

AUSTRALIAN MADE  CERTIFIED ORGANIC

BELLAMY'S
ORGANIC



**2018 Annual
General Meeting**

October 2018

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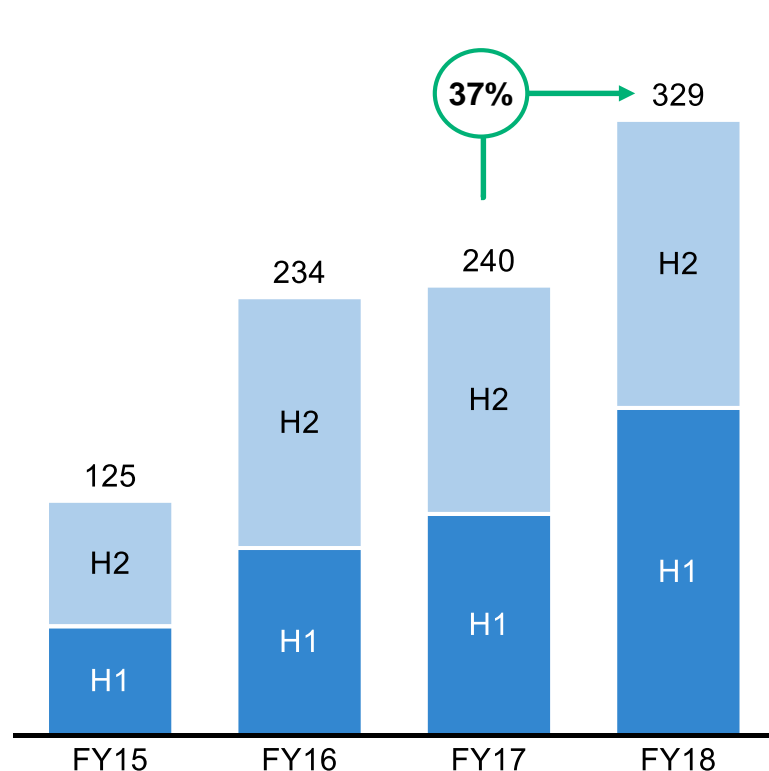
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Key messages

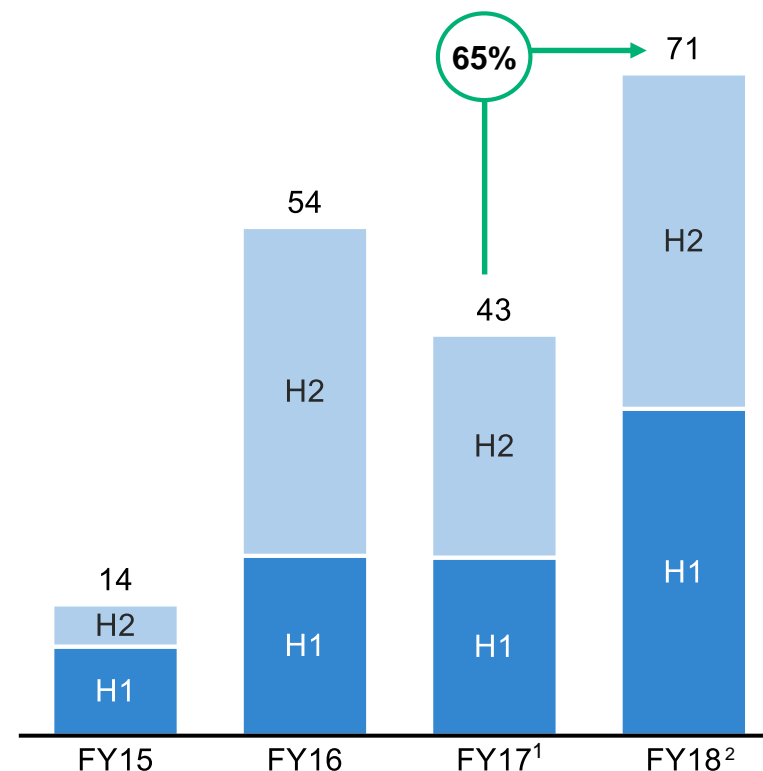
- Bellamy's turnaround achieved strong revenue growth, profitability and cashflow in the FY18 year
 - Sales increased 37% and EBITDA increased 65% on a normalised basis
 - Established strong foundation for business, in terms of revenue management, cost of goods discipline, overhead control, brand investment and organisational capability
 - Balance sheet includes \$88m in cash, no debt, and \$39m in FY18 supply-chain investments
- SAMR registration of our Chinese-label formula is progressing and we remain confident in our technical application; but have no further update on the timing of approval
- The single most important initiative for FY19 is our brand and product upgrade, including new functional ingredients, locally sourced milk, and new food and formula lines
 - It is the largest brand and product investment in our company history and aims to transform both our competitive position and addressable market
- As previously stated, we expect FY19 performance to be impacted by slower category growth and a more competitive trading environment
 - Additionally, there will be a short-term trade-off to sales and profit in 1H19 as we run-down trade inventory to maximise the success of our formula relaunch in 2H19
- The medium-term outlook remains compelling, supported by category fundamentals, our differentiated position, future channel opportunities and an aggressive 3 year growth strategy
 - Investor Day to be held on 29 November to outline our +\$500M FY21 revenue ambition

Strong FY18 financial performance

GROUP REVENUE (\$M)



NORMALISED GROUP EBITDA (\$M)

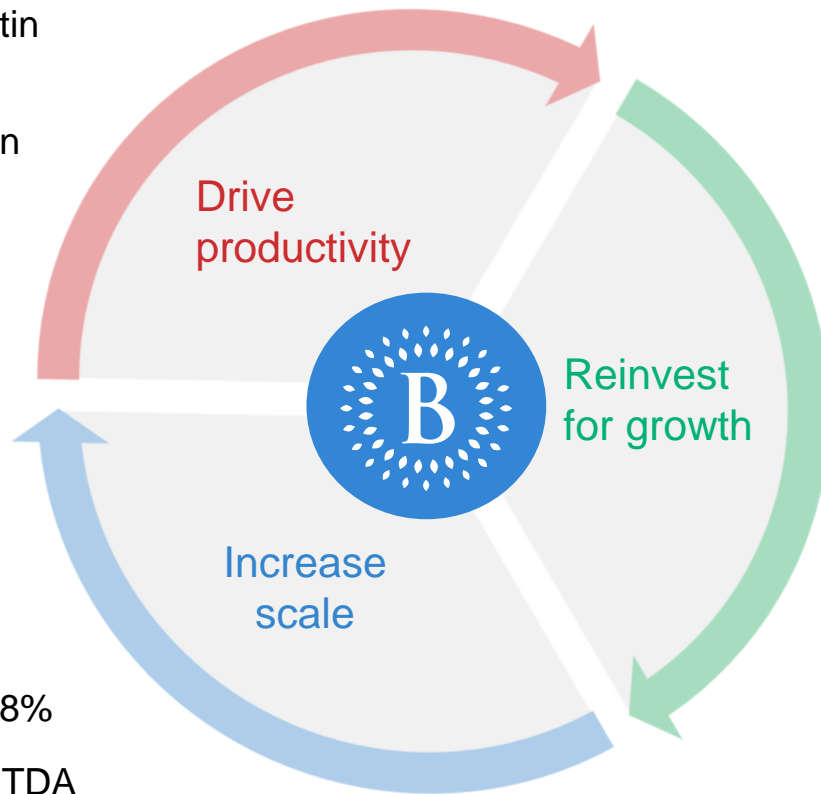


1. Excludes one-off items (disclosed in Financial Statements) such as the \$27.5m Fonterra supply-chain reset payment, inventory write-downs, FX losses, restructuring costs, professional fees, and indirect costs associated with the capital raise and acquisition of Camperdown Powder.
2. Excludes \$6.0m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

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%



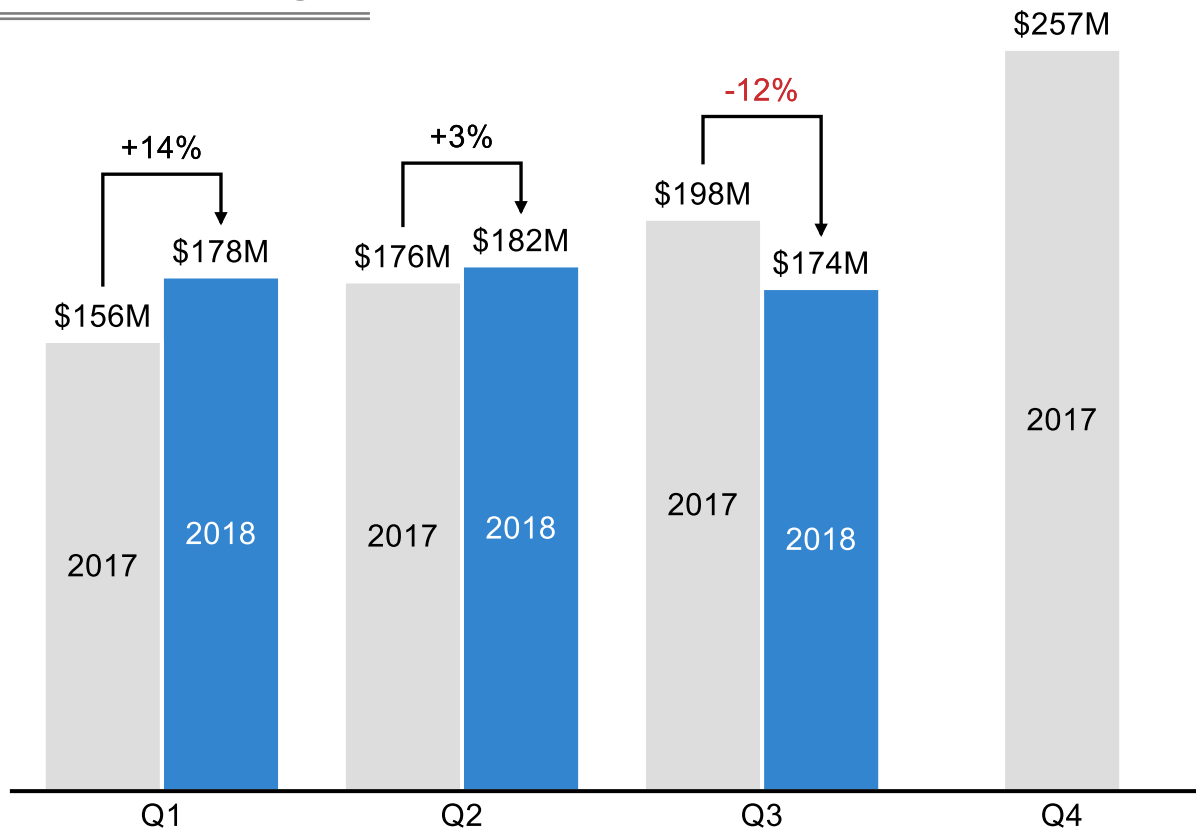
- Doubled marketing spend from 2.5% to 5% of revenue
 - E.g. two key 2H18 celebrity campaigns attracted +18 million views
- Invested in brand refresh, new product development and China Sales and Marketing capability
- Invested \$39m in supply-chain
 - E.g. Camperdown facility, local Organic milk pool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



Facing a more challenging trading environment in 1H19

ALIBABA CROSS-BORDER IMF SALES (TMALL + TAobao)

EXAMPLE PLATFORM



COMMENTARY

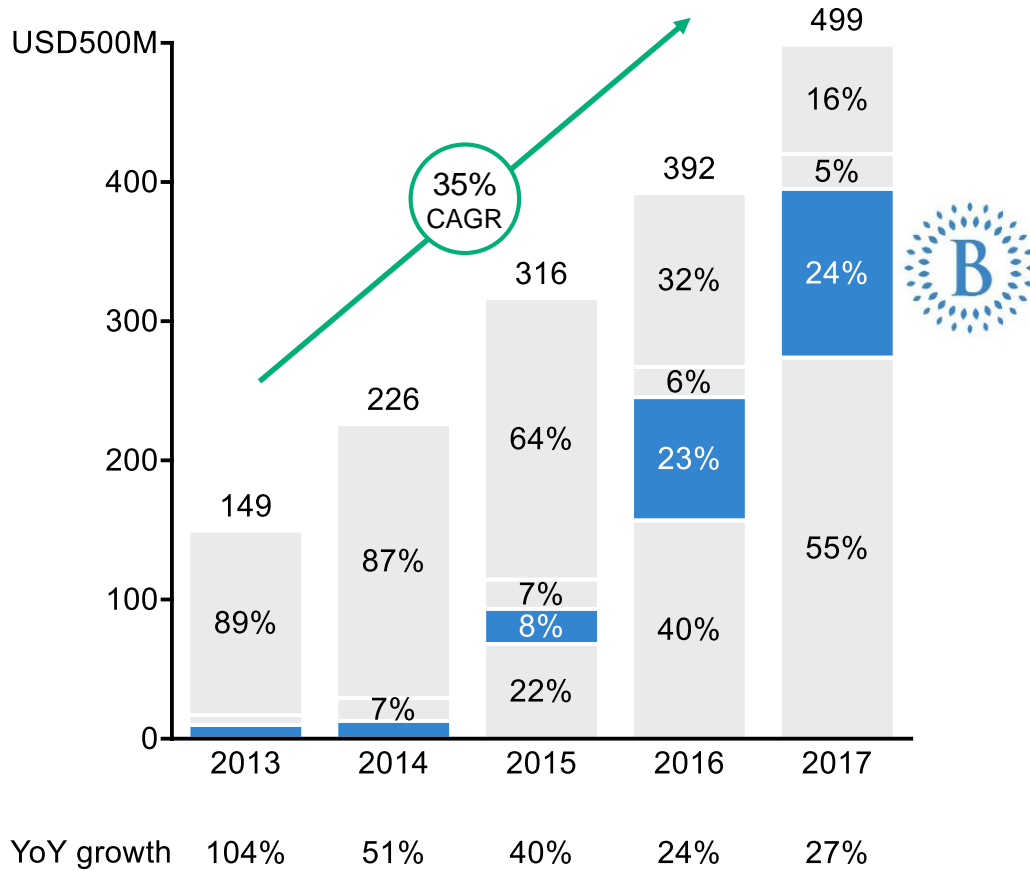
- Various indicators point to a slow-down in cross-border formula growth
 - In particular, Step 1 and Step 2 volumes impacted
 - Indicates lower births in CY18 in Tier 1 and 2 cities following strong birth numbers in CY16-17
- Local and global competition intensified in pursuit of growth, including increased availability and lower prices

Source: Qingbaotong System (QBT) - Adways Co

Underlying segment potential remains significant

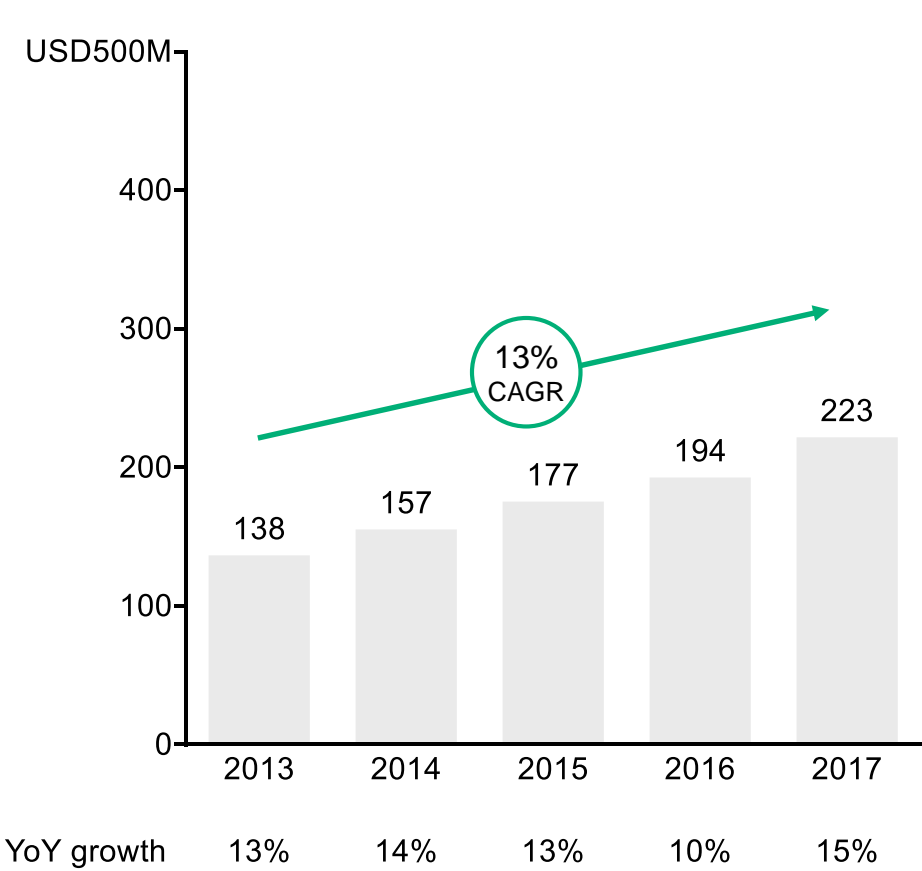
CHINA ORGANIC BABY FORMULA

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'

Twelve 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

We are rebranding to reinforce our premium Australian organic proposition



A
Pure
Start
TO LIFE



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

The upgrade will transform both our competitive position and addressable market

EXAMPLE: STEP 3 TODDLER FORMULA UPGRADE



- Bellamy's is the #3 organic brand for consumer awareness in China (recognised by 43% of organic formula users)¹
- Upgrade will reinforce organic credentials with key functional ingredients (e.g. DHA, ARA, GOS) critical to consideration
 - E.g. “74% of Chinese mothers aged 25-35 y.o. consider DHA as a ‘must have’ for infant formula”²

COMMENTARY

- The most transformative brand investment in company history
- Imperative to set the conditions for maximum success
 - Trade Inventory: Run-down distributor and trade inventory prior to launch, which is estimated to impact 1H19 sales by approx. \$10-15m
 - Write-Down Provision: Continue to review \$6m one-off write-down provision made in FY18 to accelerate the launch and ensure a clean changeover

1. Citi research, Aug-18 2. Nielson research

Formula upgrade only one part of a broader FY19 product development pipeline

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

Supported by a step-change in marketing

Brand ambassadors



Zhang Zilin



Rachael Finch

Organic education

AUSTRALIAN MADE  CERTIFIED ORGANIC

WHAT MAKES OUR ORGANIC MILK SO SPECIAL?

1%的珍稀

这里是我生活的有机牧场
土壤纯净滋养, 牧草悠然生长
但你知道吗?
像这样能被
有机认证的有机农场*
全世界可不到1%了!

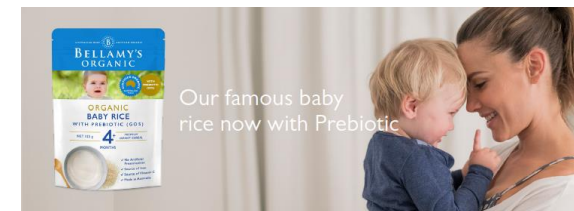


**健康严要求
尊重自然好生长**

- 1. 转基因作物 一律被排除**
转基因作物, 玉米和大豆等
牛牛一口都不吃~
- 2. 抗生素 坚决 Say No!**
不通过抗生素的牛牛
才产出天然好牛奶~
- 3. 拔苗助长 也决不让**
任意激素催生, 牛牛自然成长
- 4. 自由放养 天性释放**
晒晒太阳, 闻闻花香
幼牛无负担, 产奶才有奶



New food range



SAMR registration remains in progress with no further update on timing of approval

- 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 30 July announcement of the new SAMR structure was a positive development
- We remain confident and respectful of the process, but have no further update on timing
- 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

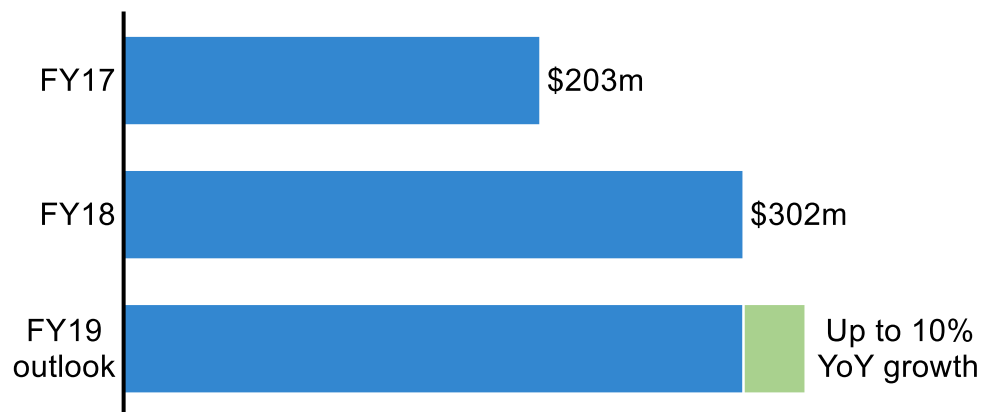
CHINA OFFLINE SUB-DISTRIBUTOR NETWORK



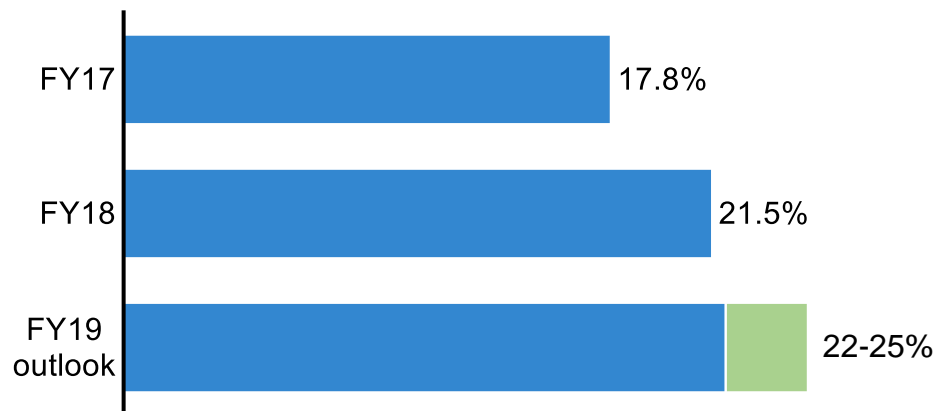
● Sub-distributors

FY19 financial 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
- In the context of recent trading, we anticipate full year Australian label revenue growth at the low end of the stated 0-10% range
 - 1H19 likely to be 10-15% below 1H18 due primarily to expected \$10-15M run-down of trade inventory prior to rollout of brand upgrade
 - Stronger performance expected in 2H19 as we return to normal trading and implement key revenue initiatives
 - Additional revenue opportunity for Chinese-label business subject to SAMR registration
- FY19 EBITDA margin to continue at 2H18 levels of 22-25% on a normalised basis, excluding any further write-downs for brand upgrade

(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

