

**ASX RELEASE**  
**28 August 2019**

## **FY19 Financial Results**

Bellamy's Australia Limited (ASX: BAL) (**Bellamy's** or the **Company**) today announces its results for the 2019 financial year (**FY19**) as follows:

### **FY19 Highlights**

- Transformational rebrand is set to return the business to growth and is gaining momentum since March launch
- Strong Q4 sales result following a deeper level of trade destocking in Q3 than first anticipated
- Leading consumer indicators are positive, including an uptick in e-commerce sales, brand interest, Step 1 and Step 2 recruitment in China, consumer pricing and trade economics
- FY19 was a challenging period; impacted by regulation, a lower birth rate and increased competition for Chinese demand
- FY19 net revenue of \$266m and normalised EBITDA was \$47m (17.6%)
- Continued gross margin expansion to 43.5% in FY19 (39.2% FY18) beyond functional product upgrades including the addition of DHA and GOS across formula range
- Increased investment in marketing, China capability and a breakthrough new product pipeline
- Strong balance sheet and cash conversion that supports Bellamy's growth agenda with \$112.4m in net cash.

Bellamy's FY19 financial results are set out below:

Group \$m	FY19			FY18			Variance	
	Statutory	One-offs <sup>(1)</sup>	Normalised	Statutory	One-offs <sup>(1)</sup>	Normalised	Statutory	Normalised
Revenue	266.2		266.2	328.7		328.7	-19.0%	-19.0%
Gross Profit	115.9		115.9	128.9		128.9	-10.1%	-10.1%
Gross Margin %	43.5%		43.5%	39.2%		39.2%		
Overhead	(82.0)	12.0	(70.0)	(64.8)	6.0	(58.8)	26.5%	19.0%
EBITDA	34.9	12.0	46.9	64.6	6.0	70.6	-46.0%	-33.6%
EBITDA %			17.6%			21.5%		
Net Profit After Tax	21.7	8.4	30.1	42.8	4.2	47.0	-49.3%	-36.0%
Net Profit %			11.3%			14.3%		

1. Bellamy's has followed the guidance for underlying profit as issued by the ASIC regulator Guide RG230 'Disclosing non-IFRS information'. The profit and loss summary with a prior period comparison in the table above, has been sourced from the accounts but has not been subject to separate review or audit. The directors believe that the presentation of the unaudited non-IFRS profit and loss summary in the table above is useful for users as FY18 and FY19 includes significant items that are not expected to be repeated in future years. The table reflects the normalised earnings of the business. In FY19, a one-off expense of \$12m to provide for inventory write-downs relating to the transition to Bellamy's upgraded formula has been recognised.

Commenting on the FY19 results, Bellamy's CEO Andrew Cohen said *'While FY19 has been a challenging year, and the impact of regulation has been difficult, the changes made during the past year have set a new foundation for the long-term success of our brand'*.

He continued *'Our transformational rebrand demonstrated strong momentum through the Q4 period. The business enters FY20 with a clean balance sheet, positive consumer momentum and a healthy trade dynamic'*.

**A PURE START TO LIFE**

Bellamy's Australia Limited | ABN 37 124 272 108 | 115 Cimitiere Street (PO Box 96), Launceston 7250 Tasmania Australia

Investor Enquiries: [investor@bellamysorganic.com.au](mailto:investor@bellamysorganic.com.au) | Secretarial: [coysec@bellamysorganic.com.au](mailto:coysec@bellamysorganic.com.au)

+61 3 6332 9200 | Freecall Australia: 1800 010 460 | [bellamysaustralia.com](http://bellamysaustralia.com)



### **Business Update**

During FY19 China demand was impacted by regulatory change, a lower birth rate and increased competition.

The Company's rebrand represents the most significant investment in Bellamy's history and has delivered a truly premium brand and product, including a world leading level of DHA for an organic formula. Early momentum since the March relaunch has been positive.

In parallel, the business has doubled investment in both marketing and China capability to better activate the brand and engage consumers. Trade and channel economics have also been reset to better incentivise trade partners, including the daigou, social networks and e-commerce platforms.

Many of these changes required short-term trade-offs impacting the FY19 financial result, including a one-off write-down of legacy-label inventory and a deeper level of Q3 destocking and trade change-over than originally anticipated. This reset is now complete, and the business enters FY20 with a clean balance sheet, positive consumer momentum and a healthy trade dynamic.

The business expects a return to sustained growth in FY20. This confidence is strengthened by the accelerated growth in Bellamy's food business and planned launch of breakthrough new products, including an organic ultra-premium formula series, an organic goat formula series, and a China offline organic food range.

The business acknowledges the process for Camperdown's SAMR registration continues. Management retains confidence this registration will be achieved and is respectful of the SAMR process. Notwithstanding the timing of this registration, Bellamy's addressable market and headroom for success within the e-commerce market remains significant.

### **FY20 Outlook**

Bellamy's outlook for FY20 is:

- 10-15% group net revenue growth at an EBITDA margin consistent with last year, with revenue growth anticipated to accelerate in 2H20 with new product launches;
- continued strong gross margin and investment in marketing and China capability.

Bellamy's remains confident in its growth strategy and medium-term target of \$500m revenue but has deferred this target beyond FY21 given the ongoing SAMR registration process.

In relation to FY20, Mr Cohen noted, *'With consumer momentum, higher investment levels, a breakthrough new product pipeline, and a reengaged trade, we expect a return to sustained growth in FY20 and deliver on the promise of this incredible brand.'*

### **A PURE START TO LIFE**

Bellamy's Australia Limited | ABN 37 124 272 108 | 115 Cimitiere Street (PO Box 96), Launceston 7250 Tasmania Australia

Investor Enquiries: [investor@bellamysorganic.com.au](mailto:investor@bellamysorganic.com.au) | Secretarial: [coysec@bellamysorganic.com.au](mailto:coysec@bellamysorganic.com.au)

+61 3 6332 9200 | Freecall Australia: 1800 010 460 | [bellamysaustralia.com](http://bellamysaustralia.com)



Bellamy's Chief Executive Officer Andrew Cohen and Chief Financial Officer Nigel Underwood will present the financial results via a webcast at **10:00am (AEST) Wednesday 28 August 2019**. The webcast link will be live from 9:45am (AEST). The link to the webcast is as follows:

<https://webcast.openbriefing.com/5297/>

A recording of the financial results webcast will be available on Bellamy's website (<https://investors.bellamysorganic.com.au/>) within 72 hours following the call.

**-ENDS-**

**Company inquiries, please contact:**

Melinda Harrison  
Company Secretary  
+613 6332 9200

**Media inquiries, please contact:**

John Hurst  
Teneo  
+61 418 708 663

**A PURE START TO LIFE**

Bellamy's Australia Limited | ABN 37 124 272 108 | 115 Cimitiere Street (PO Box 96), Launceston 7250 Tasmania Australia

Investor Enquiries: [investor@bellamysorganic.com.au](mailto:investor@bellamysorganic.com.au) | Secretarial: [coysec@bellamysorganic.com.au](mailto:coysec@bellamysorganic.com.au)

+61 3 6332 9200 | Freecall Australia: 1800 010 460 | [bellamysaustralia.com](http://bellamysaustralia.com)