



ASX RELEASE
31 October 2019

2019 Annual General Meeting
Chair & CEO Addresses

Chair's address delivered by John Ho

Ladies and Gentlemen, welcome to the 2019 Annual General Meeting for Bellamy's Organic.

Coming to Tasmania, and in particular to Launceston, always brings back fond memories for me. While I grew up in the hustle and bustle of Sydney, I had the good fortune to visit Tassie for work on several occasions. The beautiful greenery, amazing coastline, fresh air and excellent food are what I remember of Tasmania. Indeed, these very same qualities are what has made Bellamy's the company it is today.

Bellamy's was founded some 15 years ago by Dooley Bellamy and her family. They were pioneers in creating Australia's first organic certified food and formula products. This was no mean feat and it was done right here in Launceston where we hold this AGM.

Looking back, there were three distinct 5-year periods in the evolution of your company from an idea to the great brand and profitable business that it is today.

In the first 5-year period, Dooley Bellamy operated her family business with a dream and core mission to provide a pure start to life. This is a simple and powerful mission, as the desire to provide the very best for our children traverses all cultures and generations. As parents of 3 young children, my wife and I seek the best for our children – and that of course includes buying our very own Bellamy's products.

In the second 5-year period to 2014, Bellamy's was part of a private enterprise called Tasmanian Pure Foods, where a group of forward-thinking Tasmanians took on this mission and grew the business through making nutritious, wholesome and organic food for babies and young children, that are 100% Australian-made and 100% certified organic. It was during this period that Bellamy's became a much loved and trusted brand for parents, mums and babies in Australia. It is heartening that some of those involved in this period continue to be shareholders and supporters today. Thank you.

In the third 5-year period, which is also the past 5 years, the company further excelled. It became a publicly listed company on the ASX in 2014, grew sales from less than \$50mm to about \$300mm now. The stock price was \$1 at the IPO, and is now almost 13x that, at about \$13 a share. More important than these financial numbers, your company progressed its mission to promote healthy, mindful eating through making wholesome organic food and providing a pure start to life for babies and children in Australia, South-East Asia and China. No longer was Bellamy's just a Tasmanian dream. It is a nation-wide and multi-national organic brand that has touched countless numbers of parents and children.

I briefly recounted Bellamy's 15-year journey not because it is the group of us who are standing here today that made it happen. It was our predecessors who built the foundation of Bellamy's, and it is both our former and current team who worked tirelessly because they believed in the mission, and it is the trust that our customers have in Bellamy's that created the company we have today.

The Board and management here today are proud and privileged to have been stewards of the Bellamy's brand over the past 3 years. I do want to emphasize the concept of stewardship as your Board's underlying philosophy in steering this company. All too often in the business world, those at the top of a corporation behave more like patriarchs. They tend to centralize control, maximise power and entitlement, and focus on short-term financial results and for material gains and personal advancement.

A PURE START TO LIFE

As a team, we came to be involved with Bellamy's since late 2016 during one of Bellamy's more challenging periods on its growth journey. The team standing in front of you worked hard to be stewards of your company by de-centralising control to team members who best knew how to progress your company, by maximizing accountability and partnership, and focusing on meaning and impact for the Bellamy's brand. We see our role as serving those around us and pay the utmost attention to Bellamy's mission and its long-term goal. We see ourselves not as the boss of the company, but as long-term stewards.

In the past financial year, your company completed a brand relaunch and portfolio review, increased investments in marketing and people capability, especially in China. We also enhanced our quality and safety systems and processes. These actions were designed to take Bellamy's to another level and to enable it to better fulfil its mission.

With this stewardship lens in mind, your Board has also been in dialogue with one of China's largest dairy companies, China Mengniu Dairy. As your company achieved scale well beyond Australia with a unique brand and value proposition, it has become an attractive target for large strategic and industry players. Throughout the negotiation period, your Board considered whether the change in control was in the best and long-term interest of the company as a whole – for our customers, our employees, our various stakeholders and of course our shareholders. After much deliberation, balancing of opportunities and risks, your Board believes Bellamy's will be well-served under the ownership of China Mengniu Dairy, and we are bringing this transaction forward in the form of a Scheme to be voted on by our shareholders.

To recap, the Board has unanimously recommended the proposed Scheme, under which Mengniu will acquire 100% of the issued shares of Bellamy's for a total transaction price of \$13.25 per share, comprising \$12.65 from Mengniu plus a \$0.60 fully franked special dividend paid by Bellamy's prior to implementation of the Scheme. That recommendation is subject to no superior proposal emerging and to the independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of shareholders.

The Scheme values the company's equity at approximately \$1.5 billion Australian dollars, which compares favourably with precedent transaction valuation and represents an attractive enterprise value of 29.6x last fiscal year's EBITDA. It is also a 59% premium to the prevailing share price of Bellamy's prior to announcement. Each Director, including myself, intends to vote their Bellamy's shares we hold in favour of the Scheme, subject to the same qualifications.

If the Scheme is approved by shareholders, Bellamy's will enter an exciting new chapter of growth in 2020 under the ownership of China Mengniu. They intend to continue to invest in Australia and run the business headquartered in Australia under the ongoing leadership of Andrew and his team. I am confident that the next 5 years will be even brighter for Bellamy's, with management taking this great Tasmanian brand further for Australian parents and children as well as to the world stage under Mengniu's ownership and support.

As long-term stewards of Bellamy's it is eminently the right thing for the Board to bring this proposal to all shareholders. Shareholders will get the chance to vote on the Scheme at the 5 December Scheme Shareholding meeting. Assuming shareholders approve this, and subject to a number of other conditions, the indicative timetable has the transaction completing prior to the end of the 2019 calendar year. Before this happens, your Board and management team will continue to stay focused on the day-to-day execution.

I want to especially thank my fellow Board members who have been on this journey for the last 3 years. They have worked selflessly, always thinking about what is the right thing for the Company and generously providing insights and counsel to the management team. John, Shirley, Rodd, Wai-Chan – thank you for being great partners and colleagues. To Andrew, our CEO, and your full team, the Board continue to feel privileged to work alongside you all. We are grateful for your leadership, and always doing your best and going above and beyond for the company. Bravo to you all and please keep going. Finally, to our shareholders, thank you for keeping faith amidst the up and down journey of the Company.

A PURE START TO LIFE

I will now hand over to Andrew our CEO to address our shareholders.

On behalf of the Board and the team of Bellamy's, thank you for your ongoing support.

CEO address delivered by Andrew Cohen

Thank you John, good morning everyone, and on behalf of the management team welcome to our annual general meeting. It is an exciting moment in the history of our company, and I believe an opportunity for the business and the broader organic industry in Australia to go from strength to strength. However, before we talk about the future, let me begin with the current status of the business.

The FY19 year was a challenging period for our business, impacted by regulatory delays, regulatory changes, a lower birth rate and increased competition for Chinese demand. In March, we fundamentally transformed our business and relaunched Australia's #1 Organic brand in an effort to return the business to growth and recapture the momentum of the Bellamy's brand. This was the most significant investment in company history, including:

- the addition of critical functional ingredients DHA, ARA and GOS;
- the addition of fresh Australian organic milk;
- a doubling of marketing and of our China team to activate the brand;
- line extensions and new products for both formula and food.
- a new brand identity, refreshed digital assets and blue-dot product traceability.

The result has been a profound change to our competitiveness; elevating the premium, provenance and nutritional credentials of our brand.

To date the early consumer indicators for the rebrand are positive. Awareness is up with material growth in our Wechat social media index. Interest is up, both in terms of expressed brand interest and traffic for key platforms and purchase is up, including a step-change in sell-out of Step 1 and Step 2 volumes in China.

Additionally, the results from the most recent 6/18 ecommerce event was an important test and proof point. Sales for key platforms were up 41% year-on-year and our brand ranking for cross-border formula improved markedly. We remain confident that this trend will continue leading into the upcoming 11/11 Singles Day and 12/12 campaigns.

The growth in our Food business has also been a highlight. It was rebranded early in September 2018 and is continuing to accelerate. Second half sales increased +40% on the prior period and it is quickly emerging as an important second engine of growth.

Early momentum from the rebrand and the food portfolio have set the foundation for a stronger FY20 outlook and a return to growth following a challenging FY19 year. Additionally, our breakthrough new product portfolio gives us confidence this growth can be sustained and accelerated beyond the FY20 year.

This includes the launch of two new organic formula series that will both premiumise our brand and extend our addressable market in 2H20. First is an organic ultra-premium product that will compete with the leading scientific formulas and second is a highly differentiated organic goat product. We believe these products will move Bellamy's in time, from Australia's #1 Organic brand, to the world's #1 Organic portfolio.

In addition, our China offline product pipeline will drive deeper penetration and extend into functional foods. This includes our ultra-premium Camperdown organic series that is pending SAMR registration, the premium Viplus conventional series with Lactoferrin that is approved and now pending production and the release of an ultra-premium range of organic food, including a cereal and ambient yogurt range.

A PURE START TO LIFE

The rollout to emerging middle class markets in Asia continues in parallel. Malaysia and our recent Vietnam entry remain on track, including ranging in approximately 500 stores throughout Hanoi and Ho Chi Minh. The regulatory process to enter the Philippines and Indonesia is underway.

On this basis the future looks bright and is grounded in a pervasive macro-trend throughout Asia for both organic infant formula and infant food, where purity and food safety are paramount. We believe organic will become the industry standard and that with the right portfolio, the strength of the Bellamy's brand and scalable organic supply-chain will uniquely position our business to win the category.

In this context, we remain confident in our transformation journey and medium-term target of \$500m in revenue. The FY18 year looked to stabilise the business and address fundamental profit, liquidity and market access risks. The FY19 year has put in place a cornerstone product and brand that will return the business to growth. The FY20 year is expected to see a step-change in China capability, marketing and brand activation, the launch of a leading product portfolio that will redefine the organic category and re-entry into the China offline channel through food and the Viplus arrangement and expansion of our emerging middle-class Asia strategy.

Our FY20 group revenue is expected to grow 10-15% on the prior year, weighted to 2H20 with planned product launches in Q3 for food and Q4 for formula. EBITDA margins are expected to be consistent with the prior year, reflecting continued investment in marketing and China capability.

The value of our growth agenda is reflected in the recent Mengniu Scheme proposal. If the Scheme is approved and becomes effective, Bellamy's shareholders will receive a total of \$13.25 per share, comprising \$12.65 per share from Mengniu plus a fully franked special dividend of 60c per share to be paid by Bellamy's prior to implementation of the Scheme. This proposal reflects a 59% premium to the closing share price of \$8.32 prior to announcement and an attractive acquisition multiple relative to precedent transactions. The Bellamy's board has unanimously recommended the Scheme subject to no superior proposal emerging and to the independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of shareholders.

Beyond the transaction, Management and the Board believe Mengniu, which is a preeminent dairy player in China, is an ideal partner for our business and that our brand and the broader organic industry in Australia (including here in Tasmania) will go from strength to strength under its stewardship.

On behalf of the Management Team, I thank you for your ongoing support.

-ENDS-

Company Inquiries, please contact:

Melinda Harrison
Company Secretary
+613 6332 9200

Media inquiries, please contact:

John Hurst
Teneo
+61 418 708 663

A PURE START TO LIFE