

HD **Milk float: the story behind Bellamy's Organic's expected IPO**

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WC 837 words

PD 13 June 2014

SN BRW

SC BRW

ED First

LA English

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Bellamy's Organic is set to issue a prospectus for an initial public offering within weeks, as the Tasmanian baby food **company** looks to raise \$30 **million** to fund expansion of its export **business**.

Bellamy's Organic chief executive Laura McBain says the **company**'s revenue is set to hit \$50 **million** this financial year after the third consecutive year of 80 per cent growth. The target forecast for 2014/2015 is \$83 **million**.

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The product range is all organic and includes infant and toddler formula, baby foods such as rice cereal and snacks such as dried fruit. The **brand** has good distribution through Woolworths, Coles, Chemist Warehouse and CostCo and also sells direct through its own website.

McBain played down the prospect of an IPO or private **equity** investment in an interview with BRW last year. She cannot legally discuss the IPO now but says the **company** is exploring funding options to ensure the right capitalisation and management for future growth. "We expect further years to look like this too so we need to prepare or plan for this," McBain says. "We're not looking to **buy** any factories or anything, it's just about funding the growth we're expecting."

The IPO

Hugh Robertson from Wilson HTM confirms that there is a proposal for an IPO with the Australian Securities Exchange. If approved, would happen over the next month, with shares offered at \$1 each. That would give the **company** a market capitalisation of \$95 **million** and \$30 **million** of that would be new capital.

Robertson says there has been good interest and he expects Bellamy's to list with five major Australian institutions on the share registry. There is also an employee share scheme proposed and a number of existing shareholders, mostly Tasmanians who backed the **business** in the early days, will remain invested.

Kathmandu founder and former BRW Rich Lister Jan Cameron, who owns 55 per cent of the **business**, is selling her **stake** to institutions. The Street Talk column in The Australian Financial Review suggests Cameron might reinvest but Robertson says he cannot speculate.

The **business**

McBain says even at its current size, the **company** can not source all its **milk** from Australia because there are not enough organic **dairy** cows in the country.

"We would look to see that change and are in talks with various parties to investigate how we can do that," McBain says. "It's something the team here is really passionate about, getting Tasmania on the map as Australia's leading provider of organic **dairy**." She believes one solution for **dairy** producers struggling with the supermarket **milk** wars is to move higher up the value chain, and the success of A2 **milk** is proof of the opportunity at the premium end of the market.

The **company** exports to Asia, with an office in **China** and a new two-person office in Singapore that is preparing for a big push into Malaysia and Vietnam. Expansion to the US and UK is slated for 2016.

**China** was rocked by scandals around contamination of local brands of infant formula a few years ago. McBain says Tasmania is not well-known yet in **China**, but Australia had an excellent reputation there for "clean, green food" and it was well understood that organic produce was another level again.

However, Bellamy's still makes 65-70 per cent of its sales in Australia and the domestic market has been keeping pace with the **company's** rapid growth. "We have 10 per cent of the formula market in Australia and 12 per cent of the baby food and snacks market," McBain says. "It's exciting to get that kind of number up when we're competing against big multinationals like Nestle and Danone and we've done that from Launceston, which is [not] the capital of the **business** world as you know."

#### Marketing

As a mid-market **business**, McBain says Bellamy's does not have a lot of money to spend on marketing so it favours digital channels. She regards it as core **business** so most of the capability is in house. That includes advertising, search engine optimisation, social media and video. Some of the best engagement comes through competitions on Facebook, where it has 24,000. The **company** also uses content marketing, using YouTube to post videos with advice and information for parents such as tips on preparing food.

But McBain says Bellamy's marketing is more about promoting the **brand** rather than infant formula. The **company** is not a signatory to the MAIF code, because in McBain's view it has had some issues and she understands it is set to be reviewed. However, she is adamant that Bellamy's not only meets the MAIF code but exceeds it. "We do a good job of communicating that breast is best," McBain says. "We don't offer samples, we don't go through hospitals, we're all very above **board**."

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