

COMPANY PROFILE

BELL POTTER

The a2 Milk Company Limited

GICS - Food/Beverage/Tobacco

ASX Code: A2M Price: \$5.92 12 Mth Target Price: \$5.70 Rating: Hold

Business Summary

The A2 Milk Company Limited (A2M) is engaged in the sale of branded products in targeted markets made with milk from cows that produce milk naturally containing only the A2 protein type. It deals in the commercialisation of A1 protein free branded milk and related products in targeted global markets.

A2 Milk: A2 Milk is pure dairy milk which comes from cows specially selected to produce A2 beta-casein protein rather than A1. Products relating to a2 Milk include: A2 Full Cream Milk (full-bodied milk contains 4g of fat per 100mL); A2 Light Milk (contains all the full cream with 1.3g of fat per 100mL); No Fat a2 Milk (does not contain any fat); A2 Long Life Full Cream Milk (Contains 3.6g of fat per 100mL); a2 Jalna Natural Low Fat Creamy Yoghourt; semi-skimmed a2 Milk and a2 Whole (as an ingredient in cooking, on cereal).

Latest Research

Recent reporting trends

this note we review post reporting datapoints and China peer group reporting. Key points:

China IMF reporting season: Three listed IMF entities have recently reported. In aggregate we noted: (1) Average contribution margin contraction of 500bp with a spread of -1300-to-+120bp in 1H24 (vs. A2M of -180bp); (2) Average revenue growth of -20% YOY (vs A2M of +2% YOY) with revenue per distribution point (where reported) down -15% YOY in NZD terms (vs. A2M of +5% YOY); and (3) CY24e

outlook comments generally suggested a stabilising but competitive market.

For more information see research 23 Apr 2024.

Snapshot

Date	29 April 2024
Market Cap.	\$4,280m
Shares on issue	722.9m
12 Month High	\$6.26
12 Month Low	\$3.70

Rating

Rating	Hold
12 Mth Target Price	\$5.70
Capital Gain	-3.7%
Gross Yield	NA%
Implied Total Return	-3.7%

Investment Fundamentals

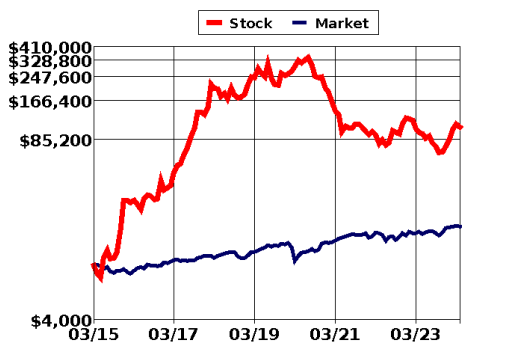
FYE 30 Jun		2023A	2024F	2025F	2026F
Profit	\$m	155.6	172.0	198.4	231.6
Profit (norm)*	\$m	155.6	172.0	198.4	231.6
EPS*	¢	21.1	23.7	27.3	31.9
EPS Growth	%	28.8	12.1	15.3	16.7
P/E*	x	28.0	25.0	21.7	18.6
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	0.0	0.0	0.0	0.0
Yield	%	0.0	0.0	0.0	0.0
Franking	%	0.0	0.0	0.0	0.0

* Adjusted for goodwill and unusual items
Source: Based on Bell Potter estimates

Share Price Chart



Total Return on \$10,000 Investment



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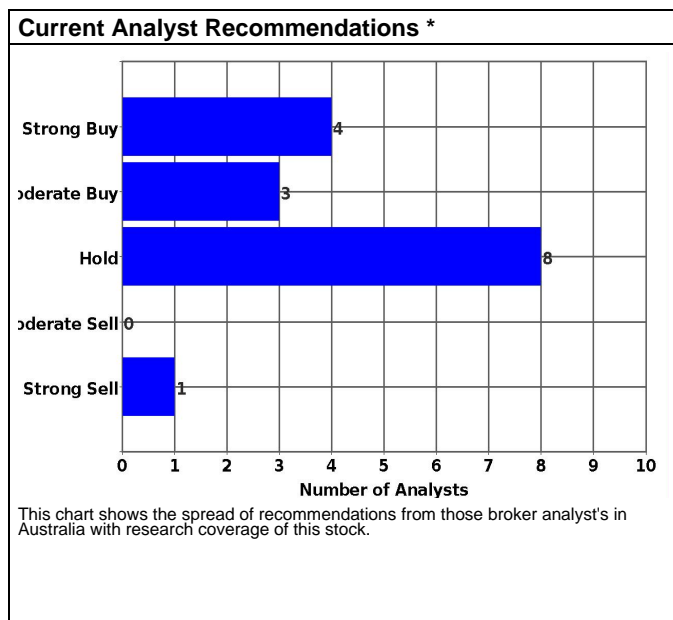
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Profit & Loss (\$M)					
	2019A	2020A	2021A	2022A	2023A
Sales Revenue	1,247	1,617	1,121	1,302	1,462
Total Revenue ex. Int.	1,247	1,617	1,123	1,304	1,464
EBITDA	397	516	125	177	202
Depreciation & Amort.	-2	-4	-7	-17	-17
Goodwill Amortisation	--	--	--	--	--
EBIT	395	512	118	160	185
Net Interest	4	5	3	4	20
Profit Before Tax	399	517	121	164	205
Income Tax	-122	-154	-36	-60	-72
Outside Equity Int.	--	--	--	7	10
Profit after Tax	277	360	85	111	143
Significant Items after Tax	-2	--	-10	--	--
Reported Profit after Tax	275	360	75	111	143
Preferred Dividends	--	--	--	--	--

Cash Flow (\$M)					
	2019A	2020A	2021A	2022A	2023A
Receipts from Customers	1,260	1,614	1,165	1,291	1,488
Funds from Operations	400	579	171	202	117
Net Operating Cashflow	276	399	83	184	102
Capex	-3	-7	-7	-5	-10
Acquisitions & Investments	-155	-20	-53	-194	-417
Sale of Invest. & Subsid.	--	--	--	--	413
Net Investing Cashflow	-158	-27	-60	-604	-13
Proceeds from Issues	3	2	2	0	--
Dividends Paid	--	--	--	--	--
Net Financing Cashflow	3	-11	-1	9	-164
Net Increase Cash	121	361	22	-412	-75
Cash at Beginning	325	434	795	789	402
Exchange Rate Adjust.	-2	3	-3	17	-4
Cash at End	444	798	814	394	324

Ratios and Substantial Shareholders						
		2019A	2020A	2021A	2022A	2023A
Profitability Ratios						
EBITDA Margin	%	31.88	31.90	11.11	13.60	13.79
EBIT Margin	%	31.71	31.65	10.49	12.29	12.65
Net Profit Margin	%	22.22	22.43	7.55	8.49	9.78
Return on Equity	%	36.78	34.23	8.40	10.39	13.58
Return on Assets	%	29.18	26.73	6.67	7.31	9.90
Debt/Safety Ratios						
Net Debt/Equity	%	-59.00	-73.84	-79.21	-63.90	-60.96
Interest Cover	x	-99.45	-96.41	-39.27	-44.60	-9.30
Top 5 Substantial Shareholders						
Perpetual Limited and subsidiaries						8.2%
Bennelong Funds Management Group Pty Ltd						5.7%
The Goldman Sachs Group, Inc.						5.6%
Morgan Stanley and its subsidiaries						5.2%
The Vanguard Group,Inc						5.0%

Balance Sheet (\$M)					
	2019A	2020A	2021A	2022A	2023A
Cash & Equivalent	444	798	814	800	737
Receivables	50	66	61	75	73
Inventories	104	138	104	126	178
Other Current Assets	47	53	41	54	43
Current Assets	646	1,054	1,021	1,056	1,031
Prop. Plant & Equipment	10	28	30	231	241
Intangibles	12	13	14	99	100
Other Non-Current Assets	47	53	41	54	43
Non-Current Assets	304	303	256	491	450
Total Assets	950	1,358	1,277	1,547	1,481
Interest Bearing Debt	--	16	15	112	93
Other Liabilities	197	283	253	359	331
Total Liabilities	197	298	268	471	425
Net Assets	753	1,060	1,009	1,077	1,056
Share Capital	138	137	139	135	0
Reserves	62	21	-102	-123	-163
Retained Earnings	553	901	972	1,053	1,216
Outside Equity Int.	--	--	--	12	3
Total Shareholders Equity	753	1,060	1,009	1,077	1,056



Principals & Directors	
Principals	
Company Secretary	Mr Jaron McVicar
Directors	
Mr Warwick Lynton Every-Burns(Non-Executive Director)	
Mr David Landt Bortolussi(Chief Executive Officer,Managing Director)	
Ms Philippa (Pip) Mary Greenwood(Non-Executive Director)	
Ms Kathryn(Kate) Mitchell(Non-Executive Director)	
Ms Sandra Yu(Non-Executive Director)	
Mr David Wang(Non-Executive Director)	

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