FY17 results presentation

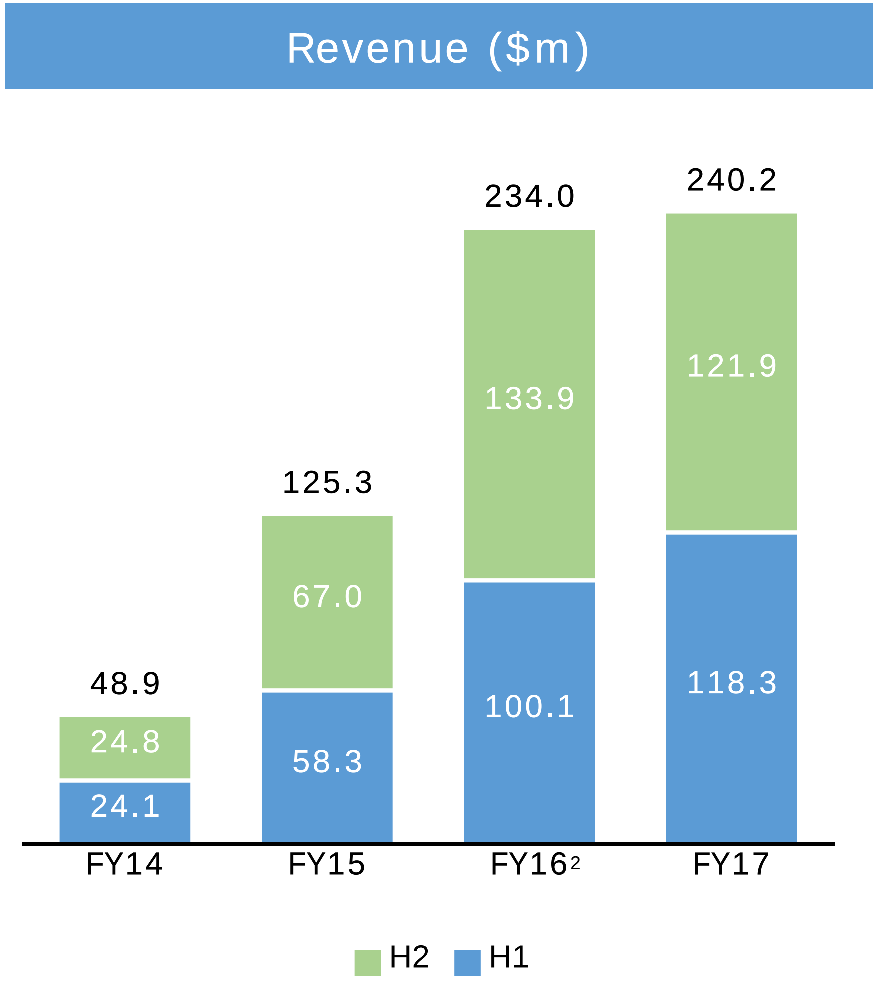
August 2017

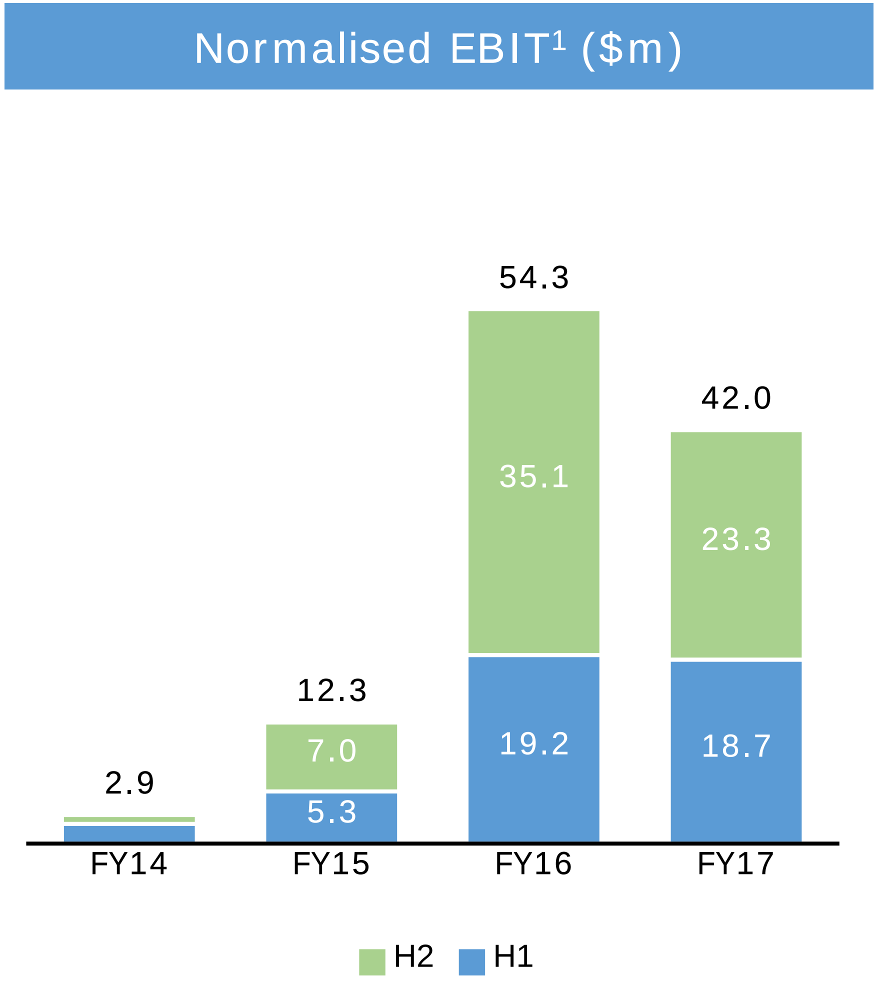
BELLAMY'S ORGANIC

Summary

- **Bellamy's turnaround is on track, but there are still challenges to navigate**
- **2H17 result exceeded top-end of guidance for Revenue and Normalised EBIT**
- **The stability of the business has improved**
  - Sales have stabilised and gained momentum leading into FY18
  - Operating cost base has been reset and we are now well-positioned to reinvest
  - Supply-chain restructure is yielding reductions in future input costs
  - Inventory has been declining since peaking in March 2017
  - Operating cash-flow has been positive since March 2017 (excluding the one-off Fonterra payment) and we are currently in a net cash position
- Further, the Camperdown acquisition and reinstatement of the CNCA licence provides a path to CFDA registration in China
- A new leadership team and Board is in place, and is focused on the business plan for FY18 and the next three years
  - Additionally the team is spending more time in China and establishing deeper relationships with our distributor, customers and regulatory bodies
- Forecasting profitable growth in FY18, with a target of 5-10% revenue growth and 15-20% EBITDA margin

Financial overview





1. Excludes one-off items (as disclosed in the Financial Statements) such as the $27.5m payment to Fonterra as part of the supply-chain reset, inventory write-downs, FX losses, restructuring costs, professional fees, and indirect costs associated with the capital raise and costs relating to the acquisition of Camperdown Powder
2. Restated (refer Note 5 of the Annual Report)

2H17 result

Profit & Loss (A$m)		1H17 Actual	2H17 Actual	2H17 Guidance	
Statutory	Revenue	118.3	121.9	105 - 120	✔
	Gross Profit	46.8	44.8		
	(% of sales)	*39.5%*	*36.7%*	*36 - 39%* [2]	✔
	Total expenses	(36.7)	(54.3)		
	EBIT	10.1	(9.5)	(9.5 - 14.0)	✔
	(% of sales)	*8.5%*	*(7.8%)*		
	Net Profit after Tax	7.2	(8.0)		
Normalised	Total expenses [1]	(28.1)	(21.5)		
	EBIT [1]	18.7	23.3	16.5 - 20.5	✔
	(% of sales)	*15.8%*	*19.1%*		
	One-off costs	8.6	32.8		

Key drivers

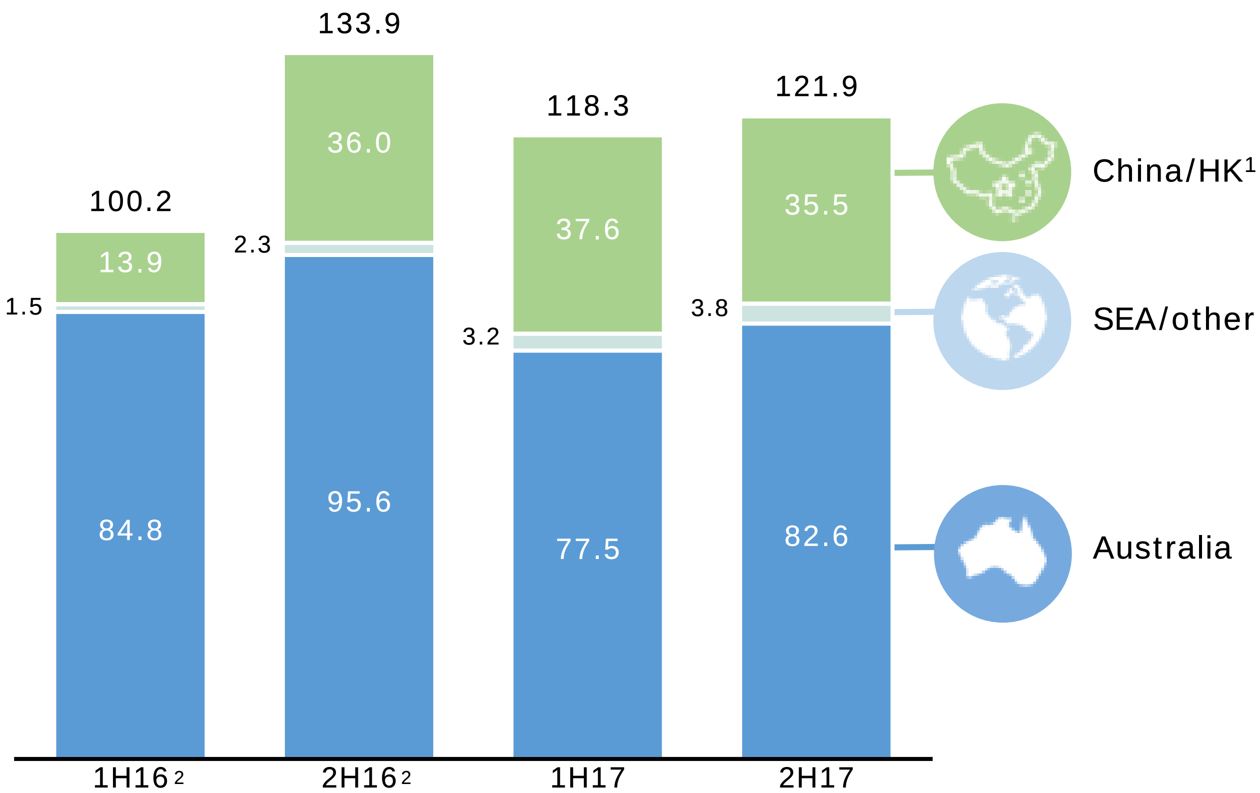
- Sales gained momentum throughout the period
- Gross margin impacted by higher ingredient and production costs, including a $2m shortfall payment provision;

  but partially offset by higher price realisation
- Statutory result impacted by one-off costs associated with the business reset, including a $27.5m one-off payment to Fonterra
- Normalised expenses 23% less than in 1H17; now well-positioned to reinvest

1. Excludes one-off items (as disclosed in the Financial Statements) such as the $27.5m payment to Fonterra as part of the supply-chain reset, inventory write-downs, FX losses, restructuring costs, professional fees, and indirect costs associated with the capital raise and costs relating to the acquisition of Camperdown Powder
2. Guidance has been adjusted to exclude the anticipated $5.5m shortfall payment to Fonterra

Sales have stabilised and gained momentum leading into FY18

Revenue ($m)



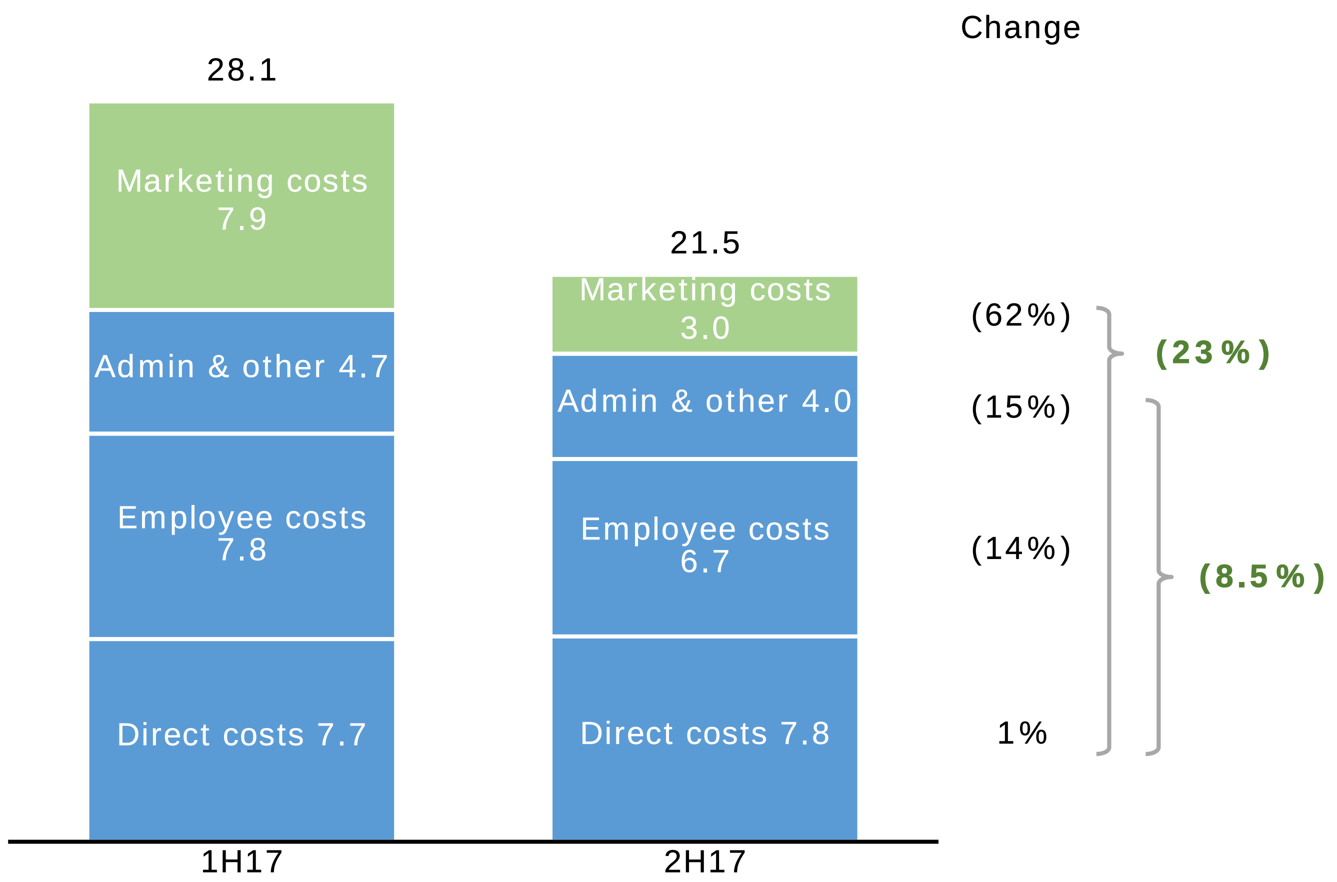
Commentary

- Price realisation increased during 2H17 due to lower promotional spend and channel mix shift
- Trade Inventory of 'Australian label' product in both Australia and China has reduced to acceptable levels
- Trade inventory of 'Chinese label' product has been built to support anticipated delays in CFDA registration
- Continued growth in Singapore and Malaysia

1. Includes both 'Australian label' and 'Chinese label' product sold to China/HK based customers
2. Restated (refer Note 5 of the Annual Report)

Operating cost base has been reset; now well-positioned to reinvest

Normalised operating expenses[1] ($m)



Commentary

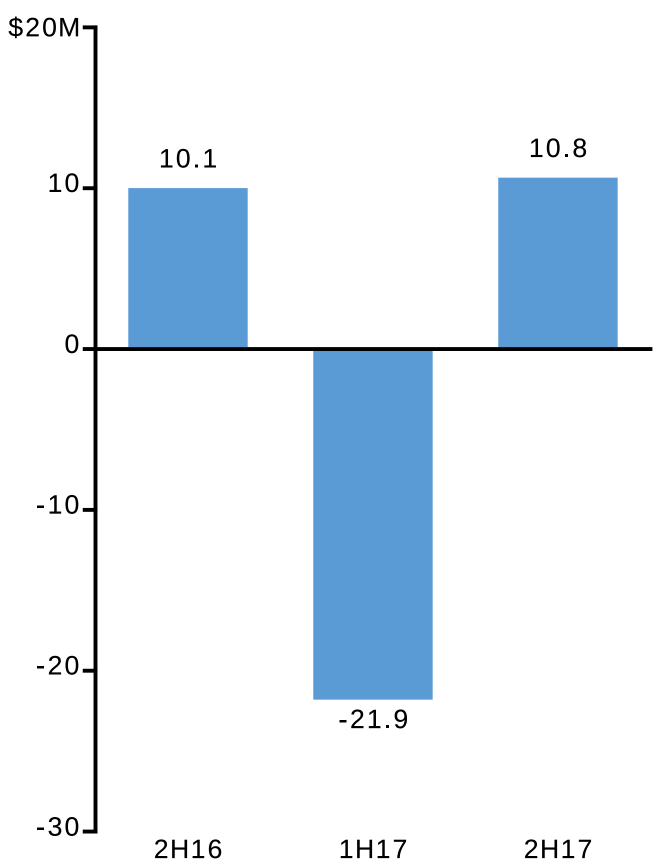
- 23% reduction in overall operating expenses
  - 8.5% reduction in operating expenses excluding the reduction in marketing costs
- Organisational changes have resulted in a lean but high-quality team
- Removed ineffective marketing spend, focused largely on expensive agency costs
- Starting to reinvest, e.g. in high ROI marketing activity and internal capability

1. Excludes one-off items (as disclosed in the Financial Statements) such as the $27.5m payment to Fonterra as part of the supply-chain reset, inventory write-downs, FX losses, restructuring costs, professional fees, and indirect costs associated with the capital raise and costs relating to the acquisition of Camperdown Powder

Operating cash-flow (excluding the one-off Fonterra payment) has been positive since March 2017

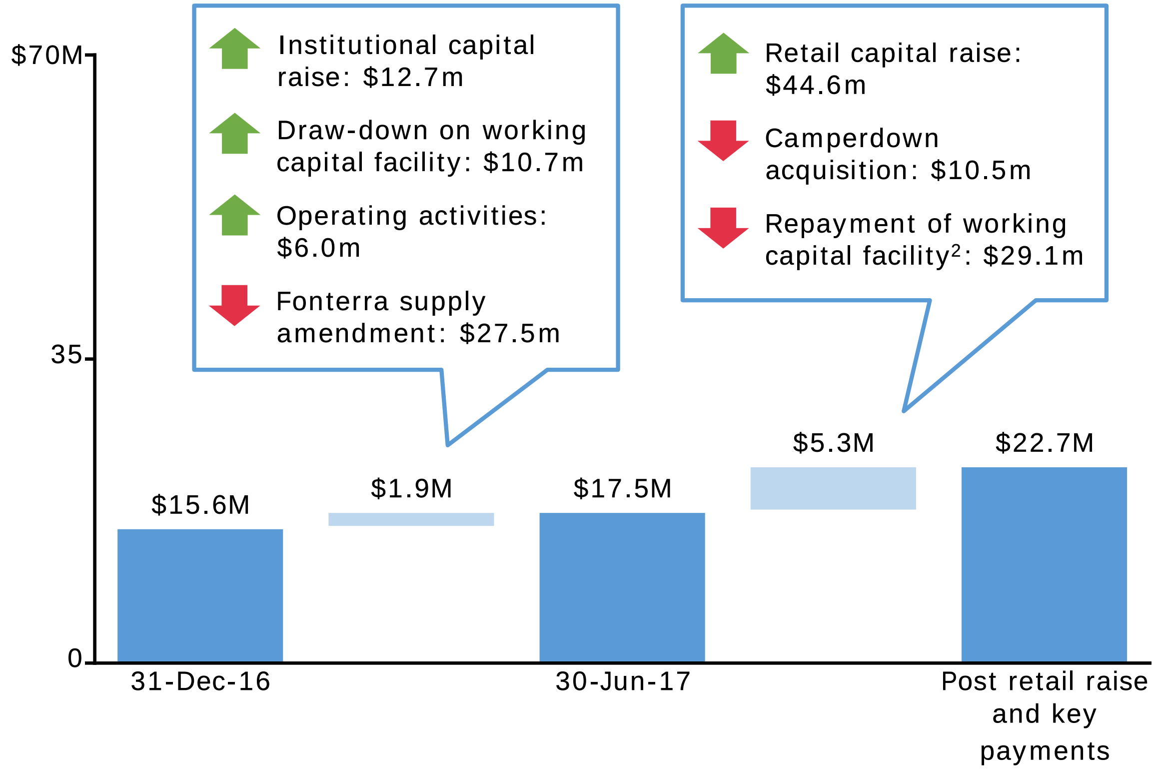
Returned to positive cash-flow...

Operating cash-flow (normalised)[1]



...and now in a net-cash position

Cash position



	31-Dec-16	30-Jun-17	Post retail raise and key payments
Debt	$14.6M	$25.3M	$0.0M
Net cash (debt)	$1.0M	-$7.8M	$22.7M

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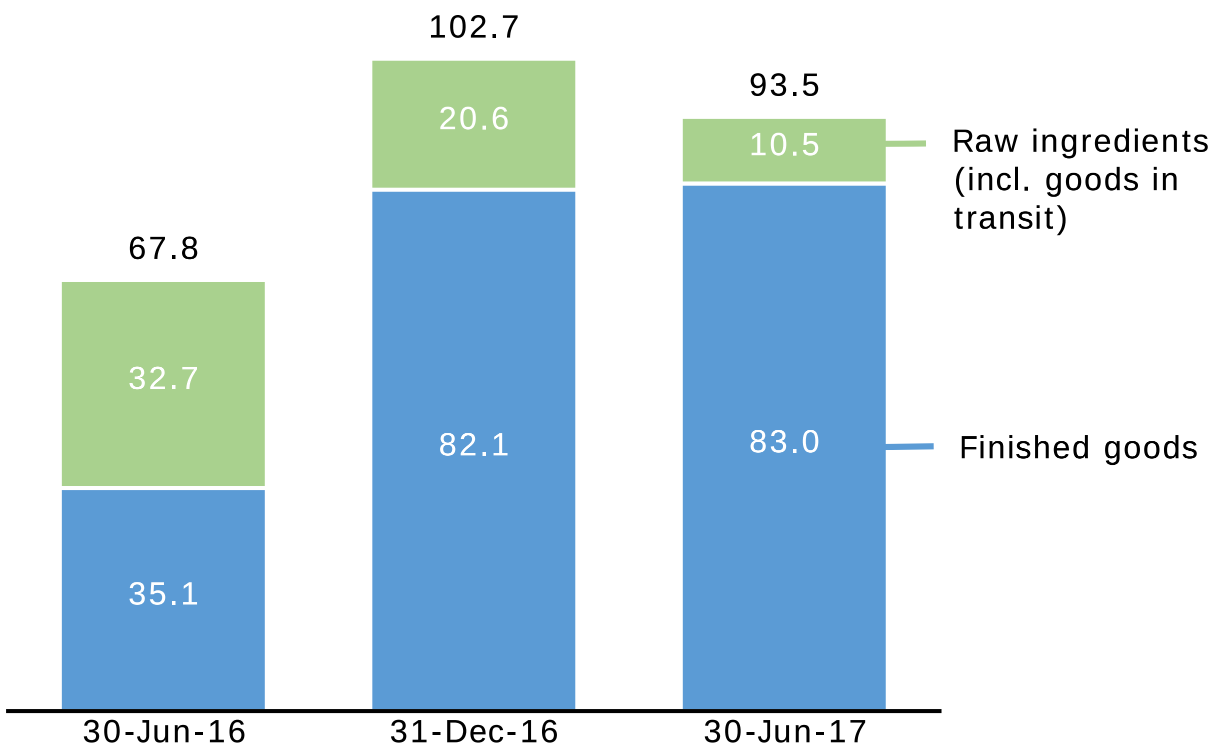
2. $21.5m repaid 11 July 2017 and $7.6m repaid 26 July 2017

Inventory has declined since peaking in March 2017

Bellamy's inventory ($m)



Commentary

- Finished goods inventory peaked in March 2017, but then declined as production was reduced below demand
- Formula inventory now at approx. 5-6 months of cover
- Some inventory rebalancing still required across formula SKUs
- Continuing to carefully manage the ageing profile of 'Australian label' formula stock
- Future focus on shortening supply-chain lead times and reducing inventory requirements

Acquisition of Camperdown provides a pathway to CFDA registration

CAMPERDOWN

Integration

- ☑ Acquisition complete
- ☑ Minor upgrade works complete
- ☑ CNCA licence suspension lifted
- ☑ Production re-commenced for existing customers
- ❑ CFDA application submitted

Upgrade

- ❑ Major capacity upgrade works complete

Bellamy's production

- ❑ CFDA registration achieved
- ❑ Production of Bellamy's 'Chinese-label' SKUs
- ❑ Staged migration of Bellamy's 'Australian label' production

Stabilisation plan progressing

PRIORITIES

Establish **CREDIBILITY & STABILITY** with the trade

RESULTS

- ✓ Reduced retail promotions
- ✓ Stabilised wholesale price
- ✓ Coordinated stock ‘buy-backs’, and consolidated China and Australian Reseller partners

DRIVE OUT COST to create fuel for growth

- ✓ Amended Fonterra supply agreement for a lower future cost position
- ✓ Reduced operating expenses 23% in 2H17 (8.5% if marketing excluded)
- ✓ Improvements to procurement of key ingredients

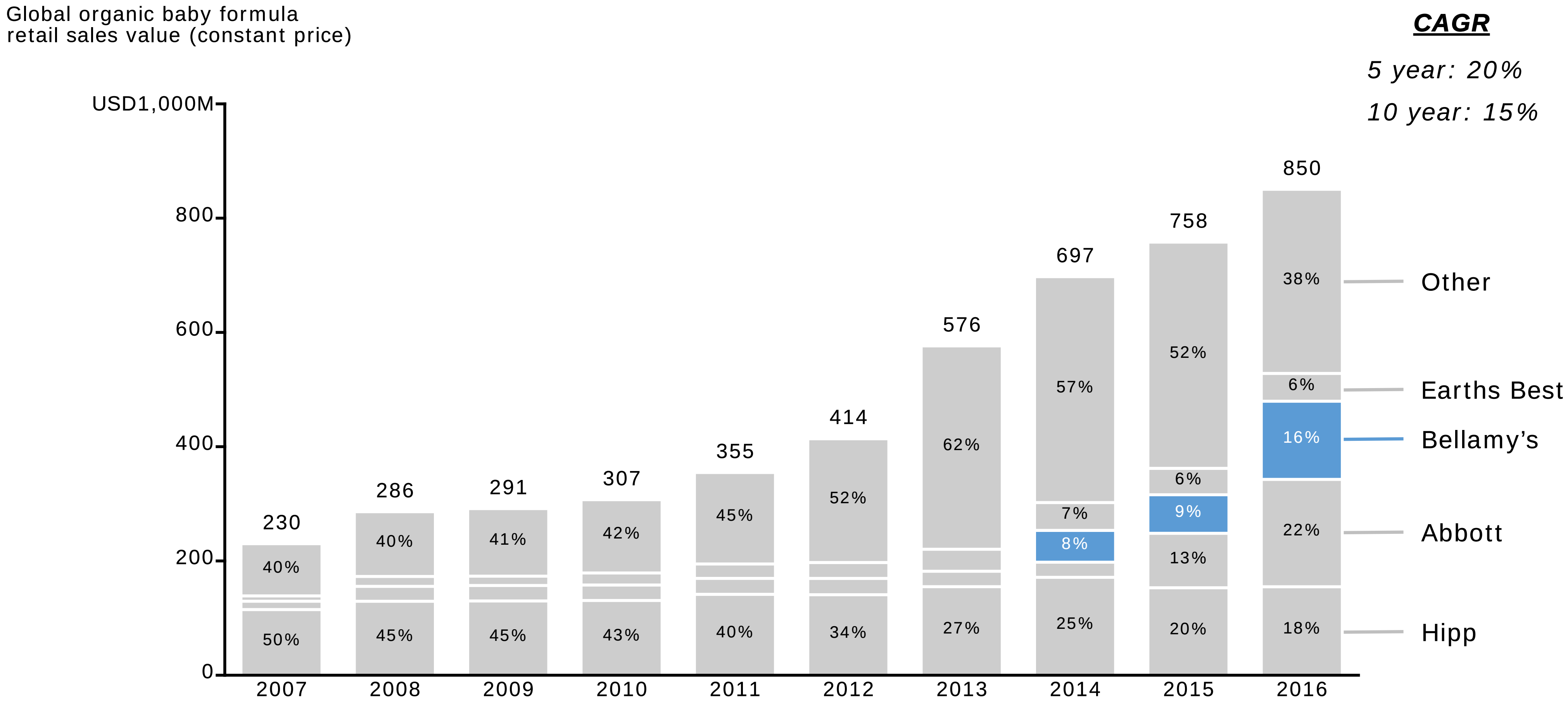
Focus on transition to **POSITIVE CASH FLOW**

- ✓ Reduced 2H17 production by 45% (vs. 1H17)
- ✓ Positive operating cash-flow since Mar-17 (excl. one-off Fonterra payment)
- ✓ Successful capital raise
- ✓ Repaid 100% of working capital facility

Reinvest in the **BRAND** and increase **PENETRATION**

- ✓ Camperdown acquisition delivers pathway to CFDA registration
- ✓ Successful relaunch of Step 3 formula
- ✓ Successful trial of China ‘KOL’ marketing model
- ✓ Successful trial of Daigou trade marketing model

The broader opportunity remains compelling



CAGR

5 year: 20%

10 year: 15%

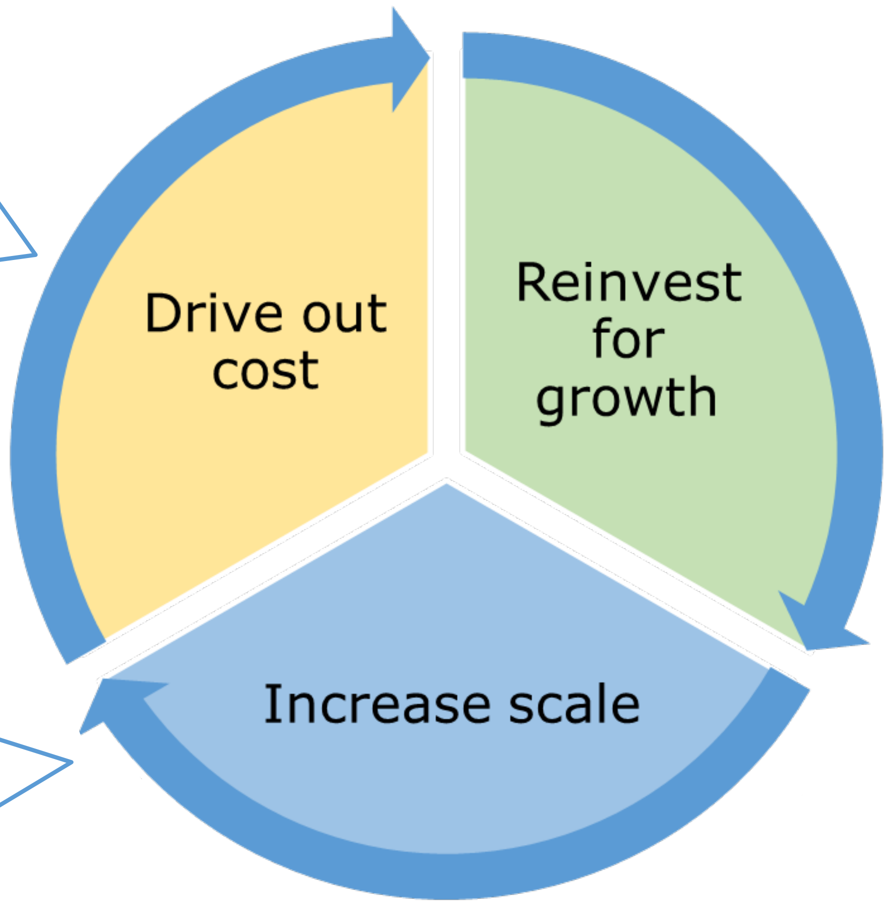
Organic proportion of total baby formula	1.1%	1.2%	1.1%	1.1%	1.1%	1.1%	1.4%	1.6%	1.7%	1.9%

Source: Euromonitor

FY18 focus on realising further cost reductions and reinvesting for growth

Create **fuel for growth:**

- Reduce COGS, logistics and overhead
- Revenue management and price realisation

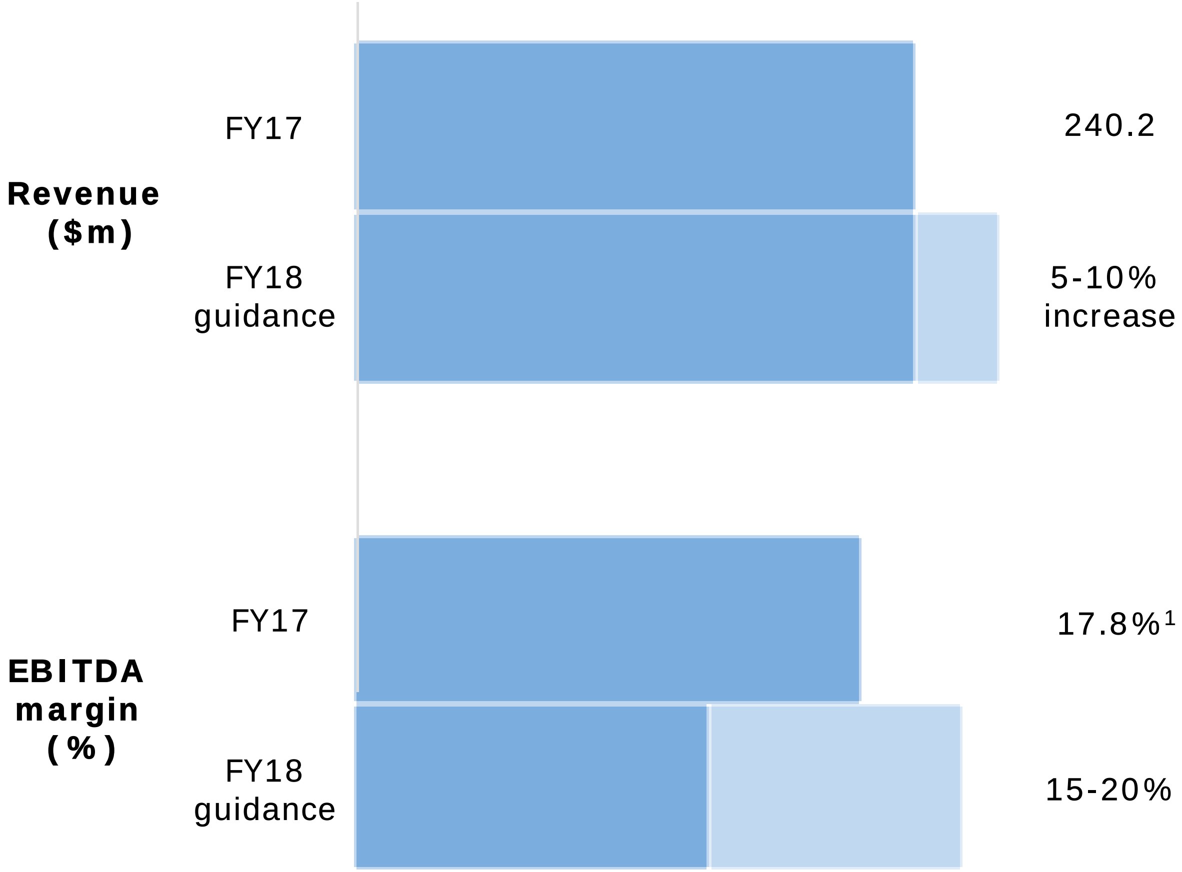


Strategically reinvest in:

- *Brand and marketing*
- *Product upgrades and development*
- *Strategic Trade partnerships*
- *Supply-chain flexibility, provenance and traceability*
- *Internal capability*

Leverage scale *to drive superior economics, including access to supply rebates and reduced shortfall payments*

FY18 guidance



Commentary

- Forecasting FY18 revenue growth of 5-10%
- Expecting 1H18 revenue to be higher than 2H18 given:
  - seasonality, including timing of platform events and Chinese NY
  - all FY18 'Chinese label' sales will occur in 1H18 given delay in CFDA registration
- Forecasting FY18 EBITDA margin of 15-20%
  - includes reinvestment, e.g. in marketing, internal capability
  - dependent on sales result and timing of expected COGS savings

Note: Guiding to EBITDA margin given amortisation of intangible assets arising from the acquisition of Camperdown is not yet determined; Guidance excludes Camperdown Powder, which is now forecast to generate an EBITDA of between breakeven and a $2m loss. Guidance is subject to contingent liabilities including class actions

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