

**ASX/MEDIA RELEASE**

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**Bellamy's agile business model delivers another record result**

Bellamy's Australia Limited (ASX: BAL) today announces another record result for the 12 months ended 30 June 2016 (FY16), underpinned by continued growth in supply of organic ingredients.

**Strong growth across all financial metrics in FY16**

(\$ million)	FY16	FY15	Change
<b>Revenue</b>	244.6	125.3	95%
<b>EBIT</b>	54.3	12.3	342%
<b>NPAT</b>	38.3	9.1	322%
<b>Operating cash flow</b>	8.9	4.7	89%
<b>Total dividend (cps)</b>	11.90	2.86	316%

EBIT grew by 342% to \$54.3 million, with EBIT margin more than doubling compared to FY15, delivering an FY16 EBIT margin of 22.2%. Mirroring the strong growth in EBIT, NPAT was up exponentially to \$38.3 million. The strong EBIT performance was driven by continued revenue growth, with revenue up 95% on FY15 to \$244.6 million.

Commenting on the Company's growth over FY16, Bellamy's CEO Laura McBain said:

"This result is a testament to the drive and dedication of the Bellamy's team. Our growth in earnings has been so strong because of Bellamy's brand reputation and relationship with parents. We are passionate about producing world class, safe, clean, organic products so that babies can have a pure start to life. This passion has underpinned our brand, making us the leader in organic food and formula products for babies and toddlers in Australia, with a growing strong reputation among Chinese parents.

“Our deep understanding of the complex organic global supply chain, strong strategic arrangements with key suppliers, and expanding distribution network places Bellamy’s in a unique position to continue benefiting from strong domestic and international demand. With additional infant formula volumes now being delivered from Fonterra’s Darnum plant, to complement the growth in volumes from Tatura Milk Industries, we are well placed to continue Bellamy’s growth trajectory while optimising long-term returns.”

## **Leveraging opportunities for continued growth in China**

“We continued to experience strong growth in China across all of our distribution channels. We recognise the importance of having a multi-channel distribution strategy in China, and providing easy access to our products for parents regardless of their physical location. This philosophy ensures that as consumer preferences in China evolve, we remain agile and able to adapt to changing consumer purchasing trends and government regulations. Our online flagship stores via Tmall.com – where we are in the top 10 brands for infant formula – JD.com and VIP.com have led to substantial growth in sales direct from Bellamy’s to consumers in China.

“The second half of FY16 saw a number of regulatory changes announced in China, aimed at putting in place a clear framework for cross border e-commerce channels and a broader product registration framework covering both domestic and foreign infant formula products. Having anticipated the regulatory changes, we were able to respond quickly and efficiently. We have a positive view of the regulatory changes announced and believe they will further strengthen Bellamy’s growth opportunities in China where the Bellamy’s brand and our trusted, safe, organic products are highly valued by consumers,” added Mrs McBain.

## **Continuing to drive growth in Australian domestic market**

“Bellamy’s continued to generate strong growth in the Australian domestic market. Brand awareness continued to grow and we remain focused on extending our reach in pharmacy and increasing our footprint in grocery. Bellamy’s products are now distributed in more than 4,400 outlets nationally across all major retailers.

“Bellamy’s has also pushed deeper into independent supermarkets and pharmacies, which provide a strong growth channel. We continue to be the market leader in Infant Foods with our strong contingent of cereals, pouches, snacks and pastas.

“Having held our infant formula pricing for five years, in December 2015 we increased prices to balance cost increases for organic ingredients and ensure our formula was appropriately priced given its premium organic nature. This has delivered benefits to our gross profit margins in the FY16 year,” said Mrs McBain.

## **Building new markets across Asia**

“Bellamy’s has continued to benefit from strong growth in targeted Asian markets. Over the past 12 months we have seen improved Asia segment sales and growing market share. We have had considerable success in Singapore where we have more than doubled our market share to 3%, outpacing two competing European organic formula brands.

“To build on this success, in June 2016 we entered into a strategic distribution partnership to support Bellamy’s continued growth in Singapore and Hong Kong by leveraging distribution platforms on a broader scale. In addition, in Vietnam we are working towards improving Bellamy’s footprint through adopting a direct to market model that will provide greater control over distribution of our products.

### **Strong balance sheet, improving cash flows and growing dividend**

Bellamy’s has minimal debt and cash flows continued to improve over FY16 with operating cash flows almost doubling to \$8.9 million.

Reflecting the company’s strong balance sheet, sustainable earnings, and attractive growth outlook, the Board of Directors has declared a final FY16 fully franked dividend of 7.80 cents per share (representing 30% of 2H16 NPAT). The record date for this dividend is 29 August 2016, and payment date is 26 September 2016. The Company’s Dividend Reinvestment Plan will be in operation for this dividend.

### **Bellamy’s is strategically positioned to match supply to growth**

Commenting on Bellamy’s ability to meet demand for high quality, Australian made organic baby food and formula through its agile business model, Mrs McBain said:

“The addition of the Fonterra manufacturing agreement – that will significantly lift volumes from FY17, – underpins our ability to service the growth in demand for Bellamy’s range of organic infant formula both domestically and internationally. We have carefully matched available manufacturing capacity with our ingredients and are very confident of our ability to continue to access global organic dairy ingredients and to grow ingredient availability with demand profiles.

“Our commitment to Australian parents and babies remains unchanged. We will continue to deepen distribution both geographically and with new retailers in Australia so that Australian babies can get ready easy access to our range. Opportunities for further growth are focused on increasing our product ranging across retailers with the full product suite, and developing new accounts with smaller retailer and pharmacy groups.

“At the same time, the China market continues to promise strong opportunities for focused, committed companies. In China, we will continue our agile multi-channel distribution approach, and further develop online and offline distribution of the Bellamy’s range, with infant formula as the spearhead. Having quickly built a top 10 presence on Tmall, we will continue to pursue a strong e-commerce strategy across multiple platforms and distribution channels.

“The regulatory environment in which we operate in China will have a positive effect on our future growth opportunities and we will maximise these through the multi-channel distribution approach that we have built.

“Underpinning the sales and distribution opportunities in Australia and Asia is a supply chain team that is firmly focused on growing our supply of organic ingredients and manufacturing capacity. Strong forward planning and a commitment from our supply chain to meet the high demand for Bellamy’s products has ensured that not only have we been able to meet the

exceptional growth in demand over FY16, but we will be able to supply a substantial uplift in manufacturing volumes from FY17 on.

“The strong growth in revenue and earnings over the past 12 months has enabled Bellamy's to invest back into the business during the second half of FY16 in terms of people, infrastructure and marketing. We will continue this programme, investing a further \$15-20 million in FY17 to ensure we have the right platform in place to drive sustainable long-term growth and optimise long-term returns. The purpose of these investments is to build strategic platforms for long-term sustainable growth for shareholders beyond FY17.

“We are an ambitious team and we are excited by the growth opportunities that lie ahead for Bellamy's. We have demonstrated strong results for several years, and are committed to executing on our strategy to deliver great organic products for our customers, and attractive returns for our shareholders.”

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## About Bellamy's

Bellamy's Australia is a Tasmanian-based company and we produce only 100% Australian made organic foods. Our mission is to provide a pure start to life for babies and young children everywhere and we are passionate about promoting healthy eating practices in our children. Bellamy's Organic started in Launceston, Tasmania in 2004 as a family-operated company.

We supply our product range to supermarket chains and independent stores across Australia. Bellamy's also exports its 100% certified organic food to customers in China, Hong Kong, Taiwan, Singapore, Malaysia, Vietnam, and New Zealand.

We are proud that we make a positive contribution to the wellbeing of this and future generations by helping people on a path to Mindful Eating.

For further information please go to [www.bellamysaustralia.com.au](http://www.bellamysaustralia.com.au)