



BELLAMY'S
ORGANIC

**FY18 results –
a turn-around year.**

Investor Update

August 2018



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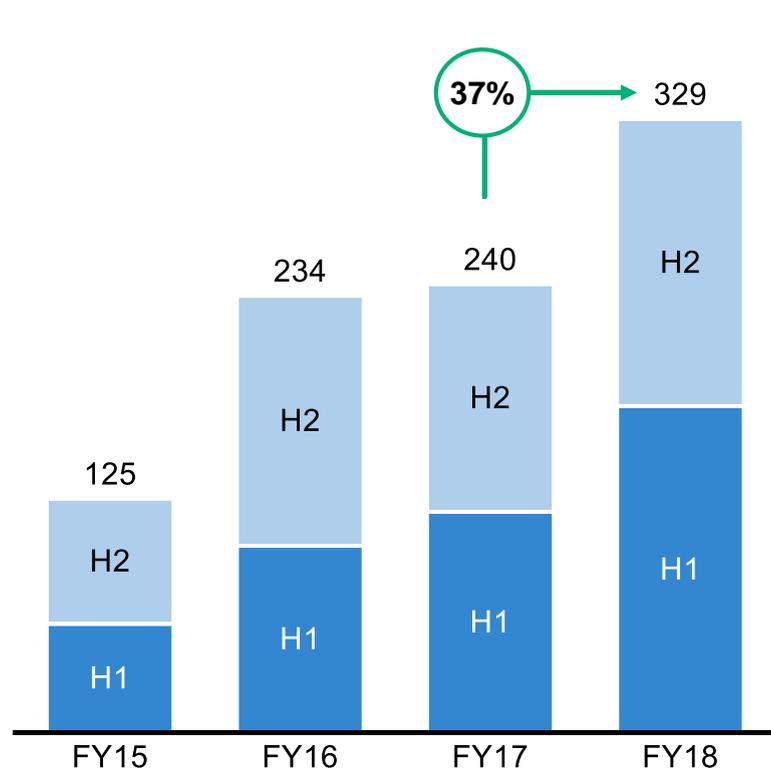
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Key messages

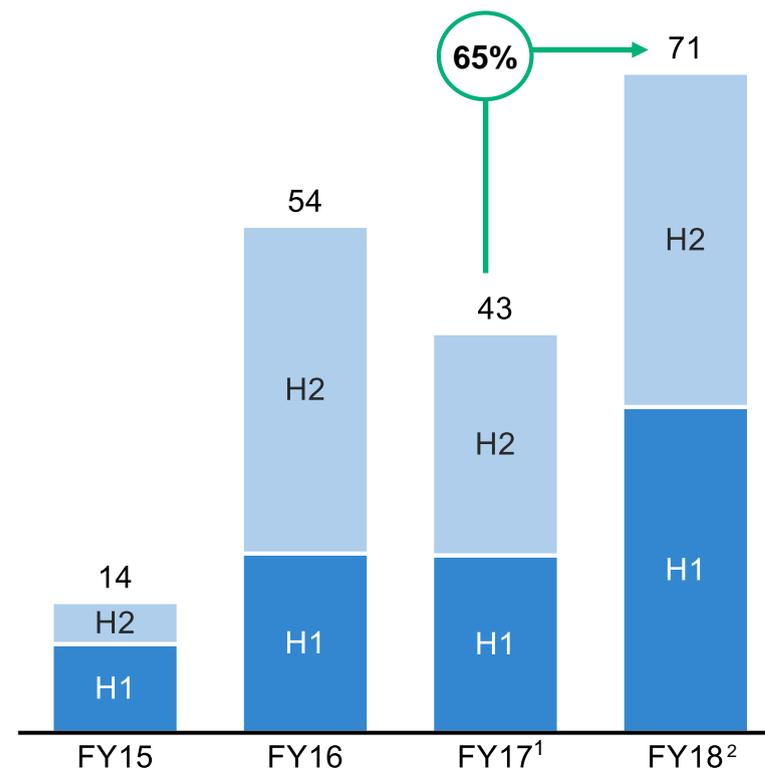
- Bellamy's turnaround continues to achieve strong revenue growth, profitability and cashflow
 - Sales increased 37% and EBITDA increased 65% on a normalised basis
 - Established strong foundation for business, in terms of revenue management, cost of goods discipline, overhead control and brand investment
 - Balance sheet includes \$88m in cash, no debt, and \$39m in FY18 supply-chain investments
 - Increased organisational capability, especially in China sales and marketing
- SAMR registration of our Chinese-label formula continues to progress and we remain confident that registration will be achieved
- We note a more competitive trading environment for our Australian-label business in recent months and expect more moderate sales growth in FY19 as a result
- The medium-term outlook remains compelling, supported by category fundamentals, our differentiated position, future channel opportunities and an aggressive 3 year growth strategy
 - We have laid the foundation with an ambition to build a +\$500M revenue business by FY21
 - Planning for an investor strategy session following our AGM to outline this ambition further
- On this basis we continue to invest in a premium brand strategy
 - In FY19 this will include the roll-out of a brand refresh, including nutritional enhancements, product line extensions and regulatory labelling transition across food and formula
 - A \$6m one-off inventory provision was made for transition impacting the FY18 statutory profit

Group financial overview

GROUP REVENUE (\$M)



NORMALISED GROUP EBITDA (\$M)



1. Excludes one-off items (disclosed in Financial Statements) such as the \$27.5m Fonterra supply-chain reset payment, inventory write-downs, FX losses, restructuring costs, professional fees, and indirect costs associated with the capital raise and acquisition of Camperdown Powder.
2. Excludes \$6.0m one-off items for the regulatory transition to the new SAMR and COOL standards.

FY18 detailed financial results

P & L (\$ m)

Normalised

		FY17 ¹	1H18	2H18 ²	FY18	Growth vs FY17	
Core business	Revenue	240.2	170.0	150.0	320.0	33.2%	
	Gross Profit	91.5	63.0	63.7	126.7	38.4%	
	% of sales	38.1%	37.0%	42.5%	39.6%		
	Expenses	Direct ^{1,2}	(15.4)	(7.5)	(6.6)	(14.2)	-8.1%
		Marketing	(10.9)	(6.4)	(8.2)	(14.6)	33.5%
		Employee ¹	(12.3)	(6.2)	(6.6)	(12.8)	4.5%
		Equity Remuneration	(2.3)	(1.8)	(2.2)	(4.1)	76.2%
		Admin ¹	(8.1)	(4.9)	(4.5)	(9.4)	15.9%
	Total	(49.0)	(26.8)	(28.2)	(55.0)	12.3%	
EBITDA		42.8	36.3	35.8	72.1	68.7%	
% of sales		17.8%	21.4%	23.9%	22.5%		
Camperdown	Revenue	0.0	4.9	8.2	13.1	-	
	EBITDA	0.0	(1.4)	0.0	(1.4)	-	
Group	Revenue ³	240.3	174.9	153.8	328.7	36.8%	
	EBITDA	42.8	34.9	35.8	70.6	64.9%	
	NPAT	28.2	22.4	24.6	47.0	66.8%	

1. Excludes one-off items (disclosed in Financial Statements) including a \$27.5m Fonterra supply-chain reset payment, inventory write-downs, FX losses, restructuring costs and indirect costs for capital raise and Camperdown acquisition
2. Excludes \$6.0m one-off items for the regulatory transition to the new SAMR and COOL standards
3. Expressed net of intercompany transactions

KEY DRIVERS

Core business

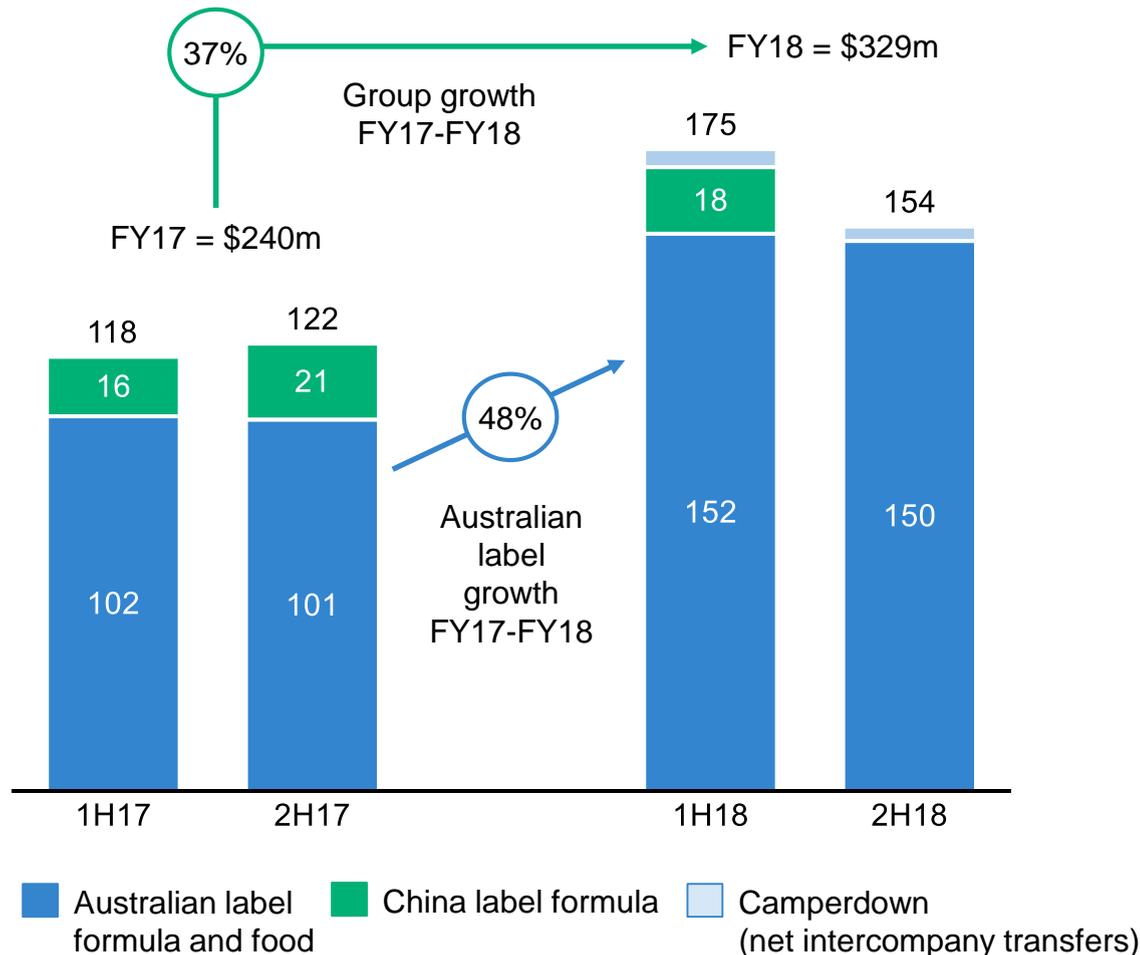
- 33% core revenue growth was primarily volume driven
- 2H18 revenue impacted by seasonality and impact of pending SAMR registration
- Gross Margin improved 5.8% points vs. 2H17 to 42.5% in 2H18
- Increased investment in brand, product and marketing
- Sustained management of other overheads

Camperdown

- Breakeven in 2H18 with operational improvement

Returned to revenue growth in FY18

37% REVENUE GROWTH ACROSS GROUP

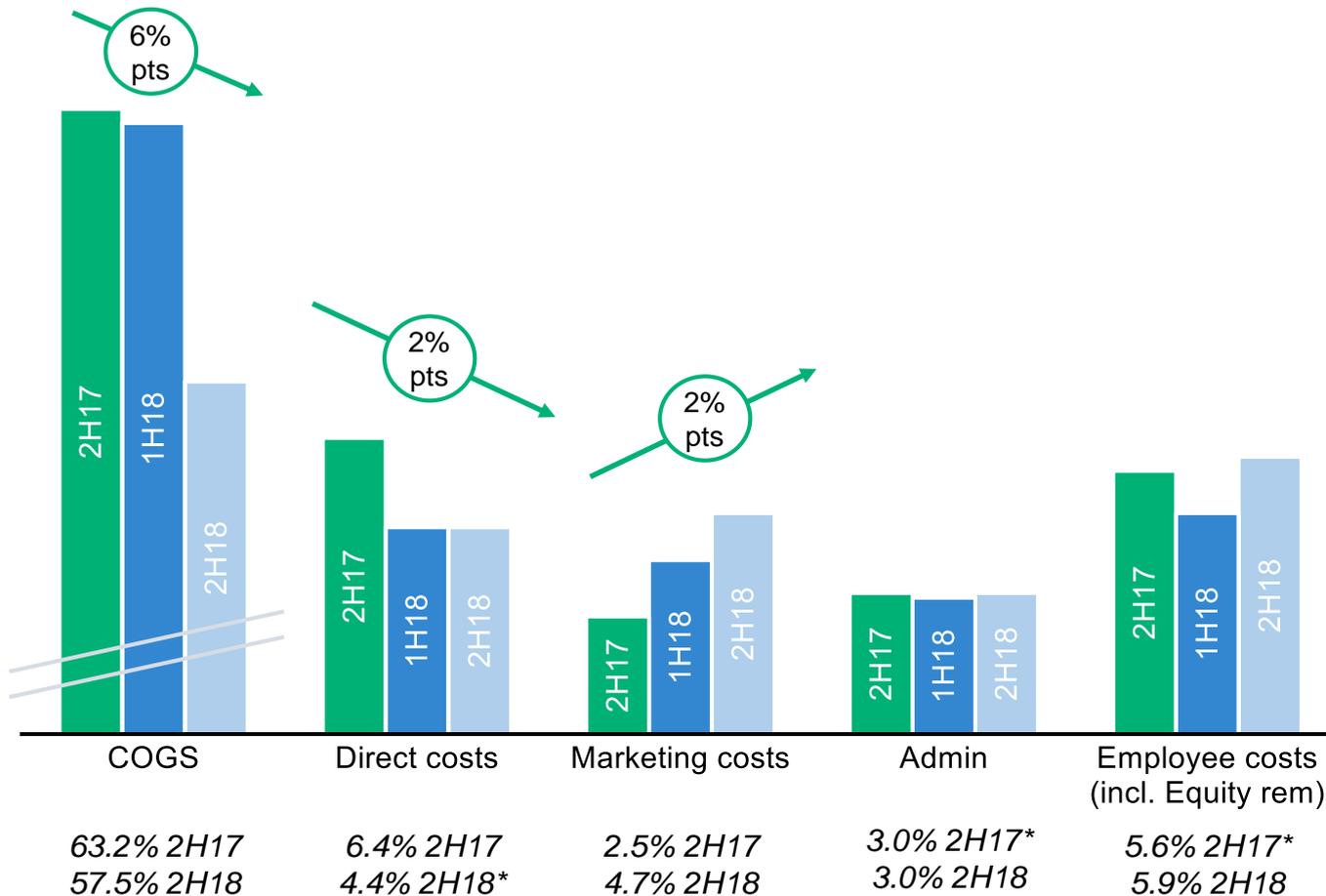


COMMENTARY

- 37% Group revenue growth and 48% Australian label growth
 - largely volume driven, with stronger revenue management disciplines
- As expected, 2H18 revenue impacted by
 - No sales of ‘Chinese label’ formula given delay in SAMR registration
 - Seasonality impacts of Chinese New Year and E-commerce events
- We note more difficult market conditions in recent months, including:
 - Slower China cross-border growth
 - Increased availability and lower ecommerce and trade pricing for Australian and NZ competitors

Controlled costs and reinvested for growth

COSTS % OF REVENUE (EX CAMPERDOWN)



(*) Normalised costs (excludes one-offs)

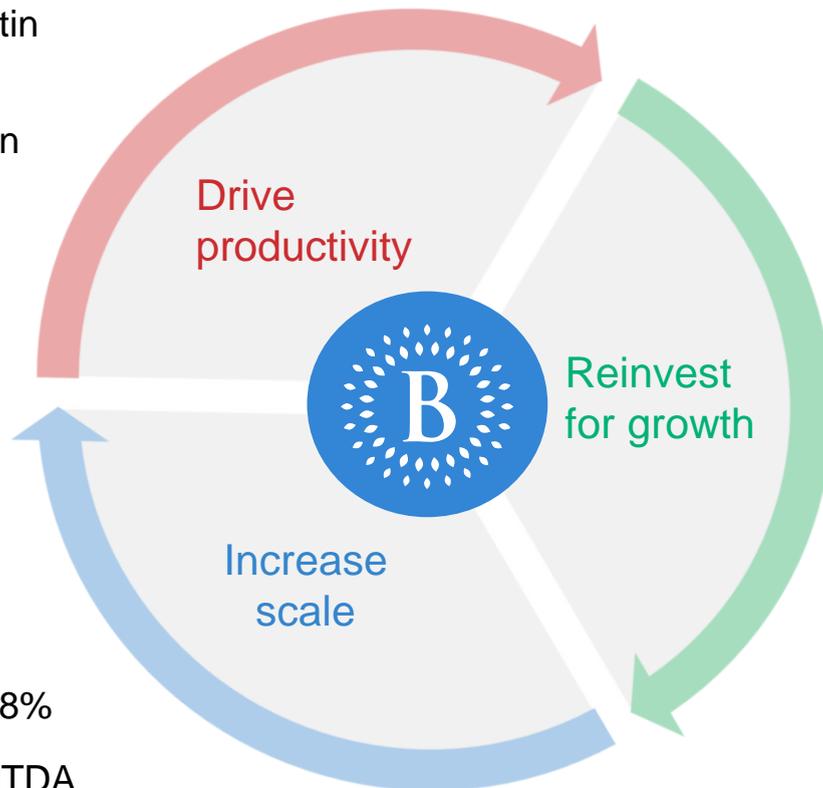
KEY DRIVERS

- COGS savings driven by ingredient procurement and manufacturing savings
- Direct cost reduction relates to logistics network optimisation
- Marketing investment continues to increase toward 5%+ target levels
- Employee costs reflect the net impact of investment in China Sales and Marketing and other headcount reduction
- Administration costs remain low following reset in 2H17

Established a more sustainable business model

PERFORMANCE 2H18 VS 2H17

- Australian-label formula GM per tin improved +30%
- Direct cost per tin improved 25%
- Australian-label revenue grew 48%
- Normalised EBITDA grew +65%

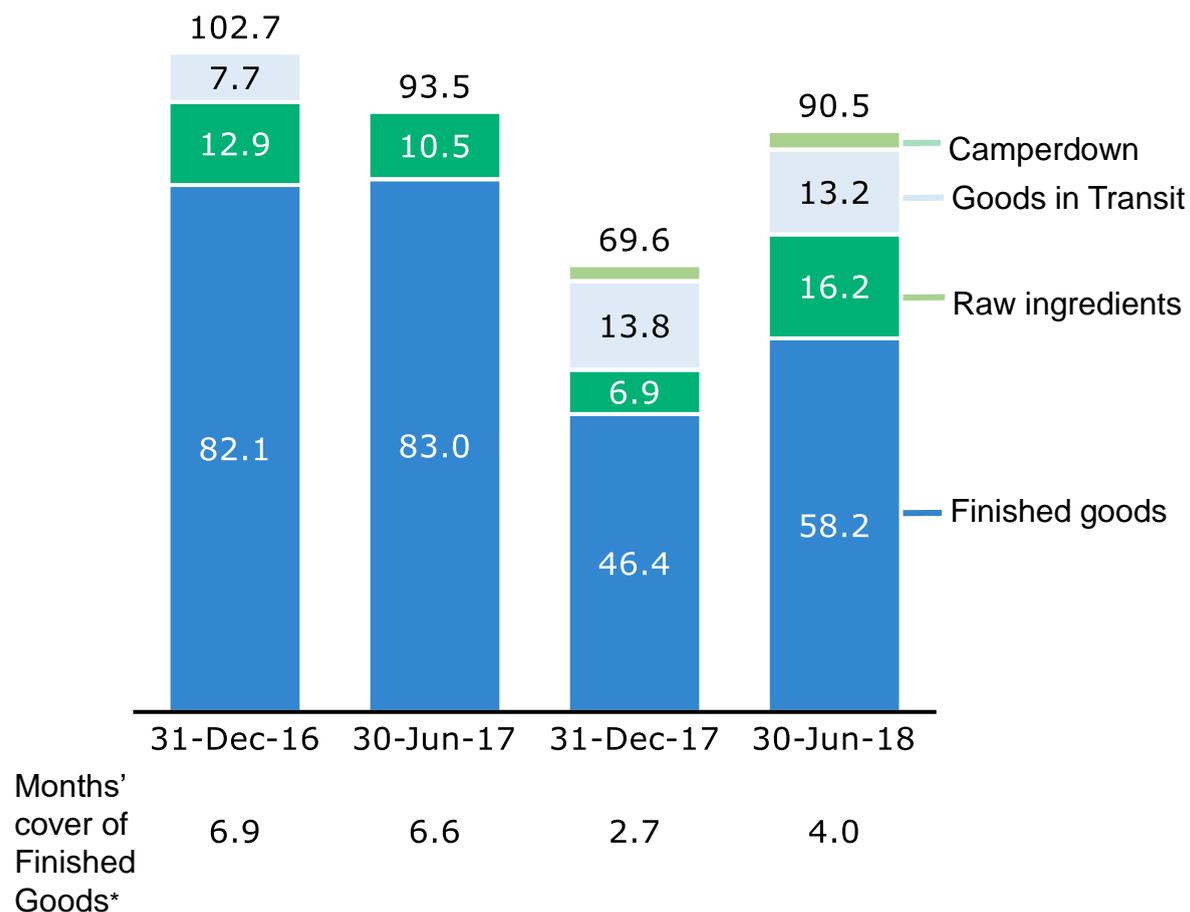


- Doubled marketing spend from 2.5% to 5% of revenue
 - E.g. two key 2H18 celebrity campaigns attracted +18 million views
- Invested in brand refresh, new product development and China Sales and Marketing capability
- Invested \$39m in supply-chain
 - E.g. Camperdown facility, local Organic milk pool and IP ownership



Inventory coverage closely managed

BELLAMY'S GROUP INVENTORY (\$M)



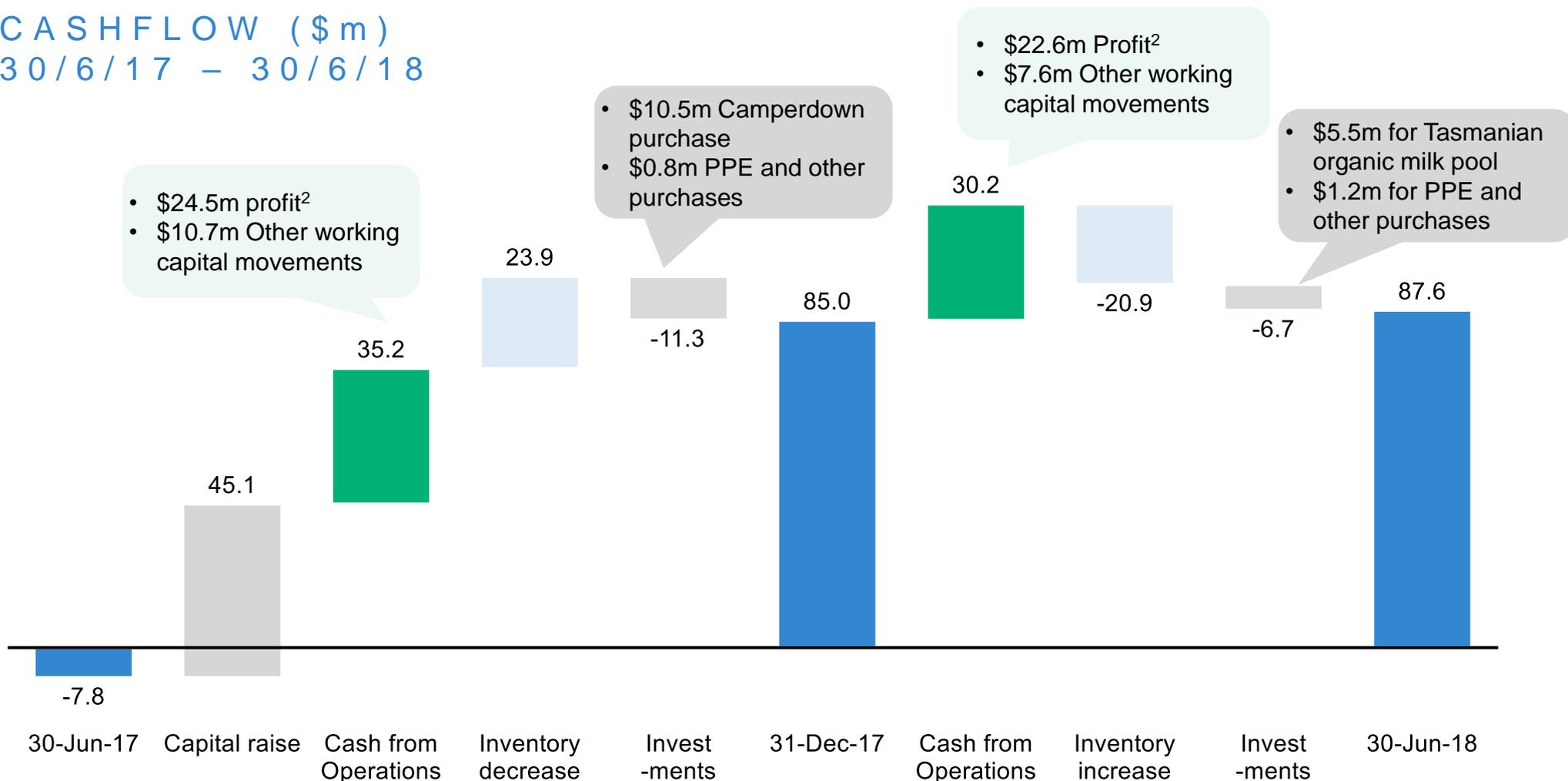
(*) Based on previous 6 months of sales

COMMENTARY

- Finished goods within acceptable levels, but impacted by 2H18 trading environment
 - Inventory is shown net of the one-off \$6m provision for FY19 brand and regulatory transition
- Raw Ingredients increased due to direct sourcing model
 - Key driver of procurement and manufacturing savings and material decrease in COGS
 - Requires higher ingredient levels previously held by manufacturer

Strong cash flow, \$88m net cash with no debt

CASHFLOW (\$m) 30/6/17 – 30/6/18



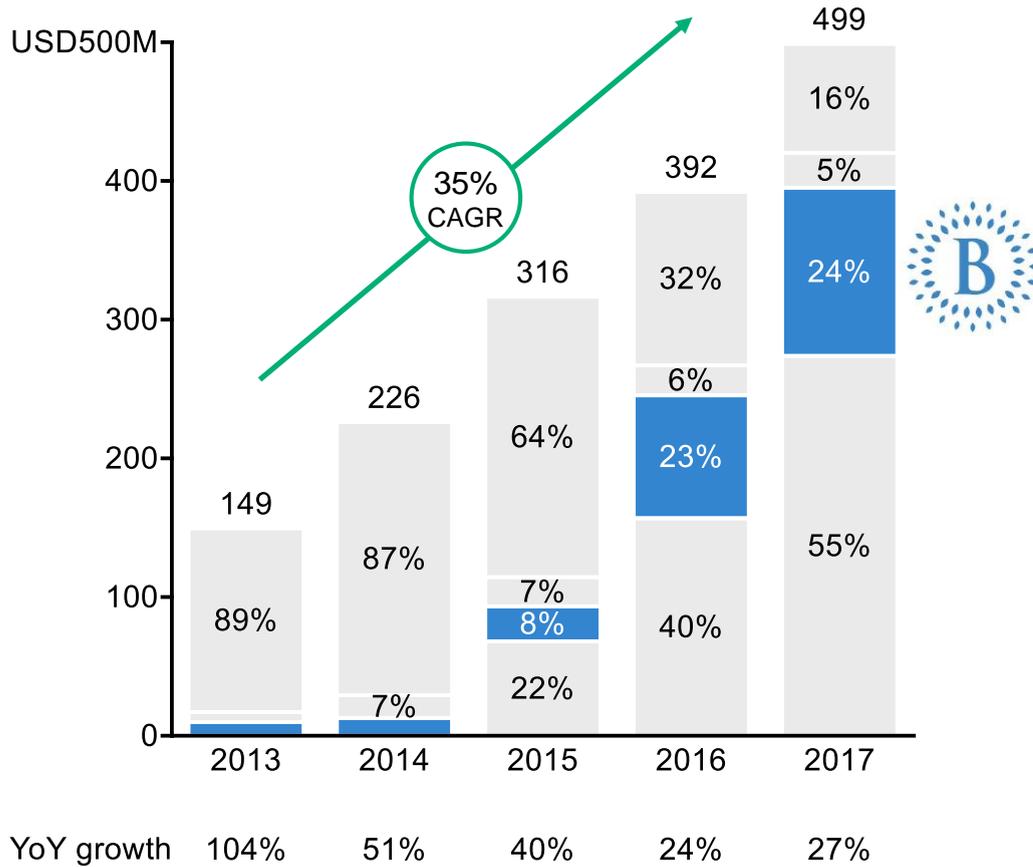
1. The capital raise received proceeds of \$13.6m in FY17 and \$45.1m in FY18. The \$27.5m Fonterra supply-chain reset payment was made in FY17

2. Adjusted for non-cash

Underlying market potential remains significant

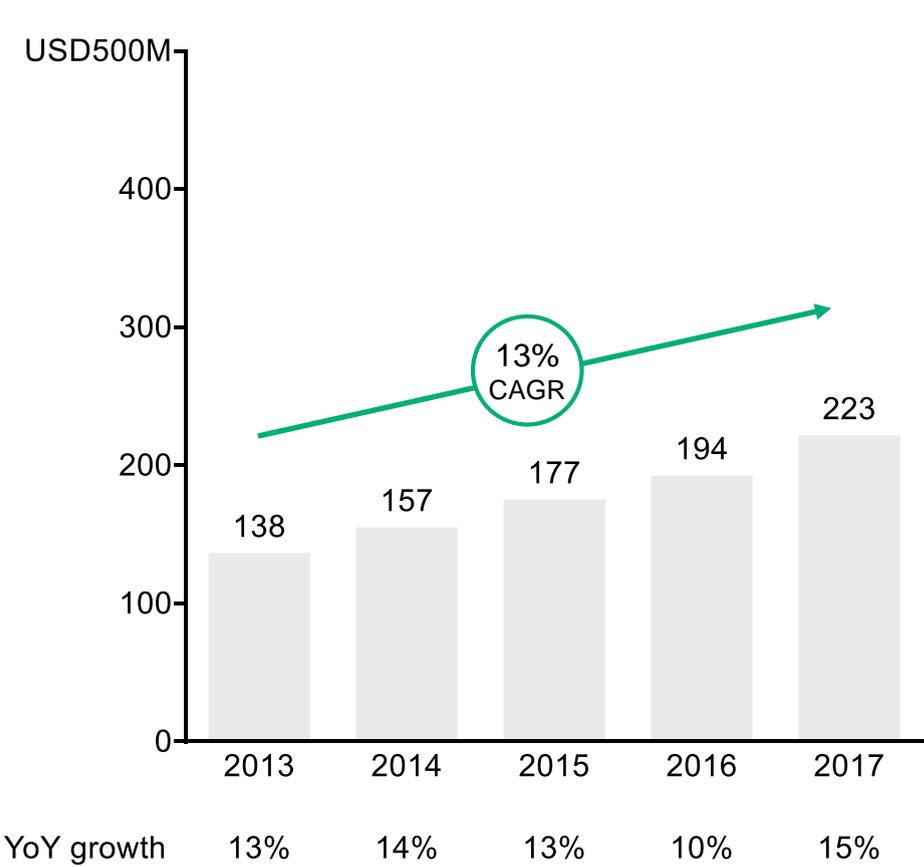
CHINA ORGANIC BABY FORMULA

Retail sales value (constant price, formal channels)



CHINA ORGANIC BABY FOOD

Retail sales value (constant price, formal channels)



Source: Euromonitor, 'Baby Food' includes 'Dried Baby Food', 'Prepared Baby Food' and 'Other Baby Food'

Reminder: Key investment themes for long-term growth

BRAND MARKETING AND PRODUCT



Brand Assets,
Brand Premium &
Packaging



Local Milk Pools
and Sourcing



NPD, Upgrades,
IP and licences



Food as an
Incubated Business

TRADE PARTNERSHIPS AND DISTRIBUTION



SAMR Registration
& China Offline



Asian Rising Middle
Class Markets



Daigou Relations &
Organic Education



Strategic Trade
Partnerships

STRATEGIC CAPABILITY (INCL. SUPPLY-CHAIN)



Strategic, Flexible
Manufacturing



Quality, Traceability
and Block-chain



Government and
Regulatory Affairs



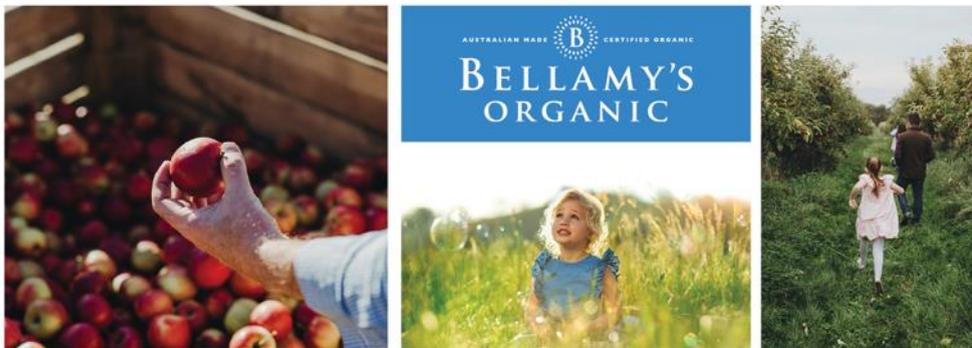
Capability &
Performance Culture

 To be discussed further today

Brand refresh will reinforce a premium Australian organic proposition



Brand Assets,
Brand Premium &
Packaging



B

A PURE START — TO LIFE —

With so many food choices, it is difficult to know what's best. At Bellamy's Organic we **ONLY** make certified organic, delicious food. With us, you can be confident that you are giving your little ones a pure start to life.

WE WILL NEVER COMPROMISE ON:

- ✓ Certified Organic
- ✓ Made in Australia
- ✓ No artificial preservatives
- ✓ No artificial colours
- ✓ No artificial flavours
- ✓ No synthetic pesticides
- ✓ No GMO ingredients

Fresh local organic milk through three new strategic arrangements



Local Milk Pools
and Sourcing



Proposed COOL label for
Australian label formula*



- Partnership to develop Tasmanian organic milk pool
- Bellamy's will order the first 20 million litres of milk annually with first right of refusal over additional volume



- Long-term contract to secure local organic fresh milk and milk powders, and support ACM's investments in organic processing facilities and farmer conversion



- Tatura Milk Industries to source and incorporate fresh organic milk directly into manufacturing



IN PLACE FOR INCOMING COOL* STANDARDS POST 1 JULY 2018

* COOL (Country of Origin Labelling) regulation requires reporting a percentage of Australian ingredients on packaging post 1 July 2018

Strong product development pipeline



NPD, Upgrades,
IP and licences

FOOD PORTFOLIO

New and Enhanced Cereals:



- Now with Prebiotic (GOS)
- New Pumpkin baby rice

New 'No Added Sugar' Custards:



- First-to-market with No Added Sugar custards
- Popular pouch sub-category

New Exotic Fruit Pouches:



- Aligned to Chinese preferences



Phased launch from mid 1H19

FORMULA PORTFOLIO

Upgraded 'Australian-label' and 'Chinese-label' formula ranges

- Rebranded packaging to reinforce premium, Australian, organic proposition
- Enhanced nutritional profile, including DHA/ARA, Prebiotic (GOS), and fresh Australian organic milk
- IP 100% Bellamy's controlled

New products to extend customer lifecycle

- Australian label Step 4 and Pregnancy



Launch during 2H19

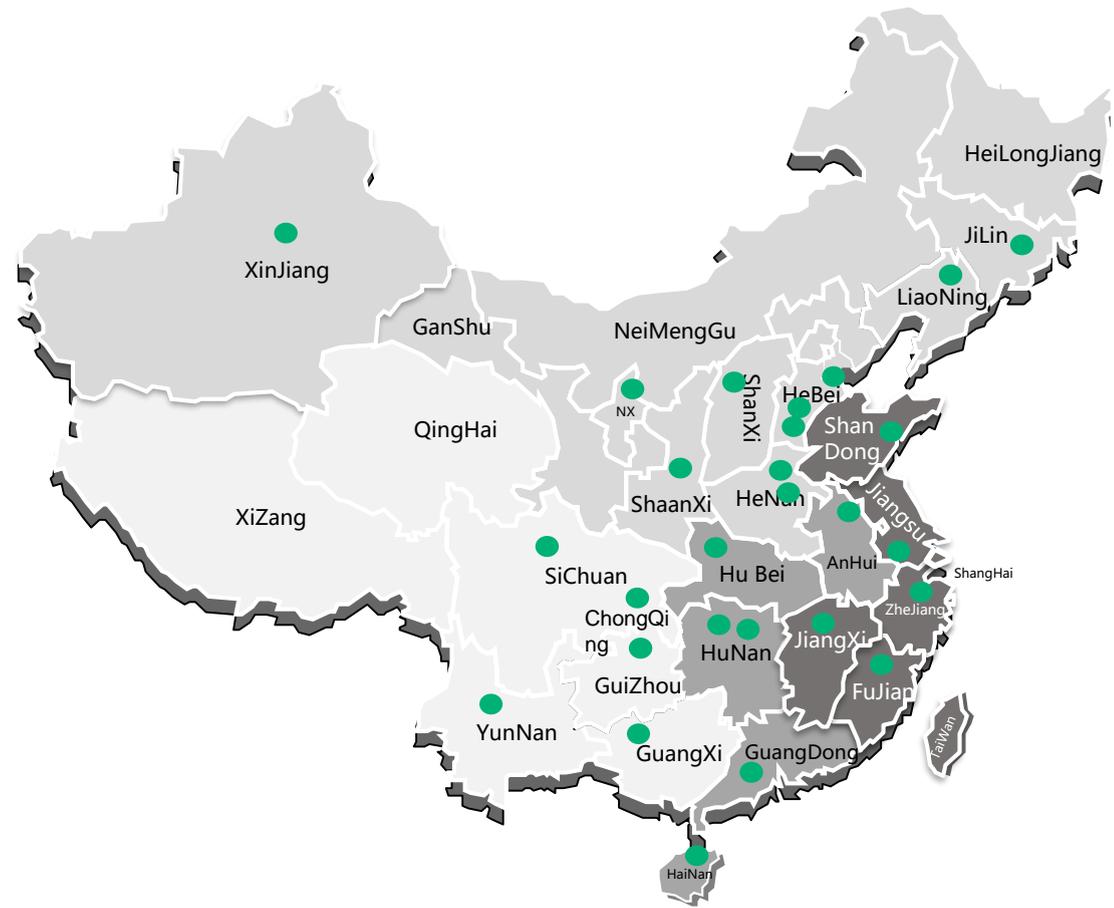
Remain confident in SAMR registration



SAMR Registration
& China Offline

- Bellamy's submitted its SAMR application (previously CFDA) in December 2017
 - Registration relates to Chinese label formula sold in the China offline channel representing 6% of FY18 revenue
- Shortly after submission the CFDA entered a restructuring process as part of a broader effort to establish a new regulatory body SAMR
- The recent 30 July announcement of the new SAMR structure and recommencement of approvals is a positive development
- We remain confident and respectful of the process that is still underway
- Continue to plan for a winning offline model
 - Prioritising geographies, sub-distributors and key retail accounts
 - Transitioning direct control of sub-distributor relationships, key retail accounts and trade marketing

CHINA OFFLINE SUB-DISTRIBUTOR NETWORK



● Sub-distributors



VIETNAM TO ADD TO NEW MARKET GROWTH



Attractive Demographics

- Large population: 96m¹
- Fastest growing upper and middle class in South East Asia: from 20m in 2015 to 33m in 2020²
- 1.6m annual births (Australia ~300k, China ~17m)³

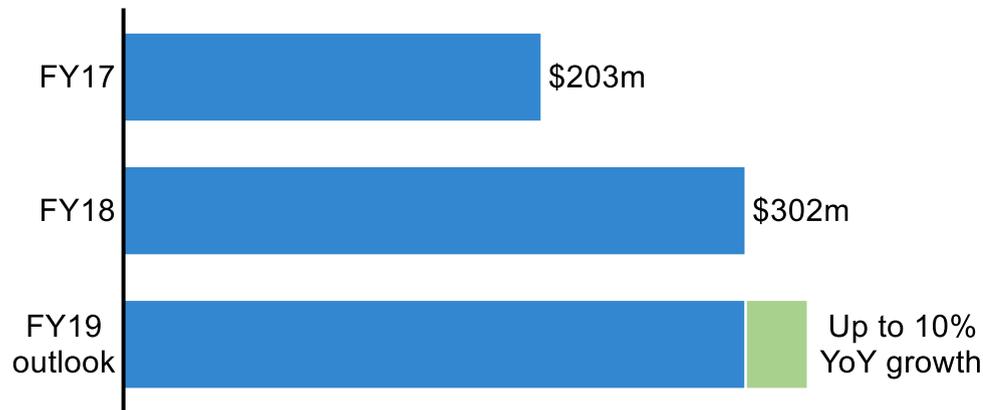
Baby formula and food market

- ~\$1B market growing at 15-20% p.a.⁴ (China: ~\$30B)⁵
- Similar attributes to China
 - Concern about food safety, quality and nutrition
 - ‘Country of origin’ is the #1 influence on food purchases (Nielsen survey, 2016)
- One organic entrant already grown to ~5% share

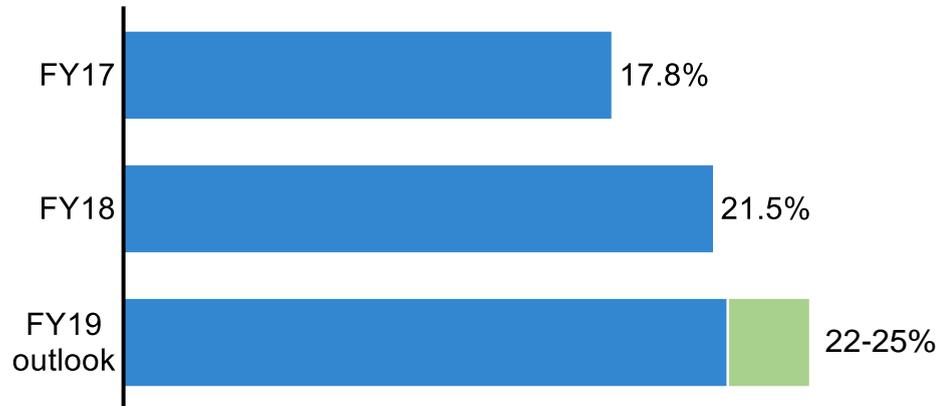
(¹) World bank – 2017 data (<https://data.worldbank.org/indicator/SP.POP.TOTL?locations=VN>); (²) ‘Capitalising on Asia’s Booming Upper Middle Class’, BCG (November 2016); (³) World Bank data – Birth rate, crude (per 1000 people); (⁴) ‘Baby Food in Vietnam’, Global Data (January 2017); (⁵) Euromonitor

FY19 outlook

Australian Label Revenue (\$m)



Group EBITDA margin¹ (%)



COMMENTARY

- Given the timing uncertainty for SAMR approval, we have only provided an outlook for our Australian label revenue
- We anticipate more moderate revenue growth given the recent trading environment
 - Up to 10% revenue growth for FY19 Australian-label business
 - Key revenue initiatives planned for 2H19 expected to drive this growth
 - Additional revenue opportunity for Chinese-label business with SAMR registration
- FY19 EBITDA margin forecast to continue at 2H18 normalised levels of 22-25%
- We remain confident about medium and long-term category and brand growth

(1) Group normalised result; Outlook may be impacted by further clarification of Cross Border E-Commerce ('CBEC') grace period due to expire in December 2018

