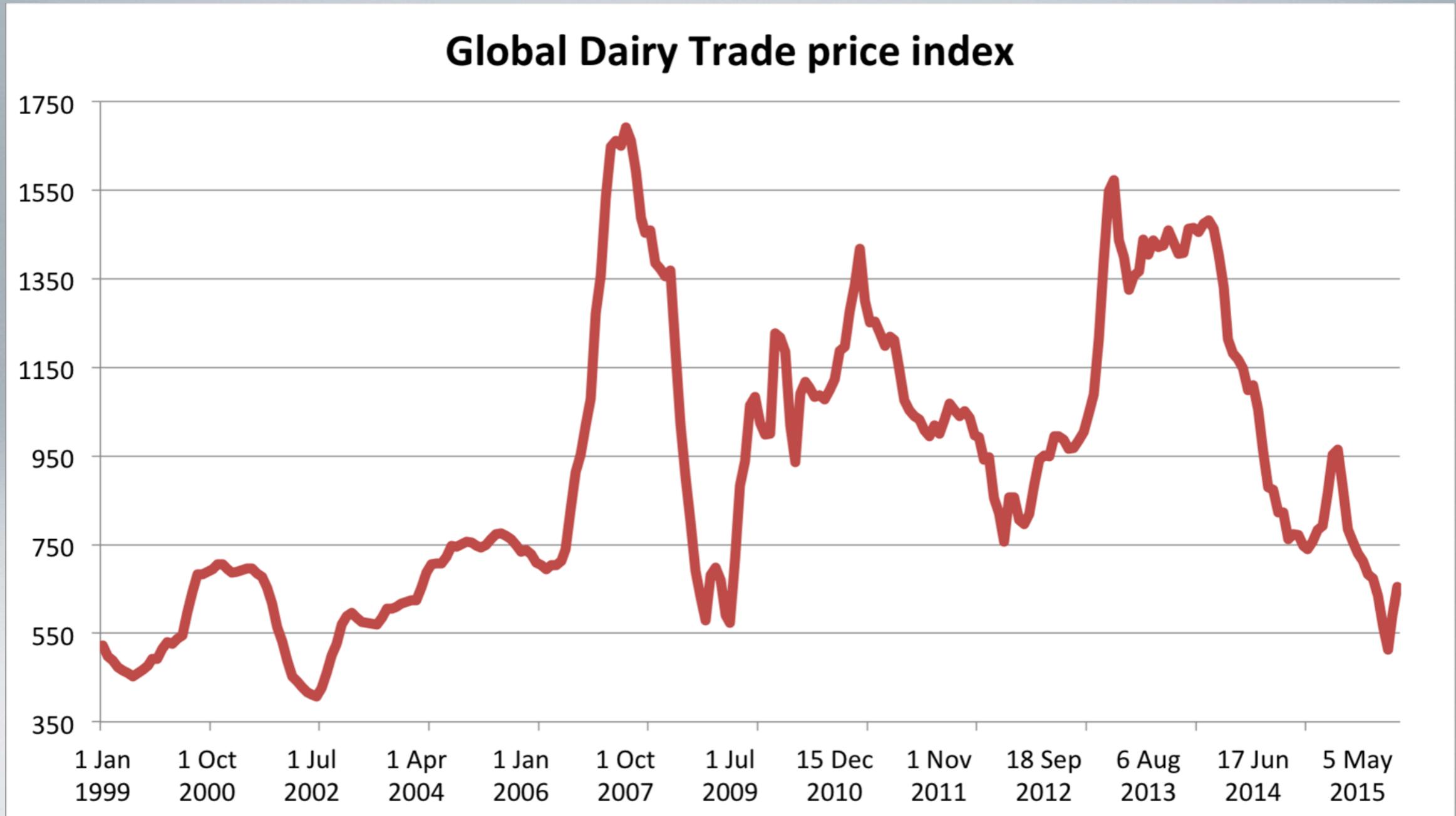


High Market
Potential in Asia

We recommend you **buy now** and sell in a years time

Appendix

Appendix: Global Milk Price



Appendix: Review of Management

Name	Position in A2m	Previous Positions Held	Key Notes
David Hearn	Chairman and executive director	<ul style="list-style-type: none"> - CEO of Bates Worldwide since April 2002 - Management director of Del Monte UK 1984-1986 	<ul style="list-style-type: none"> - Bates is a worldwide advertising agency with total billings of 7.7 billion and 7000 employees. Its parent company also owns JWT, one of China's largest advertising agencies. Because of these experiences and connections Hearn will be able to continue developing a marketing strategy specifically in china - Del Monte UK has 45000 employees and has already successfully entered the asian market. 20% of their earning come from asia with over 600m sales in asia over 2016
Julia Hoare	Deputy Chairman	<ul style="list-style-type: none"> - Partner at PWC In NZ for more than 20 years 	<ul style="list-style-type: none"> - Julia had extensive chartered accounting experience in Australia, the UK and New Zealand as a partner at PwC New Zealand for 20 years. As such she has had in depth experiencing helping a broad range of companies grow and solve their problems
Geoffrey Babidge	CEO	<ul style="list-style-type: none"> - CEO of Freedom Foods Group 2007-2010 	<ul style="list-style-type: none"> - Freedom Foods already has a large base of customers in China including Bright Dairies China, New Hope Dairies, China Yihaojian. These companies have all had healthy growth in their profits

Appendix: Review of Management

Name	Position in A2m	Previous Positions Held	Key Notes
Peter Hinton	Non-Executive Director	- Partner at the law firm Simpson Grierson in New Zealand until December 2016	- Is a highly regarded commercial lawyer, investor and businessman with substantial experience in this market and international markets. together with his very strong commercial skills, is highly relevant and complementary to the make-up of the Board
Warwick Every-burns	Non-Executive Director	- The Clorox Company -VP of Asia Pacific -Senior Vice President of based in USA - Non-Executive Director Treasury Wine Estates	Warwick has been a career Consumer Packaged Goods (CPG) executive of global scale. He previously was the VP of Asia Pacific for The Clorox Company. More recently Warwick has been a non-executive director of the ASX listed Treasury Wine Estates
Jesse Wu	Non-Executive Director	- Johnson & Johnson -Finance Director -Managing Director of China -President for greater china -International Vice President	Previously worked with PepsiCo, before joining Johnson & Johnson's consumer business. Having held the roles of Finance Director, Managing Director China and President for Greater China, Jesse was named International Vice President, Asia/Pacific in 2003 and Company Group Chairman, Global Markets in 2008

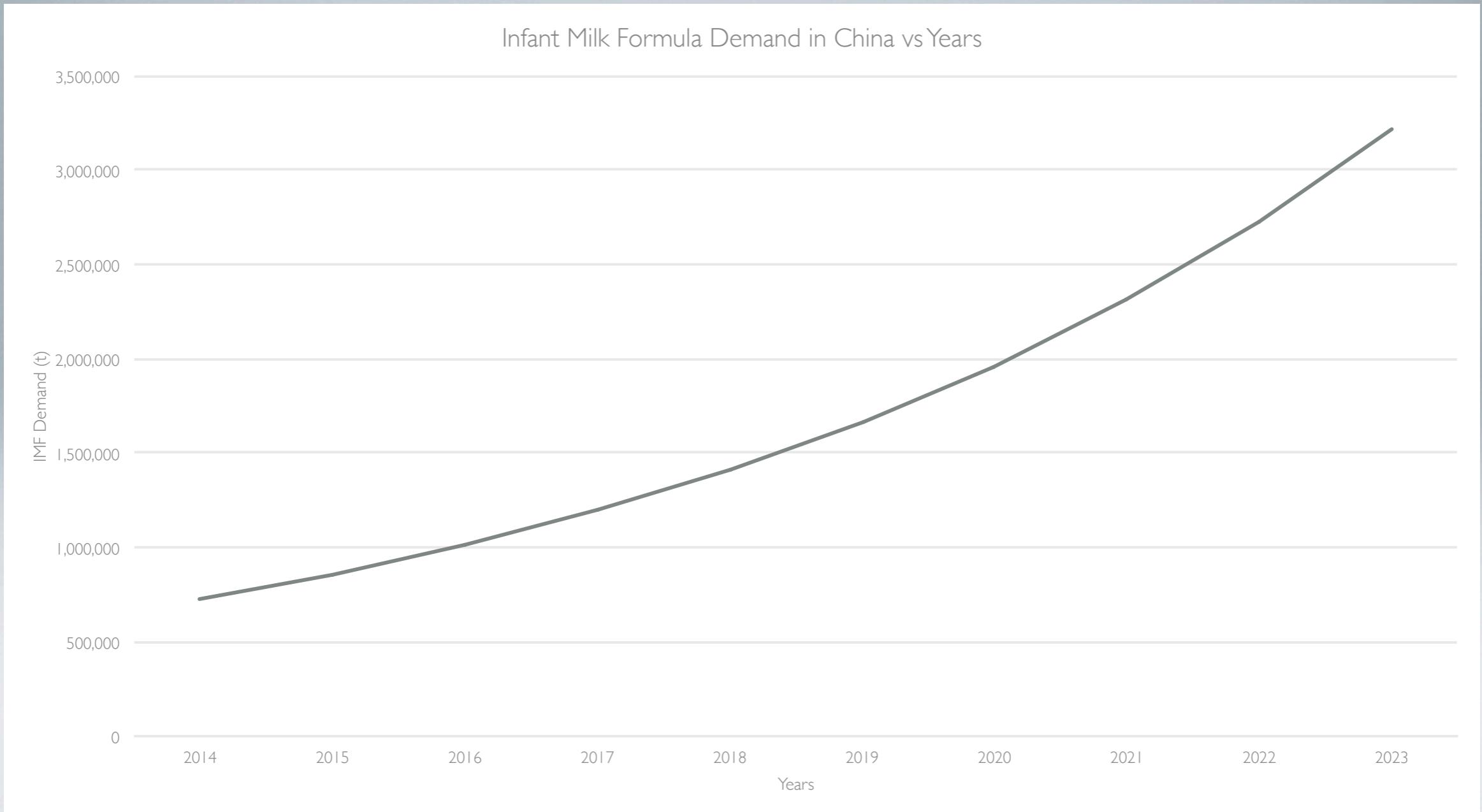
Appendix: Review of Management

Name	Position in A2m	Previous Positions Held	Key Notes
Craig Louttit	CFO	<ul style="list-style-type: none">- UGL Limited- General Manager Finance- Group Financial Controller	Craig previously worked at UGL Limited where, he held senior finance roles including as General Manager Finance, Transport and Technology Systems, and Group Financial Controller

The Skills and experience of the Management Team

Skills and experience	Board representation (out of 6 directors)
Executive leadership – experience as a senior executive in one or more substantial commercial businesses	6
Non-executive Board membership – experience as a non-executive director of a number of listed or other widely held companies	4
Consumer products and nutritional industries – experience as a senior executive in, or as a professional advisor to, consumer products or nutritional industry businesses	4
E-commerce – experience as a senior executive in, or as a professional advisor to, businesses engaged in e-commerce activities	5
Food safety – technical or managerial experience relating to food, food product development and development and/or implementation and management of safe practices for the sourcing, production, transport and distribution of perishable foods	3
International markets – experience as a senior executive in, or as a professional advisor to, businesses that operate outside Australia and New Zealand, particularly those international markets in which the Company operates, and an understanding of how to succeed in different cultural, regulatory and business environments	5
Accounting, legal, taxation and finance – experience in financial accounting, taxation, external and/or internal audit and reporting	5
Risk management – experience in identifying and mitigating risk	6
Remuneration – experience in developing and/or implementing executive remuneration programmes, including incentive-based remuneration	5

Appendix: Infant Milk Formula Demand



Appendix: Why the Chinese Prefer Australia Formula over Chinese

- Nutritional elements in the formula were far below the national standard, with the protein content just 0.16 per cent compared to the required level of 18 per cent.
- In the mid to late 2000's with illicit practices and regulatory loopholes in the dairy industry culminating in the melamine-tainted milk scandal of 2008. Six babies died and more than 300,000 others suffered kidney problems after drinking formula adulterated with the industrial chemical melamine
- Shanghai Dairy Association deputy secretary Cao Mingshi said another reason behind the demand for foreign formula - although not the main one - was that the same brands were cheaper in Europe and North America than in China.
- Mainland dairy sector's sales have grown steadily since hitting their nadir in the wake of the 2008 melamine scandal. The State it would close more than half the unqualified makers of baby formula this year, after the closure of nearly half the dairy produce factories in the past five years.
- "In the first decade of this century, the dairy industry experienced sizzling and chaotic development on the mainland and regulation lagged seriously behind," Cao said.

Appendix: Calculating A2M's predicted growth over 2018

$$\begin{aligned} \text{Predicted growth for A2M} &= \frac{\text{Blackmores} + \text{Fonterra} + \text{Bellamy's} + \text{Synlait} + \text{Yashili}}{\text{Number of firms}} \\ &= \frac{81.36 + 30.21 + 5.25 + 20.89 + 89.86}{5} \\ &= \frac{227.57}{5} \\ &= 45.514\% \end{aligned}$$

We looked for companies within the food industry that displayed similar growth to A2 Milk. The growth within the following financial year for each company was then recorded and averaged. This served as an indication for A2 Milk's growth over 2018.

Appendix: Comparison Method



Appendix: Comparison Method



Appendix: Comparison Method



Appendix: Product Quality Risk Management

Products may become contaminated, tampered with or adulterated thus leading to customers becoming unsafe, leading to penalty's, loss of consumers, fines etc.

Mitigations:

- Food safety programs
- High quality third party manufacturing
- Comprehensive testing of products
- Implementation of technology improving product security
- Consumer support systems

Appendix: Supply Chains Risk Management

If one or more suppliers change in material in an adverse way and one or more suppliers reduce their support for the company:

Mitigations:

- Develop long-term relationships with suppliers
- Due diligence with partners before coming business partners
- Contracts provide access to milk pool that is bigger than current demanded
- Multiple milk process in Aus & USA

Appendix: Environment Risk Management

- Concerns due to agricultural activity (water usage, disease)
 - Environmental concerns that could affect the company's reputations
- Mitigations:
- Sourcing milk from diversified milk pool across different countries
 - Introduction of Animal welfare Program

Appendix: Key Personal Risk Management

- Loss of key management personal
- Mitigations:
- Employee retention strategy
 - Increase depth and capability of the senior management pool
 - Planning to ensure containing of knowledge, skills and experience

Appendix: Workplace health & safety Risk Management

- Actual/potential harm to workers
 - Not complying to laws and regulation
- Mitigations:
- Framework in place to help board monitor health and safety risks
 - Use of external consultants to ensure compliance
 - In depth health and safety training

Appendix: Asia restrictions on infant formula

- The CFDA requires manufacturers of infant formula to register brands and recipes with them in order to import products from 1 January 2018.
- The dossier application for CFDA registration of a2 Platinum® infant formula was submitted by Synlait in May 2017, and has been accepted for review.
- Both companies are confident that Synlait's registration application with CFDA will progress as expected.
- Currently though 30 infant formula companies from 22 factories have been approved by the CFDA

Appendix: Regulations

Risk Management

China could enforce tariffs, quotas, price controls, taxes or non-tariff barriers. There is also potential for failure to meet regulatory requirements which could result in financial penalties, trade embargoes or even loss of market access.

Mitigations:

- A multi-product, multi-channel route to market is in place to enter China.
- A2 has partnered with Synlait Milk to manufacture their Platinum infant formula. Synlait is already a CNCA registered manufacturing facility in New Zealand.
- Monitoring of the company is done by a third party so that A2 remains compliant with regulatory requirements.

Appendix: Media campaigns against Australian milk

- Chinese government-owned media have been pushing out stories about the benefits of local dairy, as compared with imports.
- “There’s a whole movement in China called supply side reform and they’re trying to make Chinese products attractive to Chinese consumers — rice cookers, toilet seats, through to food and beverage,” he said.
- “With the Chinese economy shifting towards consumption, the government wants make sure that China gets as big a share of that as possible.”