

# COMPANY PROFILE

## BELL POTTER

The a2 Milk Company Limited

GICS - Food/Beverage/Tobacco

ASX Code: A2M

Price: \$5.77

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

Forward to the past

A2M reported 1H24 underlying NPAT slightly of our expectations at NZ\$85.3m. Key operating statistics of the result included:

Operating results: Revenue of NZ\$812m was up +4% YOY (vs. BPe NZ\$774m). EBITDA of NZ\$113.2m was up +5% YOY (vs BPe of NZ\$110.2m). EBITDA ex-MVM was NZ\$128.5m (vs. BPe of NZ\$121.3m). Underlying NPAT of NZ\$85.3m was up +16% YOY (vs. BPe of \$82.5m). Transition to the new PRC label commenced in Oct'23 and accelerated in Dec'23 and was ahead of our expectations around timing.

For more information see research 20 Feb 2024.

### Snapshot

Date	9 April 2024
Market Cap.	\$4,171m
Shares on issue	722.9m
12 Month High	\$6.26
12 Month Low	\$3.70

### Rating

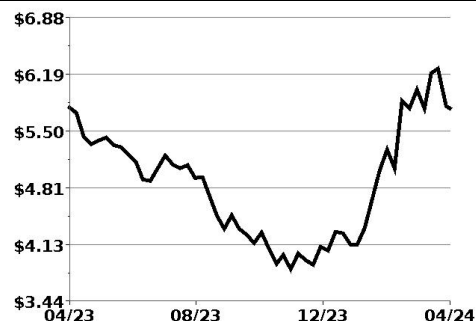
Rating	Hold
12 Mth Target Price	\$5.70
Capital Gain	-1.2%
Gross Yield	NA%
Implied Total Return	-1.2%

### Investment Fundamentals

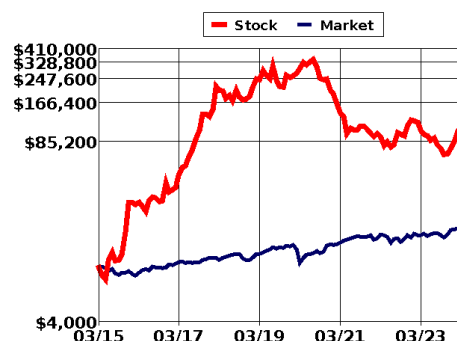
FYE 30 Jun		2023A	2024F	2025F	2026F
Profit	\$m	155.6	173.8	196.2	229.1
Profit (norm)*	\$m	155.6	173.8	196.2	229.1
EPS*	¢	21.1	24.0	27.0	31.5
EPS Growth	%	28.8	13.3	12.8	16.8
P/E*	x	27.3	24.1	21.4	18.3
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	0.0	0.0	0.0	0.0
Yield	%	0.0	0.0	0.0	0.0
Franking	%	0.0	0.0	0.0	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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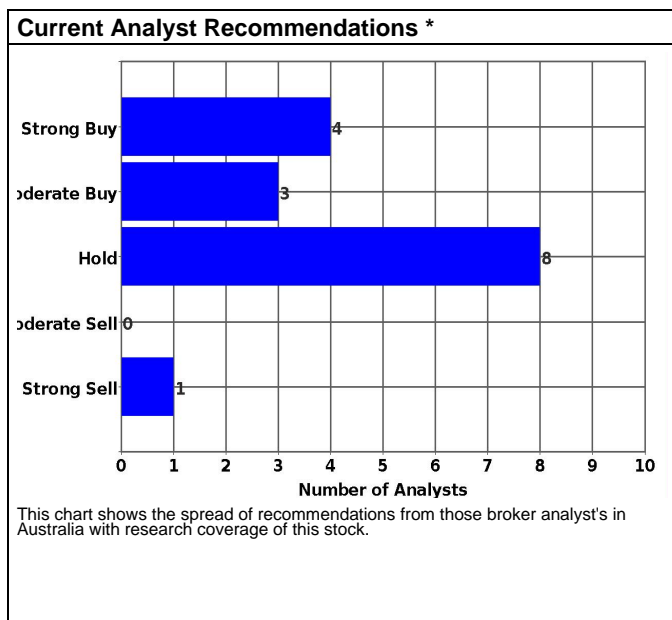
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Profit & Loss (\$M)					
	2019A	2020A	2021A	2022A	2023A
<b>Sales Revenue</b>	<b>1,247</b>	<b>1,617</b>	<b>1,121</b>	<b>1,302</b>	<b>1,462</b>
Total Revenue ex. Int.	1,247	1,617	1,123	1,304	1,464
<b>EBITDA</b>	<b>397</b>	<b>516</b>	<b>125</b>	<b>177</b>	<b>202</b>
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
<b>Profit after Tax</b>	<b>277</b>	<b>360</b>	<b>85</b>	<b>111</b>	<b>143</b>
Significant Items after Tax	-2	--	-10	--	--
<b>Reported Profit after Tax</b>	<b>275</b>	<b>360</b>	<b>75</b>	<b>111</b>	<b>143</b>
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
<b>Net Operating Cashflow</b>	<b>276</b>	<b>399</b>	<b>83</b>	<b>184</b>	<b>102</b>
Capex	-3	-7	-7	-5	-10
Acquisitions & Investments	-155	-20	-53	-194	-417
Sale of Invest. & Subsid.	--	--	--	--	413
<b>Net Investing Cashflow</b>	<b>-158</b>	<b>-27</b>	<b>-60</b>	<b>-604</b>	<b>-13</b>
Proceeds from Issues	3	2	2	0	--
Dividends Paid	--	--	--	--	--
<b>Net Financing Cashflow</b>	<b>3</b>	<b>-11</b>	<b>-1</b>	<b>9</b>	<b>-164</b>
Net Increase Cash	121	361	22	-412	-75
Cash at Beginning	325	434	795	789	402
Exchange Rate Adjust.	-2	3	-3	17	-4
<b>Cash at End</b>	<b>444</b>	<b>798</b>	<b>814</b>	<b>394</b>	<b>324</b>

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
<b>Current Assets</b>	<b>646</b>	<b>1,054</b>	<b>1,021</b>	<b>1,056</b>	<b>1,031</b>
Prop. Plant & Equipment	10	28	30	231	241
Intangibles	12	13	14	99	100
Other Non-Current Assets	47	53	41	54	43
<b>Non-Current Assets</b>	<b>304</b>	<b>303</b>	<b>256</b>	<b>491</b>	<b>450</b>
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
<b>Total Liabilities</b>	<b>197</b>	<b>298</b>	<b>268</b>	<b>471</b>	<b>425</b>
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
<b>Total Shareholders Equity</b>	<b>753</b>	<b>1,060</b>	<b>1,009</b>	<b>1,077</b>	<b>1,056</b>



Principals & Directors	
<b>Principals</b>	
Company Secretary	Mr Jaron McVicar
<b>Directors</b>	
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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