



Australian Dairy Nutritionals Group

Growing Local, Going Global

CEO update Presentation
Peter Skene
09/09/19



Advancing and investing in group strategy



- *FY19 results reflect solid progress and investment in strategic objectives to place the Group in strong standing for FY20*
- *FY19 Operating EBITDA improvement of \$1M over previous year to -\$1.7M*
- *A contracted increase in milk price for FY20 expected to deliver an extra \$1.1 – 1.3M EBITDA in FY20 (independent of other expected improvements)*
- *FY19 financial results reduced by trading debt provision of \$864K and record high feed costs however favorable reductions in feed prices are now occurring and expected to continue. Post balance date joint venture in relation to Jonesy's Dairy Fresh facilitates possible recovery of trading debt as well as acquisition of premium brand in the wholesale milk distribution channel*
- *Invested in key staff including an experienced management team (Sales and Marketing and Company Secretary/General Counsel)*
- *Strong cash position of \$3.7M at 30 June 2019 to support investment in organic infant formula strategy*
- *Tranche 2 of Placement to Sophisticated Investors completed on 20 August 2019 raising an additional \$8.1M (before costs)*

2019 Key Farm Investments for Future Benefit

AHF is building a secure supply of premium differentiated raw material (organic milk)
Organic milk is scarce and includes time and cost barriers to entry

- ✓ Brought forward the organic milk timeline with the purchase of “Yaringa” farm which will be fully certified organic in November 2019. Purchase price of \$4,450,000 (plus costs).
- ✓ Pasture renovation and other improvement works started on Yaringa in November 2018 and commenced milking in April 2019 (revenue stream).
- ✓ Pasture renovation expense and investment totaling \$1.5 million across all farms in FY 2019
- ✓ Material investment in future milking cattle – expense of \$900k during FY 2019:
 - ✓ Investment in rearing of 2000 young not yet milking cows (well above average) versus purchase of cows - takes 2 years from birth to production of milk.
 - ✓ This investment will grow the future organic milking herd

Product Diversification score card



2019

- Milk
- Premium Milk Range
- Butter
- Yoghurt
- Kefir
- Paediatric Formula

New Additions

- Organic Pouches – Commenced production and sales during FY19
- Probiotic Yoghurts – Commenced production and sales during FY19
- Organic Milk – Commenced production and sales July 2019

2020 & 21

- Milk
- Butter
- Yoghurt
- Kefir
- Paediatric Formula
- Smoothies
- Cream

New Additions

- Cultured Drinks running on schedule
- Flavoured Fresh fully developed and running ahead of schedule
- Infant Formula running on schedule
- Organic Cream running on schedule
- Organic Skim Milk Powders running on schedule
- Whole Milk Powders running on schedule



Image pixelated for competitive reasons

FY 19 challenges and related FY19 AHF initiatives



- Competitive levels remain high for current AHF product categories;
 - Accelerated the timeline to organic infant formula and other organic products with the purchase of a Yaringa farm which will be fully converted to organic production by November 2019
 - Accelerated the timelines to organic infant formula and related products with the purchase of an infant formula plant
 - Optimizing existing product ranging to all premium products
 - Increased volumes through manufacturing plant with a material increase in contracting volumes

- Drought conditions effecting large parts of Australia. Western Victoria is in very good condition however indirectly effected by brought in feed costs;
 - Adopted strategies to reduced purchased feed via detailed pasture growth plans with help of experienced agronomist
 - Procurement strategy to secure best price on purchased feed
 - Investment in soil optimization to support strong growth

Formula Plan

Progress



AHF has acquired an introductory formula plant to fast-track production, build own brand equity and stage CAPEX over a 2 step strategy

- Phase 1 Progress

- ✓ Purchased infant formula plant from overseas vendor
- ✓ Successfully dismantled the plant and transported to Melbourne
- ✓ Successfully completed Customs and AQIS clearances
- ✓ Successful capital raise of \$12 million (before costs) to fund phase 2 building and construction works
- ✓ Phase one completed on time and within budget



Formula Plan

Progress



AHF has acquired an introductory formula plant to fast-track production, build own brand equity and stage CAPEX over a 2 step strategy

- Phase 2 – Building and Construction
 - ✓ Purpose built building on AHF owned land
 - ✓ Site has excellent access to all necessary services including electricity, gas, trade waste discharge
 - ✓ Local and state government very supportive
 - ✓ Key elements of design and layout of building finalized
 - ✓ Strong interest from regional builders
 - ✓ Artists impression below



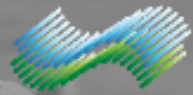
New Joint Venture – Jonesy's Dairy Fresh



- One of two premium brands in the milk distribution market
- Large customer base provides platform for launch of CDC products into hospitality market
- Expanded product list expected to increase purchasing by existing customers and acquire new customers
- Strong brand values aimed at supporting farmers through a fair price and quality products
- Fully secured facility between the JV entity and CDC allows for potential recovery of trading debt



Expansion of the Jonesy's range to include CDC Organic and Jersey milks creates a compelling range for cafés, restaurants and niche retailers



The Year Ahead

- Revenue from existing operations expected to materially increase in FY20
- Farm feed prices expected to decrease due to favourable conditions for start of season in South-West Victoria (a significant expense for the group)
- First AHF farms to be fully certified organic late November 2019
- Brand penetration into foodservice and retail
- New company owned fresh and infant formula brands launch expected in 2020
- Stage one dryer comes online in 2021 and provides flexibility to provide organic powders, infant formula and other high value products based on best returns.

AHF at a Glance



*Australian Dairy
Nutritionals Group is 2
years into the journey of
becoming the second
largest premium organic
brand owner and milk
producer in Australia*



Well positioned to capitalise on the growing shortfall of organic milk supply



A vertically integrated business model guarantees ability to supply versus competitors



Focused on developing higher margin owned brands and products including organic infant formula



Strong domestic distribution with major supermarket chain



Export permits, certification and customer relationships are all in place



Board and management have the track record and experience to take the business forward



Board and Management Team



Michael Hackett
Non-Executive Chairman

- Michael has been a director since 2009 and with Adrian Rowley, initiated AHF's entry to the dairy industry in 2013
- Michael is a former Chartered Accountant and Commerce graduate, who has chaired several listed entities over a thirty year span
- Extensive hands-on corporate restructuring, acquisition and operational experience since listing first ASX entity in 1987
- Considerable experience initiating, managing and operating a wide range of businesses, property developments and diverse listed entities



Peter Skene
CEO and Director

- Appointed CEO and Managing Director of Australian Dairy Nutritionals Group in July 2016
- Started career on the factory floor and moving through positions from factory hand to Managing Director in dairy, food and other fast moving consumer goods industries
- Peter has a Bachelor of Commerce, a Bachelor of Applied Science (Dairy) an Associate Diploma of Dairy Technology, is an Alumni of Harvard Business School and has completed Executive Programs at Harvard, Stanford and Melbourne Universities



Adrian Rowley
Non-Executive Director

- Adrian Rowley joined the board in 2011, prior to its entry to the dairy industry
- Adrian has had a career in financial services and investment management spanning 20 years and is currently Head of Equity Strategy at Watershed Funds Management
- Promoted to Chief Investment Officer at London Partners, Melbourne during 13 years employment and responsible for \$400m client funds under management
- Director and Head of Investment Strategies at Watershed Funds Management



Paul Morrell
Non-Executive Director

- Paul Morrell was appointed to the Board in March 2018
- Paul's background has a strong emphasis in lead management in complex construction and management of large scale enterprises
- Knowledge of manufacturing and on time delivery of services and products including aspects of food manufacturing and speciality powders



Chris Flahey
Sales & Marketing

- Extensive knowledge, experience and relationships with the domestic and global infant formula markets
- Chris was the Sales & Marketing Director of Bellamy's Australia Ltd – revenues grew from \$12m to \$184m during his tenure (2012 – 2015)
- Held positions with Simplot Australia where he worked for iconic brands including BirdsEye, John West, Edgell, Leggos and Four & Twenty

•Contact

•For additional information or media enquiry matters please contact:

- Peter Skene
- Group CEO / Director
- Australian Dairy Nutritionals Limited
- Email:shareholders@adfl.com.au

•Disclaimer – Forward Looking Statements

•This announcement may include “forward looking statements” within the meaning of securities laws of applicable jurisdictions. These forward-looking statements are not historical facts but are based on AHF’s current expectation, estimates and projections about the industry, in which it operates, and beliefs and assumptions. Forward looking statements may include indications of, and guidance on, future earnings or distributions and financial position and performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of AHF, and its officers, employees, agents, or associates, that may cause actual results to differ materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and AHF assumes no obligation to update such information.

