

Wellnex Life and Australian Dairy Nutritionals Group enter joint venture for launch of organic A2 infant formula

- Wellnex Life and Australian Dairy Nutritionals Group (ADNG) enter joint venture to launch Australia's first organic A2 infant formula range using 100% Australian milk
- Wellnex Life will sell the joint venture's Organic A2 infant formula range in its retail and pharmacy distribution network
- Wellnex Life will also distribute the future Gradulac Gentle infant formula range through its pharmacy distribution network

Wellnex Life Limited (ASX: WNX) and **Australian Dairy Nutritionals Group (ASX: AHF)** (ADNG) are pleased to advise they have established a joint venture to launch Australia's first organic A2 protein infant formula range using 100% Australian milk. The range will be distributed through Wellnex's significant existing pharmacy distribution channel. Over time, Wellnex and ADNG will aim to expand the range into retail grocery channels.

The joint venture will draw on the strengths of both WNX and ADNG, with ADNG being responsible for the manufacture of the infant formula range at its infant formula plant currently being commissioned in Camperdown, Victoria using organic A2 protein milk sourced from ADNG's farms located just 20 minutes away.

WNX will be responsible for the sale of the new range in the Australian retail and pharmacy channels through its existing distribution network. WNX will also distribute the future Gradulac Gentle infant formula range through its pharmacy distribution network.

ADNG will have the exclusive right to distribute the organic A2 infant formula range internationally including through cross border e-commerce arrangements in China. ADNG will pay WNX a royalty on sales through the overseas e-commerce cross border channel.

The joint venture will commence in January 2022 and has conditions that would be expected of an agreement of this nature including achieving listing of the two new ranges in a major pharmaceutical retailer. At any time within two to five years after the commencement of supply, ADNG will have the option to purchase WNX's shares in the joint venture based on an independent valuation.

A summary of the key terms of the binding term sheet establishing the joint venture is set out in the Schedule to this announcement.

George Karafotias, CEO of Wellnex Life, said: “We’re overjoyed to be partnering with Australian Dairy Nutritionals to launch Australia’s first organic A2 infant formula range using 100% Australian milk. The joint venture with ADNG will allow us to distribute and sell unique and in-demand premium milk products through our substantial existing distribution network. We’re very excited about the potential of this agreement to formulate new and innovative products for Australian and international shelves in a cost-effective manner.”

Peter Skene, CEO of Australian Dairy Nutritionals Group said: “Over the past 5 years ADNG have invested significantly in our organic A2 infant formula strategy, converting our farm portfolio to organic and A2 protein-only milk production, as well as the acquisition and development of an infant formula plant in Camperdown, Victoria just minutes away from the farms. We see the joint venture with Wellnex as a vehicle to accelerate distribution of both future Gradulac Gentle and organic A2 infant formula ranges in Australia and overseas in a capital efficient manner. “

This announcement has been authorised for release on the ASX by the Company’s Board of Directors.

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About Wellnex Life

Wellnex Life (ASX: WNX) is an Australian brand and distribution company of customer-focused health and wellness products. The company’s large portfolio, first-to-market strategy and established retail distribution network provide an attractive business model for growth and profitability. Wellnex’s mission is to deliver health, wellness, and vitality solutions to consumers in Australia and worldwide.

About Australian Dairy Nutritionals Group

Australian Dairy Nutritionals Group (ASX: AHF) is a vertically integrated Australian dairy group which owns high quality dairy farms and a processing facility located in Southwestern Victoria, the ‘Golden Triangle’ of Australia’s dairy industry. The Group is a trusted manufacturer of premium quality branded dairy products using milk sourced fresh from its farms.

A summary of the key terms of the legally binding terms sheet is set out below:

Item	Description
Parties	ADNG and WNX
New Entity	A new company will be established that will be jointly owned by ADNG and WNX, each holding 50% of the issued capital of the company) (NewCo). ADNG and WNX will enter into a shareholders agreement in respect of the operation and oversight of Newco.
Organic A2 Brand Development	Newco will develop, own and sell an organic A2 protein brand (Brand) to be applied to an organic A2 protein infant formula range (Stages 1 - 3) (Core Products) manufactured by ADNG. The Brand may be applied to selected other dairy products including milk powders, yoghurt and butter (Other Organic A2 Products). Application of the Brand to products other than the Core Products or Other Organic A2 Products must be agreed by Newco.
Distribution of the future range	WNX will distribute the 'future' Gradulac Gentle infant formula range (future range) through its extensive pharmacy distribution network
Conditions	The joint venture arrangement is subject to WNX achieving distribution with a major Australian pharmacy retailer of: <ul style="list-style-type: none"> the future range by 1 July 2022 (Condition 1); and the Core Products by 1 December 2022 (Condition 2). If the conditions are not satisfied by the relevant date ADNG will be entitled to terminate the joint venture.
ADNG Focus and Exclusivity	ADNG will exclusively manufacture the Core Products for Newco for a period of 12 months subject to satisfaction of Condition 2. This period of exclusivity may be extended for a further 2 year provided Newco achieves specified monthly sales targets of Core Products assessed on a rolling 3 month basis.
WNX Focus	WNX will be responsible for the sales representation of the products in the national pharmacy and retail channel. Products that are ranged in Chemist Warehouse will have an agreed portion of the annual marketing contribution payable by WNX under its agreement with Chemist Warehouse allocated to them. WNX agrees not to compete with Newco during the term of the shareholders agreement and for a period of 3 years thereafter.
Cross border sales and royalty	Newco grants ADNG an exclusive license to sell the Core Products and Other Organic A2 Products through cross border e-commerce channels in overseas markets. The royalty will be on cross border sales of Core Products capped at \$500,000 per annum and, on cross border sales of Other Organic A2 Products capped at \$200,000 per annum. The royalty is payable for a period of 3 years provided WNX achieves specific listings of the relevant products in the Australian market..
Buy Out of Newco	At any time from 24 months to 60 months after the commencement of supply of the Core Products to Newco, ADNG has an option to purchase all of WNX's shares in Newco (WNX Shares). The purchase consideration for the WNX Shares will be determined by an independent valuation.