

A photograph of a pink teepee with colorful tassels and flags, set up in a lush green field with trees in the background. The scene is bathed in warm, golden light, suggesting late afternoon or early morning. A string of colorful tassels hangs across the field in front of the teepee.

1H19 Results Brand Transformation

27 February 2019

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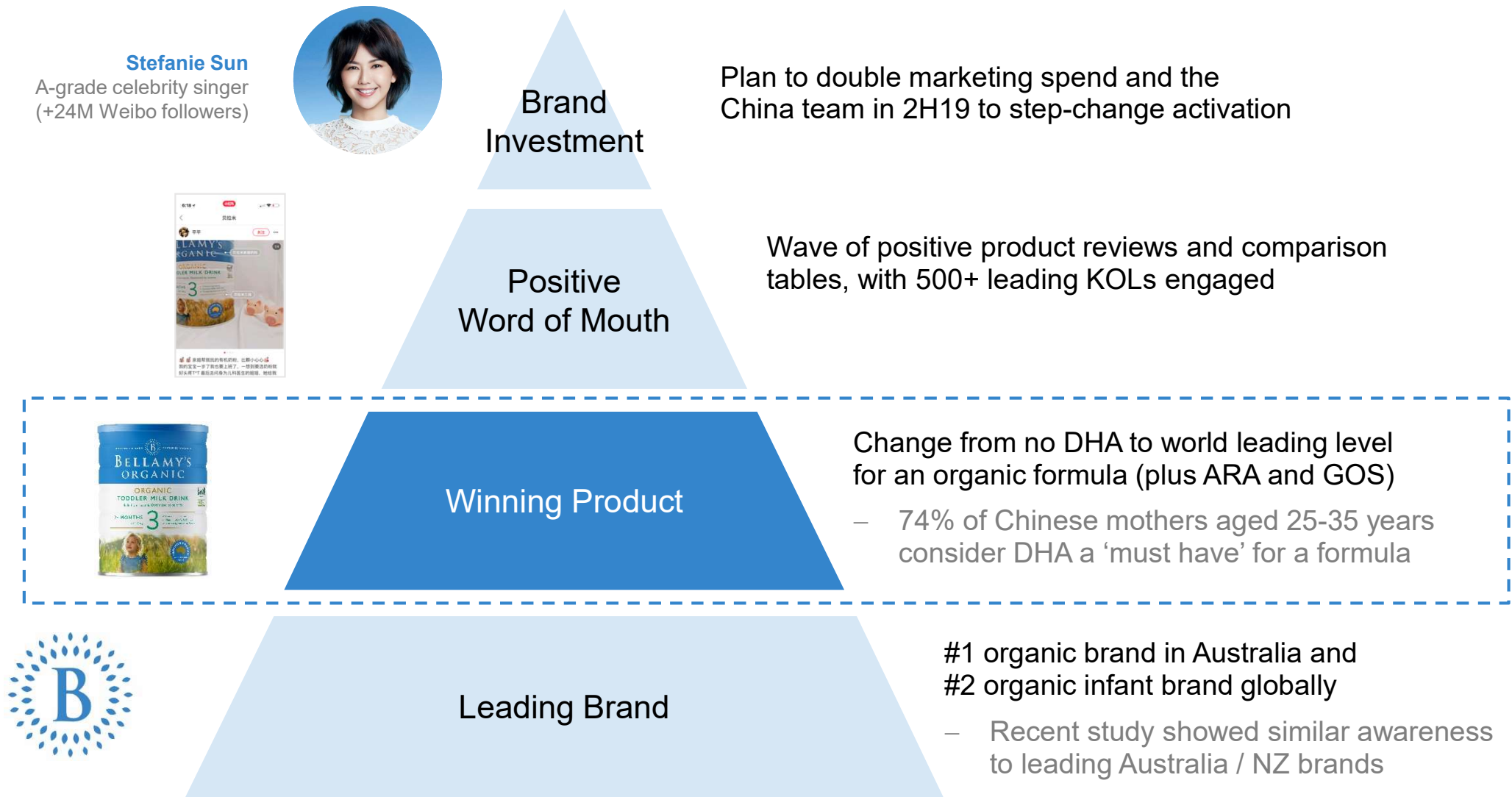
Key messages

- Transformational rebrand and product upgrade now in market and gaining strong traction
- Delivers a winning product for an already strong brand; integrating the best of nature and science including a world leading level of DHA (Omega 3) for an organic toddler milk
- Sets a new platform for sustained revenue growth and a higher level of investment in China
 - Investment plan to double Marketing spend and the China team in 2H19
- 1H19 group revenue of \$130M and EBITDA of \$26M on a normalised basis
 - Revenue impacted by SAMR registration delay, the decision to run down trade inventory prior to the rebrand, and a slowdown in category performance
 - Normalised result excludes a one-off \$12M inventory provision for the rebrand transition
- Implications for the full-year result greater than anticipated, with a revised group revenue target of \$275-300M and normalised EBITDA margin of 18-22% reflecting greater investment
- High confidence in the rebrand, our new product pipeline, continued food growth and successful SAMR registration
- Medium-term outlook remains compelling, supported by category fundamentals, our differentiated position and an aggressive three year growth strategy targeting +\$500M revenue by FY21

Australia's #1 organic brand just got better



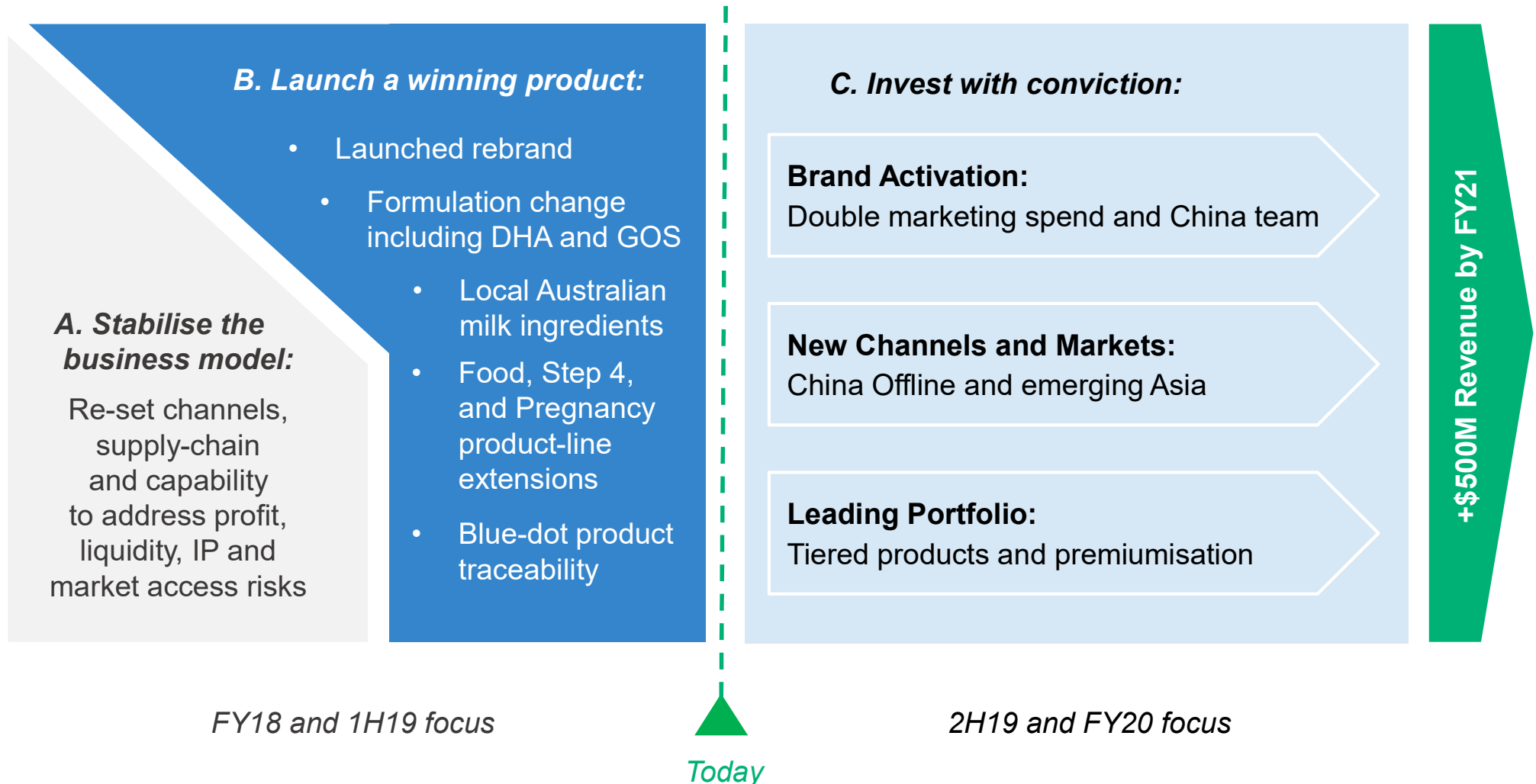
Strong brand, and now a winning product



Sources: Nielsen Research, Morgan Stanley January 2019, Euromonitor

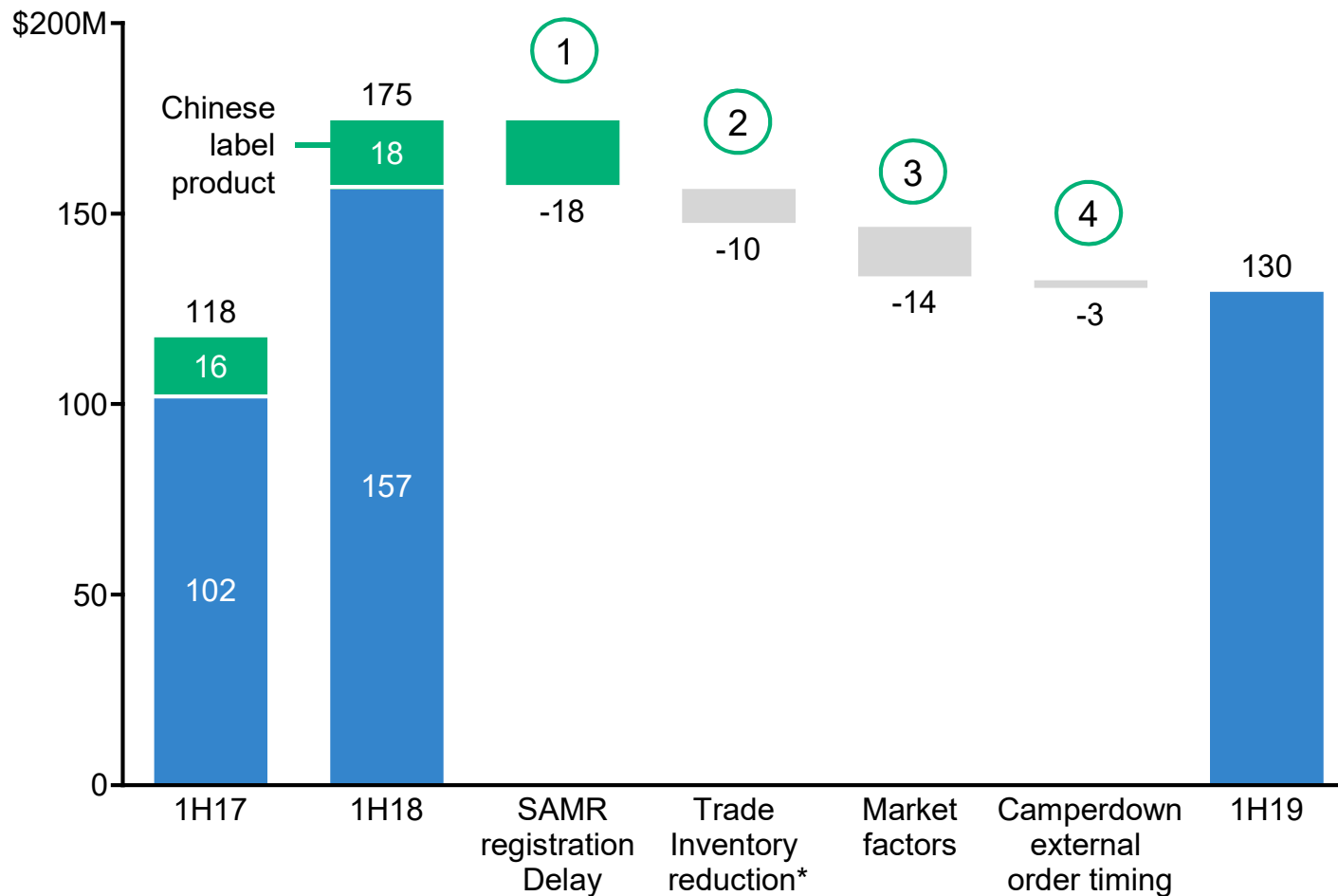
Platform for a new level of growth and investment

TRANSFORMATION JOURNEY



1H19 revenue impacted by four factors

1H19 GROUP REVENUE VS PCP



COMMENTARY

- ① **SAMR Registration Delay:**
No Chinese-label formula sales in 1H19
- ② **Trade Inventory reduction:**
Reduced excess trade inventory \$10M prior to rebrand transition*
- ③ **Market factors:**
Observed slower category growth and birth-rate in China, and increased local supply from competitors
- ④ **Camperdown external order timing:**
Orders skewed to 2H19

* Estimate based on inventory held by primary distributor in Australia and primary distributor in China

1H19 profit impacted by lower revenue and scale

PROFIT & LOSS (\$M)

PROFIT & LOSS (\$M)			1H18	1H19	Growth vs pcp
Core business - normalised	Revenue		170.0	127.7	-24.9%
	Gross Profit		63.0	54.6	-13.3%
	% of sales		37.1%	42.8%	
	Expenses	Direct*	(7.6)	(8.2)	7.8%
		Marketing	(6.4)	(6.8)	6.3%
		Other	(12.7)	(12.7)	0.7%
		Total	(26.7)	(27.7)	4.1%
EBITDA		36.3	26.9	-25.9%	
% of sales		21.4%	21.0%		
Camperdown	Revenue**		4.9	1.9	-61.2%
	EBITDA		(1.4)	(0.9)	35.7%
Group – normalised	Revenue		174.9	129.6	-25.9%
	EBITDA		34.9	26.0	-25.5%
	NPAT		22.4	16.5	-26.3%
Group – statutory	EBITDA		34.9	14.0	-59.9%
	NPAT		22.4	8.1	-63.8%

KEY DRIVERS

Core business

- 25% revenue change due to SAMR delay, reduced trade inventory and slower category
- Gross Margin improved 5.7% points vs 1H18
- Direct costs impacted by both scale and supply-chain changes and expected to return to ~5% of revenue
- Overheads controlled on a dollar basis

Camperdown

- Impacted by external 3rd party revenue timing and expected to break even for full-year

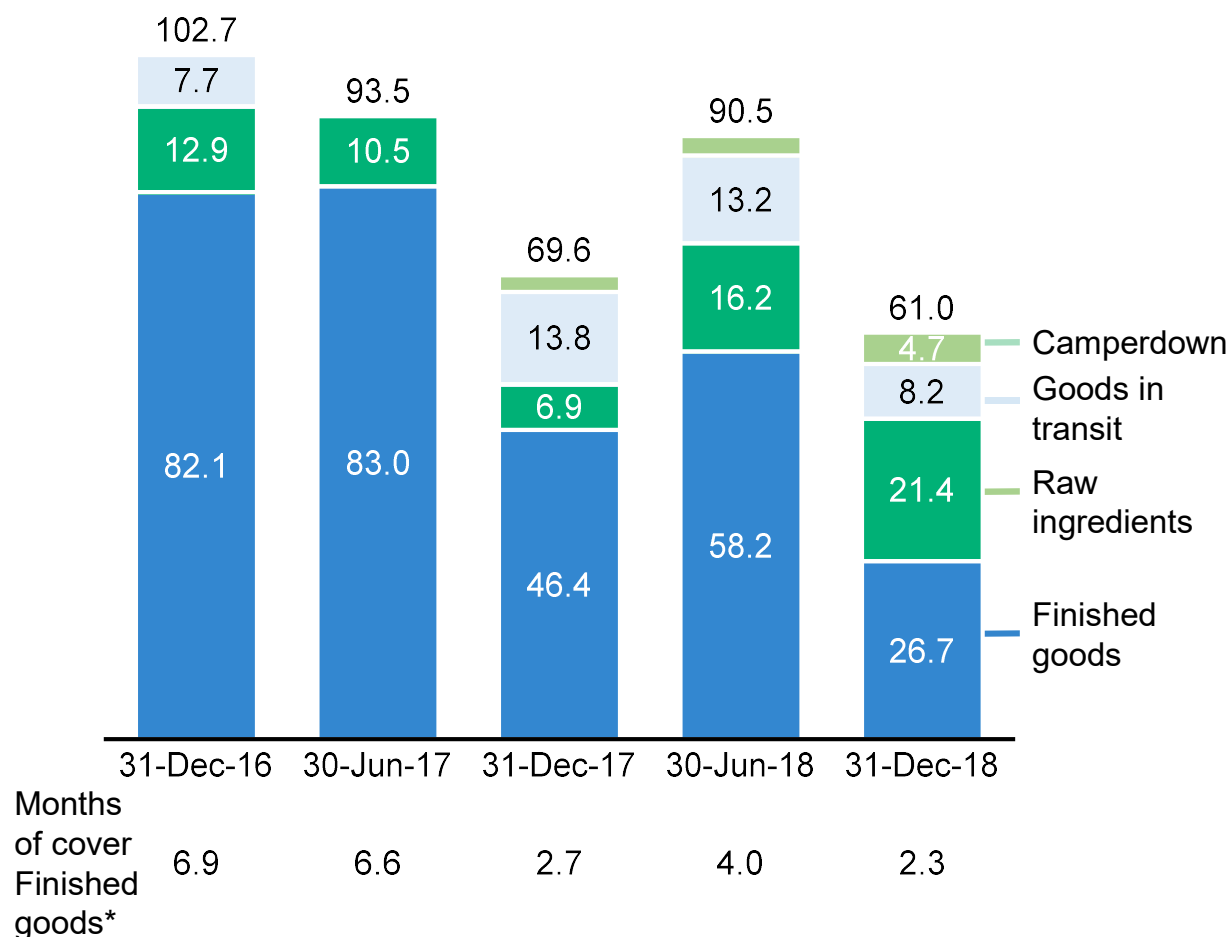
Statutory

- \$12M one-off inventory provision for all legacy-label inventory following rebrand

* Excludes one-off items as disclosed in the Financial Statements; ** Expressed net of intercompany transactions

Inventory fully transitioned to new product

BELLAMYS GROUP INVENTORY (\$M)



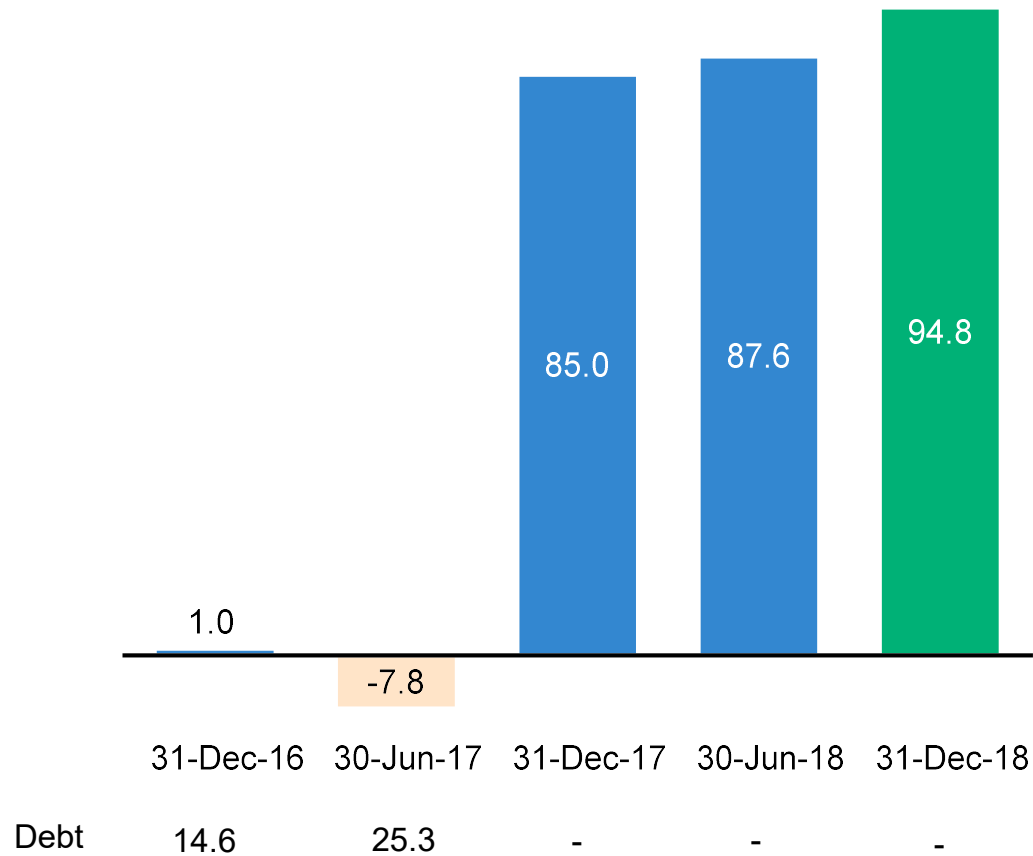
(*) Based on previous 6 months of sales

COMMENTARY

- Finished goods is comprised solely of upgraded product range
- All legacy label product has been written down
- Raw ingredients increased as a result of direct sourcing model
 - Key driver of procurement and manufacturing savings and material decrease in COGS
 - Requires higher ingredient levels previously held by manufacturer
- Finished goods cover is towards low end of target inventory

Strong balance sheet with \$95M in cash

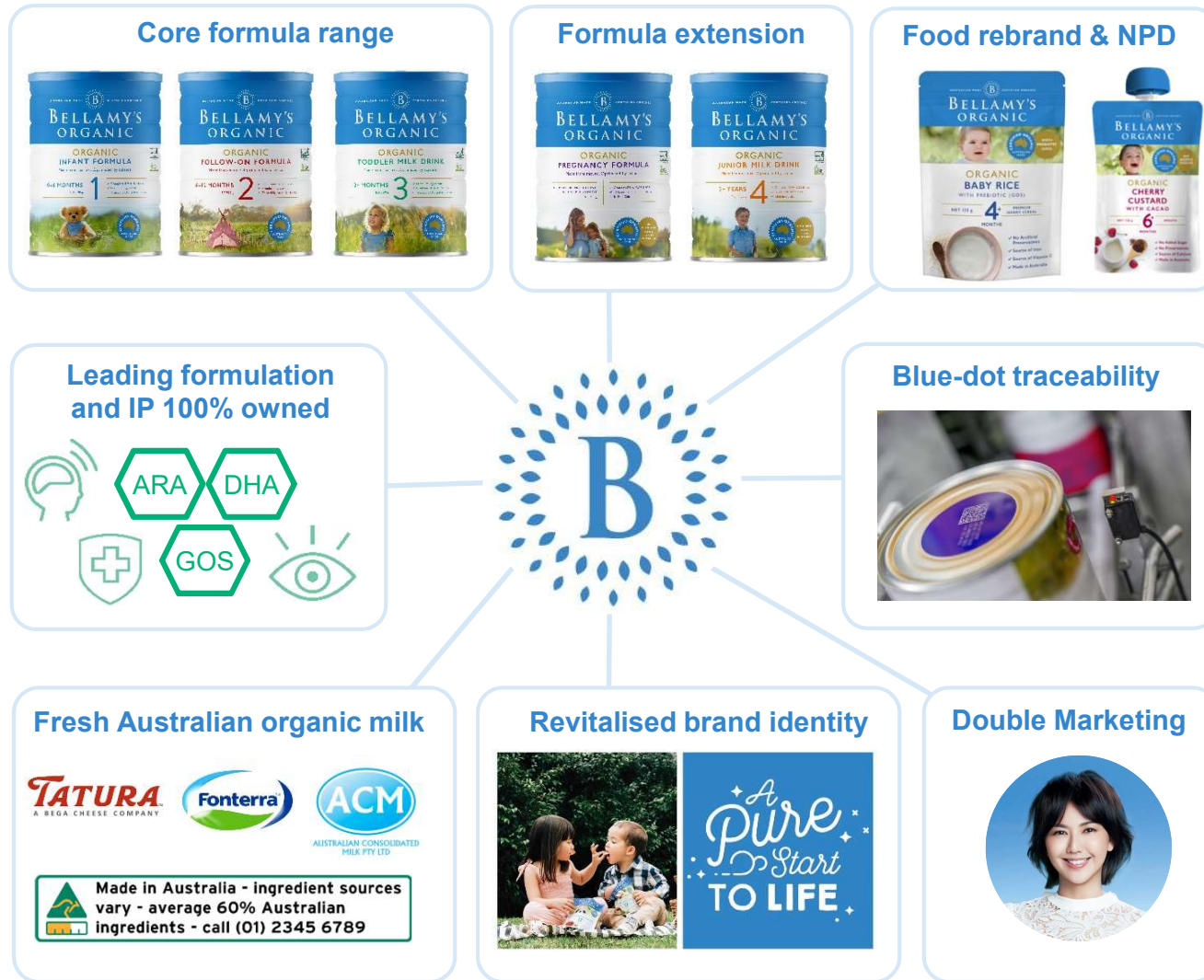
BELLAMYS GROUP NET CASH (\$M)



COMMENTARY

- Group cash balance increased by \$7M to \$95M
- Cash conversion impacted in this period by:
 - Cyclical phasing of creditor payment cycles
 - Structural changes in our supply chain as a result of direct sourcing strategy
- Bellamy's continues to maintain zero debt levels, with access to a \$40M debt facility

Rebrand is the most ambitious investment in company history



LAUNCH INVESTMENT

- A** Trade inventory reduction:
Run-down of trade inventory by ~\$10M in 1H19 prior to transition to ensure clean change-over and improved channel economics
- B** Inventory write-down:
One-off inventory write-down of ~\$12M in 1H19 provides for all remaining legacy inventory
- C** Marketing spend to double:
Plan to double marketing spend in 2H19
- D** China team to double:
Double China Sales & Marketing team in 2H19 to activate brand

High impact launch to begin in March

A-GRADE AMBASSADORS AND KOLs



STEFANIE SUN

- Celebrity singer and sold >30M records
- 24M Weibo followers
- Popular in China, Taiwan, HK and SEA
- 2nd child is < 1yr old



ZILIN ZHANG

Former Miss World
16M Weibo followers



NIANGAO MAMA

Renown parenting KOL
15M WeChat followers



Dr Ding Xiang's

Wellness media run by doctors
2.1M Weibo followers



DOCTOR CUI

Parenting KOL
10M app users
2.85M WeChat followers

POWERFUL SELLING POINTS



ONLY 1% OF THE WORLD'S FARMLAND IS CERTIFIED ORGANIC

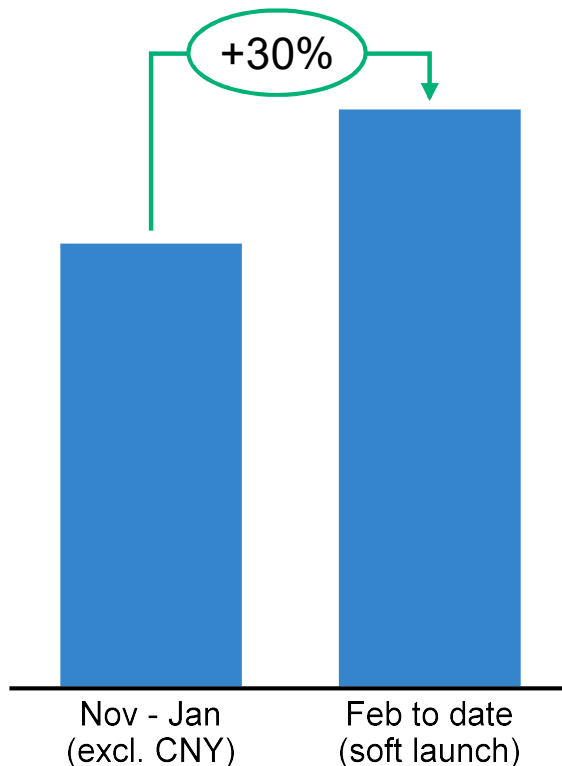


Sources: IRI data; Euromonitor; Research Institute of Organic Agriculture (FIBL)

Early social 'buzz' is very positive

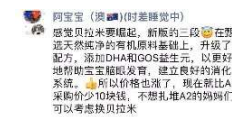
WECHAT INDEX RISING

WeChat mentions
(000's of mentions indexed)



Source: WeChat official mobile index (for Bellamy's Organic)

WORD-OF-MOUTH AND REVIEWS CHANGING



	11月	12月	1月	2月	3月
11月	4.5	4.5	4.5	4.5	4.5
12月	4.5	4.5	4.5	4.5	4.5
1月	4.5	4.5	4.5	4.5	4.5
2月	4.5	4.5	4.5	4.5	4.5
3月	4.5	4.5	4.5	4.5	4.5

"Bellamy's is not only changing its packaging, it is also improving the formulation. Compared to the old product, **it has added DHA and GOS. WOW.** Organic milk source plus new formulation!
Bellamy's is invincible now!"

"Bellamy's new organic formula! Beautiful!"

"Feel like Bellamy's is rising! Uses premium ingredients and adds DHA and GOS to help brain and eye development ... **it's time to consider Bellamy's**"

Top ranked post on Little Red Book when searching for "Australian formula" has already fundamentally **changed its comparison rating** for Bellamy's

Remain confident in our SAMR application and stand ready to activate our China Offline strategy



Remain confident in application and anticipate Australian audits in CY19



Taking control of sub-distributor relationships and optimising network



Taking control of key accounts, pricing and trade marketing

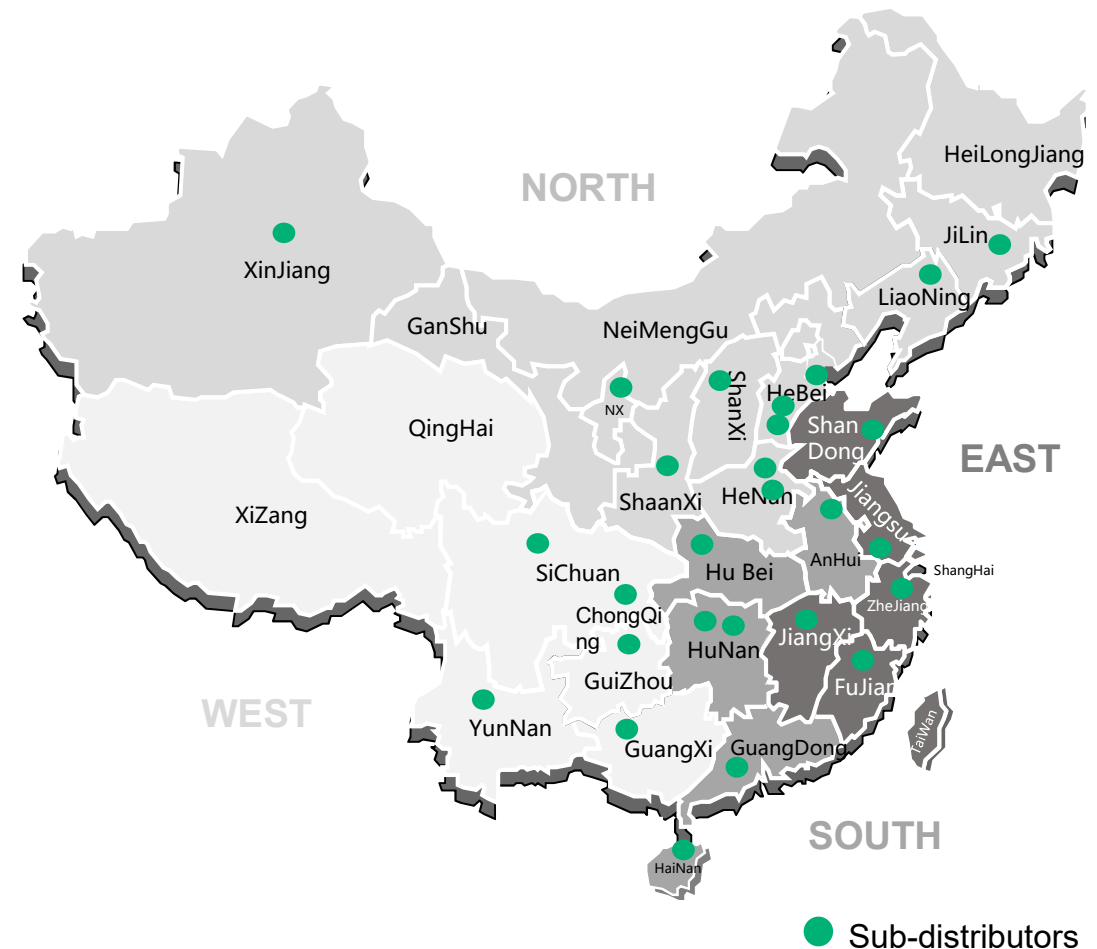


Prioritising geographies and establishing focus



Recruited Director China Sales and establishing north, south, east and west sales units

OFFLINE SUB-DISTRIBUTOR NETWORK

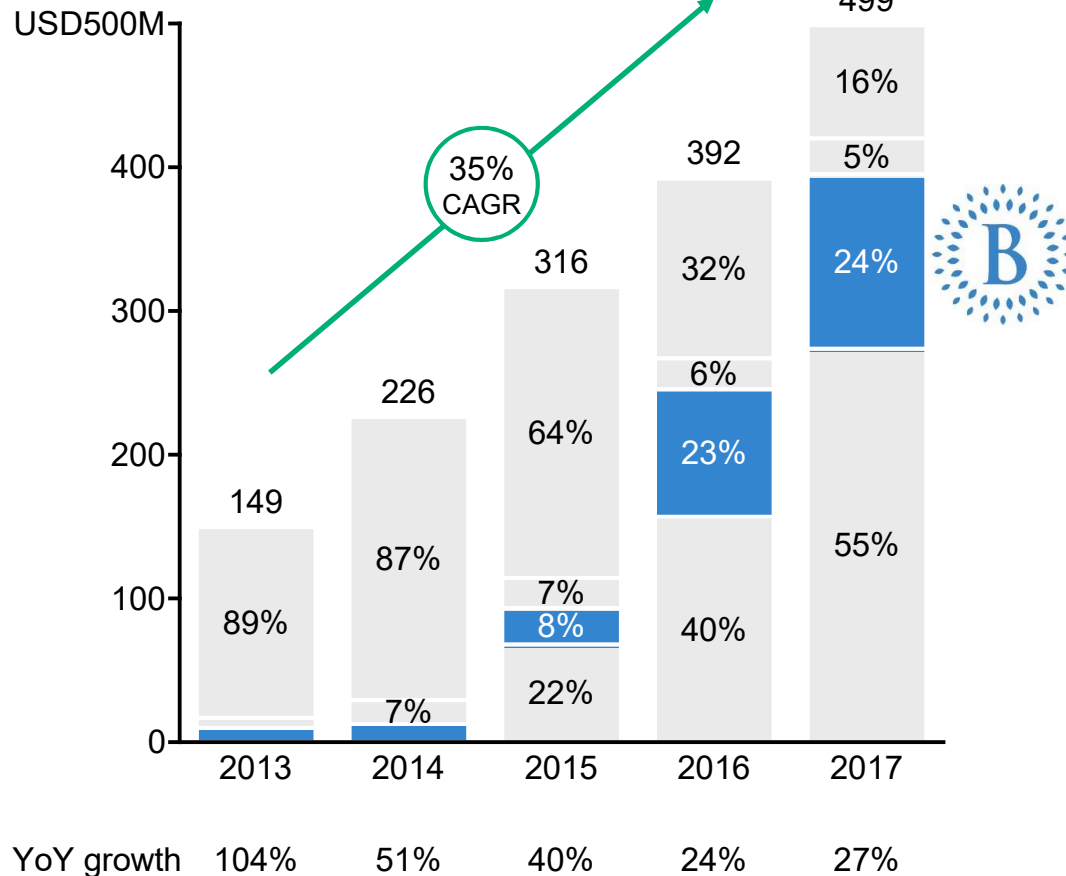


● Sub-distributors

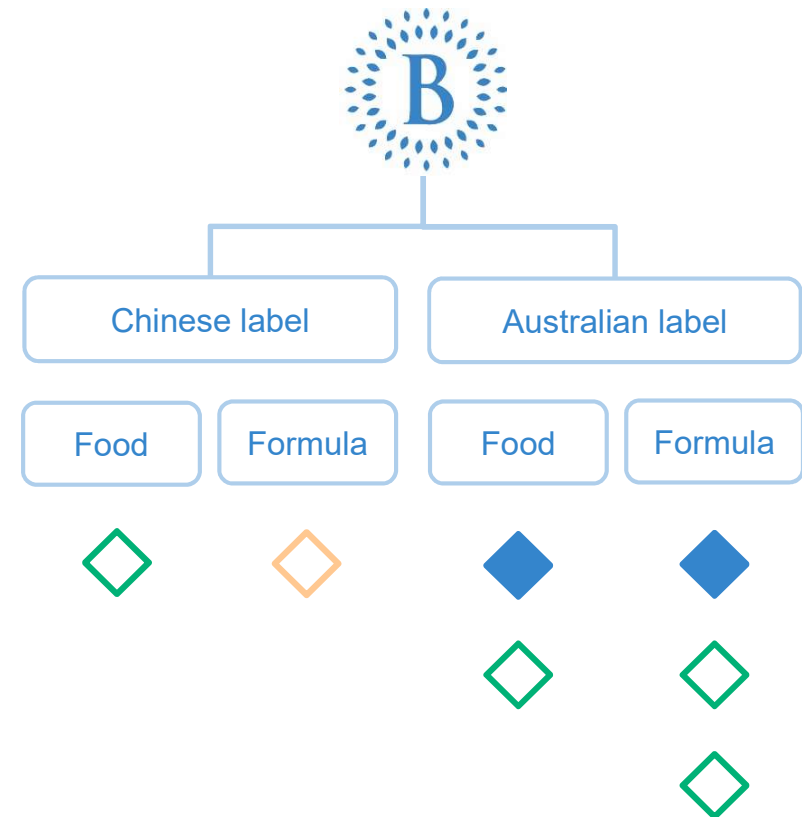
Evolving from Australia's #1 Organic brand ... to Australia's #1 Organic portfolio

BUSINESS IS WELL PLACED TO ...

China Organic Baby Formula



... CAPITALISE ON MACROTRENDS

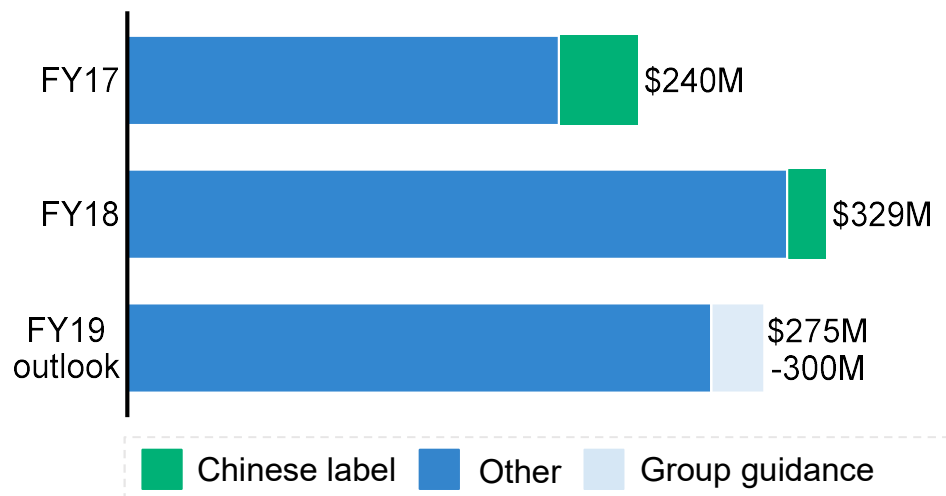


◆ Current range
 ◇ In development for FY20
 ◇ In SAMR approval process

Source: Euromonitor, 'Baby Food' includes 'Dried Baby Food', 'Prepared Baby Food' and 'Other Baby Food'; Represents retail sales value (constant price, formal channels)

FY19 financial outlook revised for 1H19 result

Group Revenue (\$M)



COMMENTARY

- Given the delay in SAMR registration, it is now possible to guide to Group Revenue
- Reflecting the 1H19 result and early Q3 trading, we anticipate full year Group Revenue to be \$275-300M
 - Allows for slower trading immediately prior to rebrand and during CNY holiday
 - Stronger trading expected following official launch in March
 - Rebrand likely to gain traction over a 12-18 month period
- FY19 Group EBITDA margin revised to 18-22% on a normalised basis, reflecting increased investment in marketing and the China team
- Confident in the medium-term rebrand and portfolio opportunity

Group Normalised EBITDA margin (%)

