

A woman with long, wavy brown hair, wearing a white lace-trimmed dress, is holding a baby high in the air. The baby is wearing a white headband with a large white flower and a white dress with a purple floral pattern. They are both smiling and looking at each other. The background is a blurred view of the ocean and a clear sky.

# 1H16 Results Presentation

19 February 2016

*A pure start to life.*

Growing sustainable earnings

Growing all markets

Positive outlook

Laura McBain, Managing Director & CEO

*A pure start to life.*



# Delivering what we said we would do...

Leveraging reputation as leader in organic food and formula products

- Enhanced supply chain to better meet demand
- 5 year agreement with Fonterra for manufacture of infant formula
- Implemented price increases across infant formula to balance cost increases
- T-mall.com and JD.com flagship online store broadens consumer base in China

... and delivering another record result

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## Growing sustainable earnings

Growing all markets

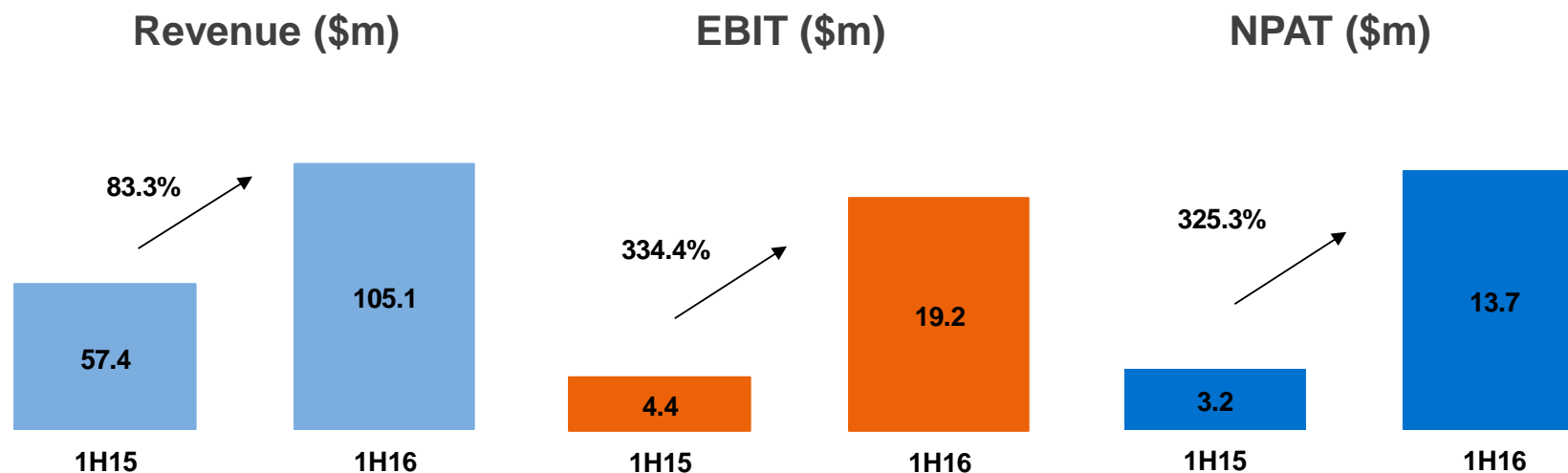
Positive outlook

Shona Ollington, Chief Financial Officer

# A record half year result

(A\$m)	1H16	1H15	Change
Revenue (Net of trading terms)	105.1	57.4	83%
EBIT	19.2	4.4	334%
Profit before income tax expense	19.5	4.7	311%
Net profit after income tax expense	13.7	3.2	325%
Net Assets	63.2	48.9	29%
Operating cashflow	(1.2 )	(10.3 )	>>
Interim dividend	4.1 cps	-	

# Strong growth across all financial metrics



- Revenue growth driven by:
  - Strong domestic and export sales in both infant formula and food segments
  - Increased brand awareness, growth across all retailers and new distribution points with independent retailers in the domestic market and on-line channels
- Continued growth in EBIT

# Managing costs while growing revenues

- Gross profit margin of 41.6% up on previous period (1H15: 32.1%)
  - Channel mix, with on-line channels delivering higher gross margins
  - Price rise in the domestic market implemented in December 2015, expect to see a flow on benefit in 2H16
  - Focused on improving gross profit margins – manage and work closely with suppliers and distribution channels to deliver sustainable cost structures within the entire supply chain
- Costs as a percentage of sales
  - Strategic investment in human resources during the period with head count increasing to 53 (1H15: 31)
  - Since demand for formula has remained high, marketing and promotional activities for formula products were temporarily reduced in 1H16
  - Costs as a percentage of revenue for the half remaining consistent with the 2015 financial year

Costs as a percentage of sales	1H16	FY15	1H15
Employment Costs	5.0%	4.5%	4.7%
Marketing Costs	1.8%	2.0%	2.1%
Other Administrative Costs	4.3%	4.6%	3.1%

# Improved operating cash flows

(A\$m)	1H16	1H15	Change
Operating cash flow	(1.2 )	(10.3 )	>>
Investing cash flow	(0.7 )	(0.3 )	163%
Financing cash flow	(2.5 )	23.1	<<
<b>Net cash flow movement</b>	<b>(4.4 )</b>	<b>12.5</b>	<b>&lt;&lt;</b>

## ■ Improved operating cash flows

- Whilst overall cash balance has decreased by \$4.4 million, trade and other receivables have increased, contributing to the growth in net working capital
- Overall increase in net working capital of \$14.1 million during the period
- Operating cash flows during the half reflect the timing of purchases at period end. Therefore cash flow movement at a particular point in time does not necessarily reflect the purchasing cycle of the business.

## ■ Financing cash flows

- In October 2015 the company paid a fully franked dividend of \$2.7 million (2.86 cents per share for FY15 full year)



## Strong balance sheet

(A\$m)	30-Dec-15	30-Jun-15	Change
Cash	27.7	32.0	(14%)
Borrowings	0.2	0.2	0%
Net Assets	63.2	48.9	29%
Net tangible assets	62.9	48.8	29%
Net assets per share (cents)	65.4	51.5	27%
Net tangible assets per share (cents)	65.1	51.4	27%

- Minimal gearing with Net Assets up 29%
- Interim dividend declared 4.1 cents per share (fully franked)

Growing sustainable earnings

**Growing all markets**

Positive outlook

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# Strong growth in domestic market

- Extending our reach in pharmacy and increasing footprint in stores
  - Now with 4,000 distribution points in Australia (FY15: 3,000 distribution points)
- Unprecedented demand for both infant formula and food range
- Online store making product readily available to domestic market
  - Exceptional growth in domestic online sales
- Increased prices in infant formula market
  - Balancing cost increases for organic ingredients



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# China – strong demand for “Australian Made”

- Increased sales to retailers through agency with SIIC and multiple distributors
- Retailers embracing online phenomena
  - Offering customers their own retail platform
- T-mall flagship store our formal channel for Bellamy's e-commerce into China
- Continue to monitor cross border traders
- Well placed to benefit from changes in anticipated packaging regulation
  - Proposed changes in China regulations for cross border trade will strengthen Bellamy's position and provide greater control over the trade of its products through online channels



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# SE Asia – attractive growth opportunities

- Continued, strong demand for “Australian Made” and organic products in Asia
  - Continued improvement in segment sales growing market share
- Singapore
  - Doubled market share and continuing to grow
  - Market share now at 3%
  - Continuing to develop infrastructure to further develop this market
- Malaysia and Vietnam
  - Remain committed to building our footprint across South East Asia



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# Enhanced supply chain

## Placing us well to meet demand

- Contracted for additional formula volumes to be supplied through 2H16 and beyond
- 5 year agreement with Fonterra for manufacture of infant formula
  - The benefit of additional volumes expected from early FY2017
- Deep understanding of complex organic global supply chain + strong relationships with key suppliers
- Well placed to meet domestic demand with online capability supplying customers
- Confident that potential regulatory changes in China will not impact our supply arrangements



# Online channels – effective route to China market

- Our formal channel for Bellamy's e-commerce into China
- Now in the top 15 brands for formula
- Still remains multiple cross border traders who purchase products from Australian stores and sell these through e-commerce platforms
  - Continuing to monitor this market closely



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# Brand recognition

- Brand reputation as leader in organic food and formula products for babies and toddlers
- Establishing brand and reputation for over 10 years
- 47% increase in Facebook followers during the last six months



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# Key priorities for 2H16

- Support existing and new sales activities with marketing strategies
- Carefully manage and grow organic ingredient supply to meet demand
- Preparing for first deliveries from Fonterra
- Further build footprint across South East Asia
- Increase focus of new product development, especially targeting Asian consumer preferences

# In summary

1H16 delivered a record result across all key metrics

- Very strong growth across all financial metrics
- Further strengthened balance sheet
- Interim dividend of 4.1 cents per share

Solid position from which to deliver continued growth over 2H16 and beyond

- Continue to see strong growing demand for Bellamy's products
- Flow on benefit of domestic price increases
- Global supply chain initiatives support continued Australian and Asian demand growth
- Improved margins enable reinvestment in strategic growth initiatives ensuring the company has the best resources to leverage as it grows
- Based on current trading trends and current known and planned supply arrangements, FY16 forecast group revenue is expected to be in the range of \$240 million to \$260 million, with EBIT margin expected to be broadly in line with the first half.

Q&A



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