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BELLAMY'S AUSTRALIA

A photograph of a woman with dark hair, smiling warmly as she holds a young child. The child has light hair and is wearing a white patterned top. They are outdoors in a field of yellow flowers with green foliage in the background.

FY16 Results Presentation

Laura McBain, CEO
Shona Ollington, CFO

19 August 2016

A pure start to life!

FY16:

Optimising returns to deliver strong growth in earnings

FY17:

Investing in an agile business model to optimise long-term sustainable earnings

Shona Ollington, CFO

FY16: A year of very strong growth

**EBIT up 342%
to \$54.3m**

EBIT margin more than doubled from 10% in FY15 to 22% in FY16

H2 margin greater than H1 margin

**Revenue up
95% to \$245m**

Within guidance

Sales mix optimised with available production

Strong Step 3 formula product performance

**China revenues
up 331%**

Direct trading with China-based enterprises and customers continues to grow

FY16: Another record financial performance

(\$m)	FY16	FY15	% change
Revenue	244.6	125.3	95%
Gross Profit	111.7	41.2	171%
Gross Profit %	45.7%	32.9%	
Direct Costs	(28.5)	(15.2)	88%
Employee costs	(10.4)	(5.6)	86%
Marketing costs	(6.9)	(2.5)	176%
Admin & Other costs	(11.6)	(5.6)	107%
EBIT	54.3	12.3	342%
EBIT %	22.2%	9.8%	
NPAT	38.3	9.0	326%

- We achieved revenue of \$244.6m, an increase of 95% on the prior year as a result of:
 - Increased infant formula production
 - Australian price increase in December 2015 for infant formula range
 - Increased volumes direct to China following activation of China online reseller channels
 - 67% increase in Australian revenues
- GP margin improvement and direct costs reflect the changing channel mix
- Strong cost management while growing the business infrastructure
 - Increased head count by 50%
 - Continue to embrace digital marketing strategies while building platforms for next evolution of growth
- EBIT up 342% to \$54.3m
 - Seek to maximise business growth while delivering on EBIT

Growing operating cash flows

(\$m)	FY16	FY15	% change
Operating cash flow	8.9	4.7	88%
Investing cash flow	(2.4)	(0.3)	521%
Financing cash flow	(6.2)	23.2	(127%)
Net cash flow movement	0.3	27.6	
Cash at bank	32.3	32.0	1%

- We are growing operating cash flows - strong sales, strong debtors collection cycle, and improved trading terms with suppliers have contributed to operating cash flows for the year of \$8.9m
- During FY17 we will continue to utilise our growing earnings and cash flows to invest in our supply chain and other initiatives to drive sustainable growth and further optimise long term returns
- Financing cash flows primarily relate to dividend payment made during the year
- Final dividend up 173% to 7.8cps fully franked
 - Total dividend up 316% to 11.9cps fully franked
 - Total dividend represents payout ratio of 30% of FY NPAT

Maintaining strong balance sheet

(\$m)	30 June 16	30 June 15
Assets		
Cash	32.3	32.0
Trade receivables	33.9	20.9
Inventory	67.8	17.1
Other assets	9.5	2.1
Total assets	143.5	72.1
Liabilities		
Trade and other payables	48.3	19.1
Borrowings	0.1	0.2
Current tax liabilities	10.5	3.6
Other liabilities	1.3	0.4
Total liabilities	60.2	23.3
Net assets	83.3	48.8

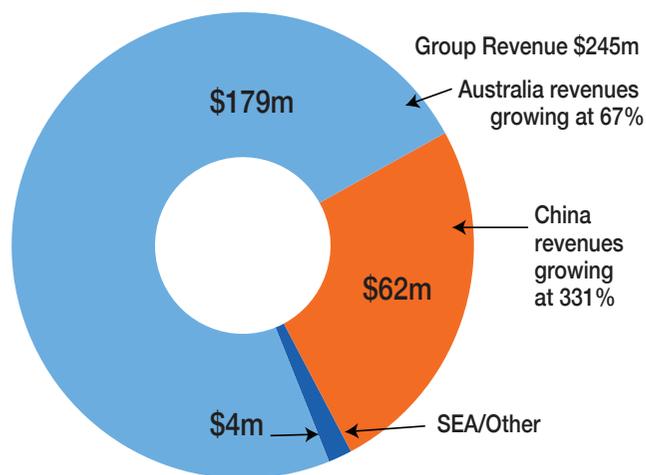
- Our strategic initiatives in relation to volume growth and price increases implemented during year have contributed to growth in trade receivables
- Due to the addition of a second manufacturing partner (Fonterra) and the ingredients required to support this initiative, inventory has increased in line with plans
 - Total inventory increasing to \$67.8m comprised of \$35.1m finished goods and \$32.7m of ingredients
 - Increased levels of finished goods to support the current sales rate of the business
- Reflecting the growth in inventory and timing of delivery of stock in June, trade payables have increased at year end
- The Company had \$32.3m in cash and minimal debt at 30 June
 - Funding facility is in place to support shorter term working capital growth requirements

Growing in Australia and China

FY16 Segment Results (\$m)	Australia	China/HK	SEA/Other	Total
Revenue	178.7	62.1	3.8	244.6
% Growth from PY	67%	331%	(8%)	95%
Segment EBIT*	35.6	20.9	0.3	56.8
EBIT %*	20%	34%	11%	23%

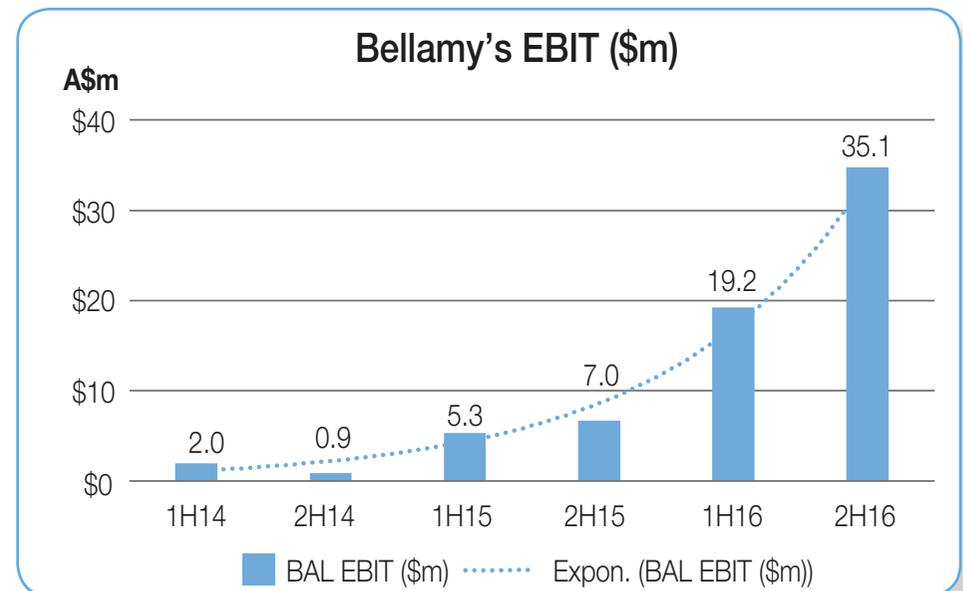
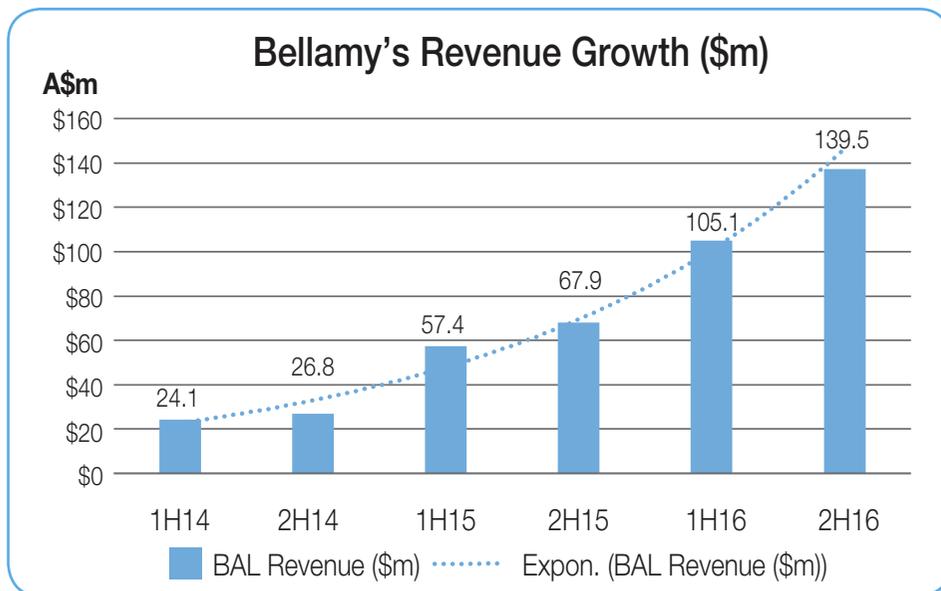
* Before corporate overheads

FY16 Segment Revenue



- 67% growth in Australian revenues to \$178.6m:
 - Increased distribution
 - Price increases
 - Growing market share
- 331% growth in China/HK revenues:
 - Increased brand awareness
 - Growth in e-commerce business
 - Growth in reseller customer activations
- South East Asia sales reflect change in distributor arrangements to enable greater control of Vietnam and Malaysia sales channels

We continue to perform as a high growth company and set the scene for continued growth



- We have strong foundations to continue our growth strategy
- Increase in manufacturing volumes in FY17 will support inventory build for growth in existing and new markets
- We have increased our available supply, and delivered growth in revenue and EBIT
- Demand for Bellamy's brand continues to increase reflecting our recognition as a healthy, safe brand with product to match

FY16:

Optimising returns to deliver strong growth in earnings

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Investing in an agile business model to optimise long-term sustainable earnings

Laura McBain, CEO

Growing our organic milk supply pool



Bellamy's has reliable access to the international organic milk pool and specialty ingredients needed for high quality organic infant formula

Bellamy's
Production Volume

H2 14 H1 15 H2 15 H1 16 H2 16

Bellamy's has strategic partnerships with co-ops and ingredient manufacturers that underpin supply of key formula ingredients



Progressing the conversion to organic by small group of farmers in Tasmania – with estimated on-boarding of supply in 2 years

Building manufacturing capabilities to leverage the growing organic ingredient pool

Bellamy's potential capacity across all sites is greater than current utilised capacity



TATURA
A BEGA CHEESE COMPANY

2015: Signed 6-year Product Supply agreement

Bellamy's a key customer



Dairy for life

2016: Signed 5-year strategic manufacturing arrangement

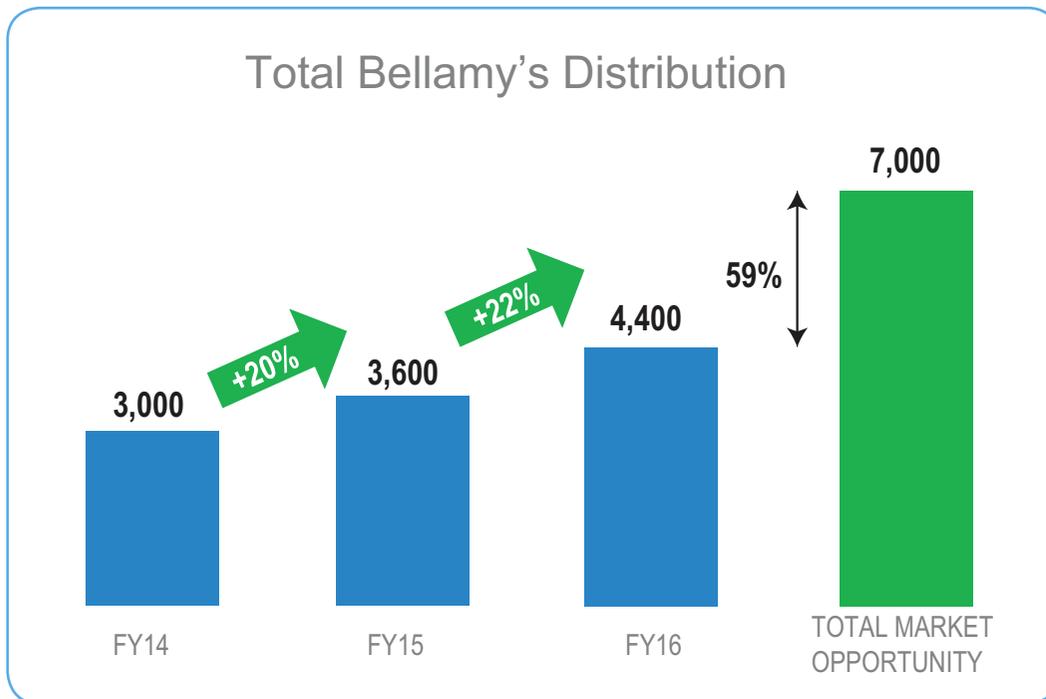
- Commenced manufacturing

Beingmate has 51% off-take; Bellamy's is a key customer for remainder

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Australia: increasing penetration



Number of distribution points covered

- Substantial opportunity to further penetrate Australian market – currently selling products in 4,400 of 7,000 distribution points
- Deepening distribution both geographically and with new retailers
- Increasing ranging across retailers toward our entire baby food and formula range
- Developing new accounts with smaller retailer and pharmacy groups
- No.1 in Cereal across scanned sales in Australia
- Significant changes to the Australian retailer market for formula since changes to China regulations. The changes have meant more direct dealings by brands with Daigous

China: agility the key to meeting the changing channel mix



较大婴儿有机配方奶粉和婴儿食品



对大约6个月大的宝宝来说，单纯的母乳或婴儿配方奶粉喂养已无法满足其营养储备和需求，但是这些仍将是宝宝营养摄入的主要来源。

值得注意的是，这个年龄段的宝宝需要更多的铁和锌的摄入。引入固体食物是很重要的，可以确保宝宝获得所需的铁、维生素和矿物质，从而健康茁壮地成长。

我们的产品



有机较大婴儿配方奶粉二阶段

- Direct retailing commenced throughout FY16 in China, increasing Bellamy's brand penetration
- Focused on further growing our multi-channel distribution – online and offline – with infant formula as the spearhead
- Leverage Top 10 presence for infant formula on Tmall
- With the China consumer buying more and more online, we aim to capture a growing portion of the e-commerce market directly through multiple platforms such as Tmall, JD, VIP, and BabyTree

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China: manufacturing regulatory changes strengthening growth opportunities



- Bellamy's is set to benefit from new Chinese regulations which will limit registered factories in China and offshore to producing three brands (or "series") and each brand/series to three products
 - Essentially, this means each manufacturer can register a maximum of 9 products for sale to China
- Bellamy's volumes, scale and depth of penetration mean we are a priority top three customer with our manufacturers and canners

Aidan Coleman, the chief executive of Bega Cheese, said... Bega would concentrate on producing infant formula for Bellamy's, its joint-venture partner Blackmores and one other brand which remained confidential.

9 June 2016, Australian Financial Review

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China: regulatory changes strengthening growth opportunities

- Bellamy's has planned for the anticipated regulatory changes over the last 2 years
- Underlying motivation for the changes are to protect Chinese consumers – strong, safe brands will benefit

Regulatory Change	Food Safety & Cross Border Transactions	Penalty Measures of Unlawful Acts in Online Food Safety	FSMP (Food for Special Medical Purpose) CFDA Registration
What is it	New food products safety regulations for the importing of food products through cross border and FTZ channels.	From 1 Oct 2016, Unlawful acts and breaches of food safety practices will be penalised as per legislation outlined in the Food Safety Acts	From 1 July 2016, China commenced the formulation registration of FSMP by CFDA.
Key initiatives	Labelling of products in Chinese, compliance with GB standards, registration of trading companies with CIQ.	To regulate the food safety practices stipulated in China's Food Safety Law across direct online channels and 3rd party retail platforms.	To regulate the food safety of FSMP and meet the nutrition requirements of infants or adults under special medical conditions.
Current status/likely timeframe	Final regulations are expected to be released before 11 May 2017.	Effective from 1 Oct 2016	The deadline for the registration is 1 Jan 2018.
Our response	Bellamy's already has Chinese labelled, GB compliant product for sale in China. We are ready to respond to these measures by making these products available through our e-commerce channels. We will also move to create GB compliant food products such as our cereal range for sale to Chinese consumers. We expect that some consumers will continue to purchase products from Australia for consumption in China.	Infant formula product information (including online) must not imply any benefits to child's brain development, immune system, intestinal protection, and healthcare: Bellamy's Flagship Stores on TMall and JD.com do not advertise these benefits to consumers, neither do we make such claims on our product packages.	Bellamy's products do not fall under the FSMP category. This will impact some of our competitors claims for special purpose infant nutrition products.

SE Asia provides further growth opportunities



- Our volume share in Singapore continues to rise. In channels where we have achieved full penetration, eg pharmacy, our share has reached 4.7%. We have recently increased our distribution points in the supermarket & hypermarket channels, which will see our share gain continue
- In June 2016, Bellamy's entered into a strategic distribution partnership to support continued growth across Singapore and also growth in Hong Kong
 - Enables us to leverage distribution platforms on a broader scale
- In Vietnam, we are working towards improving our footprint through adopting a direct to market model
 - Provide greater control over distribution of our products

Bellamy's is a brand that resonates

All Brands in Baby, Toddler & Kids		Website 	Facebook 	Instagram 	Twitter 	YouTube 
1st	Bellamy's Organic	1st	1st	1st	1st	3rd
2nd	Heinz for Baby	3rd	2nd	-	-	2nd
3rd	Rafferty's Garden	10th	3rd	4th	3rd	11th

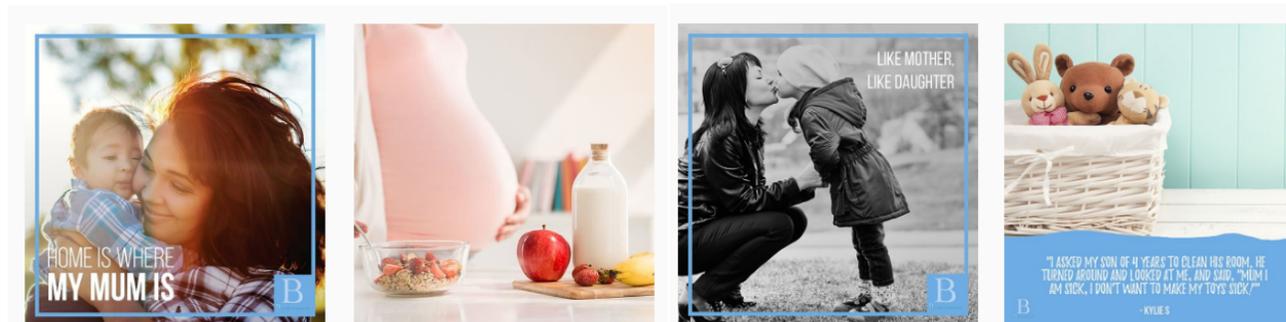
Ranking of social engagement as listed by BrandData for Infant nutrition brands in the Australian marketplace (branddata.com | August 2016)

- The largest community with the most total engagement in the Australian formula and baby food space*
- More than double any competitor's visibility in Google within the Australian formula and baby food space^
- The most organic (unpaid) website traffic in the Australian infant formula and baby food space^^
- Consumer demand for organic is increasing in China, Bellamy's is a first to market brand

* Source: fanpagekarma.com, July 2016

^ Source: advancedwebsitesetraffic.com, August 2016

^^ Source: semrush.com, August 2016



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Investing in business to optimise long-term returns



- During FY17 we expect to invest an additional \$15-20m across product, people, marketing and promotional activities
- In particular with greater volume, we will invest significantly in marketing in China to attract new customers and increase the lifetime value of existing customers in that market
- This investment will position the business for sustainable earnings growth in FY18 and beyond, by growing our customer base and increasing our penetration in key markets

Key priorities for FY17



Continue to build distribution in China to deliver both online and offline access to consumers

Strong marketing activation campaigns to build platform for future growth through brand awareness

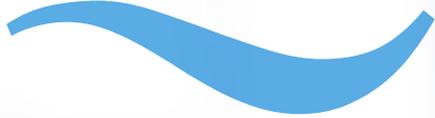
Continue to develop the organic dairy industry in Australia that will support local content for the long-term growth of Bellamy's

Leverage our agile and flexible founders' mentality to meet regulatory changes in China

Explore our new market opportunities and build the capabilities to respond

Build the Bellamy's team and continue our core strengths - agility, innovation, entrepreneurship

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