

# FINANCIAL REVIEW

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HD **Bellamy's float rises like cream**  
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Tasmanian baby food maker Bellamy's Australia, which is targeting the booming demand in Asia for **dairy** infant formula, has been embraced by investors jumping more than 30 per cent on its sharemarket debut.

The **company**, formerly Tasmanian Pure Foods – which sells in supermarkets as Bellamy's Organic – has ambitious growth plans to ramp up exports of its certified organic Australian product to an emerging middle class in Asia who are thirsty for **dairy**.

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Shares surged as much as 34 per cent after listing on Tuesday, closing 30.1 per cent above the \$1 offer price at \$1.31, giving the **company** a market cap of \$124 **million**. The offer raised \$25 **million**.

"It's a cracking start as a listed **company**, with institutional investors really backing our plan for sustained growth in **China** and other major markets around Asia," Bellamy's managing director Laura McBain said. "It was a fortunate piece of timing that on the same morning of the float we were able to announce that a key supplier, Tatura **Milk** Industries, has been accredited to export infant formula to **China**," she said.

In May, **China** announced a new accreditation system for all infant formula manufacturing facilities importing into the country. A two-month hiatus on exports from the Bega **Cheese**-owned Tatura **Milk** Industries had temporarily halted Bellamy's ability to deliver orders into **China**.

**Lead** brokers Wilson HTM marketed the float as a way to gain exposure to the growing worldwide fashion for certified organic foods and an increased appetite for **dairy** products in Asia.

The IPO was priced at 19 times pro forma estimated earnings for the current financial year. Tuesday's closing price values the shares at 24.7 times forecast earnings. Annual revenue growth has averaged 55 per cent since 2010.

It emerged on Tuesday that Quality Life, the family **company** of BRW Rich Lister Bruce Neill, was the biggest buyer into the float and now controls 8.62 per cent of the **company**. Hobart-based Mr Neill made his fortune when a financial services **company** he founded, Select Managed Funds, was swallowed by IOOF in 2009. Other fund managers that bought stock in the IPO included Wilson Asset Management, Schroders, Thorney **Group**, and Karara Capital.

One investor who participated in the float said it was attractive for a **company** with strong growth potential to also forecast dividends. The prospectus flagged an annual dividend yield of 1.6 per cent, based on a payout ratio of 30 per cent.

Local stockists of the range, which is expanding into products for infants and school-aged kids, include Woolworths and Coles. Offices in Singapore and Shanghai manage distribution into **China**, Singapore, **Hong Kong**, Malaysia and Vietnam. It is estimated that 15 per cent of revenue for the year ended June 30 came from offshore.

More than one food sector analyst told The Australian Financial Review they had concerns about Bellamy's lack of ownership of its supply chain.

"I am more comfortable players that have more control over production, such as Bega **Cheese** or Tassal **Group**," one analyst said.

But Ms McBain hit back at this criticism of the **business** model.

"Bellamy's has built strong relationships to ensure the sustainability of an organic supply chain that extend right down to the farmgate level," she said.

The listing allowed Bellamy's early backer, retail entrepreneur Jan Cameron, to sell down her 55 per cent **stake**.

**CO** tapufl : Bellamy s Australia Ltd

**IN** i41 : Food/Beverages/Tobacco | ibabyf : Baby Food | icnp : Consumer Goods | ifood : Food Products

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