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Acquisition of Bellamy In Line With Growth Strategy

收购贝拉米, 符合蒙牛增长战略

- Mengniu plans to acquire Bellamy.** On 15 September 2019, Mengniu Dairy ("Mengniu" or the "Company") entered into a scheme with Bellamy, a global leading organic instant milk formula (IMF) company based in Australia, with strong brand recognition and attractive profit margin. Mengniu proposes to acquire all the scheme shares for a scheme consideration of AU\$12.65 (equivalent to approximately HK\$68.15) per scheme share. Bellamy is permitted to pay a special dividend of AU\$0.60 per scheme. The cash amount (AU\$13.25 per share) is equal to 59% premium to the closing price of Bellamy on 13 September 2019. The total consideration payable by the Company for the scheme shares is AU\$1.46 billion (equivalent to approximately HK\$7.86 billion), which represents around 30x FY19 EV/EBITDA, 34.1x FY18PER and 67.3x FY19PER. Bellamy's 30 June 2018 year-end revenue 30 June 2019 year-end revenue was AU\$329 million and AU\$266 million, respectively. The net profit before and after taxation of Bellamy for the year ended 30 June 2018 amounted AU\$61.2 million and AU\$42.8 million, respectively, and the net profit before and after taxation of Bellamy for the year ended 30 June 2019 amounted AU\$31.4 million and AU\$21.7 million, respectively. Bellamy has decent profitability but its net profit declined due to sluggish performance in China.
- Acquisition will generate notable synergies.** (1) After the disposal of Junlebao, Mengniu will have sufficient cash to support the acquisition, which will not affect its leverage level and dividend payout policy. (2) Bellamy's sales in China over recent years has been affected by new e-commerce regulation and the registration system of IMF. Its offline sales has basically stagnated. Mengniu's communication with authorities is good, which can support registration of more IMF goods of Bellamy. (3) Bellamy and Yashili are highly complementary. Bellamy has success in tier-1 cities and e-commerce channels, focusing on the ultra-premium market. Yashili has advantages in tier-3 and tier-4 cities, as well as MBS channel, focusing on the premium market. (4) One of the Group's key growth strategies is to achieve breakthrough growth in the premium IMF segment. Organic IMF is the fastest growing category of IMF, and Bellamy has outstanding presence in the organic IMF market, which is expected to achieve rapid growth in China. And Bellamy has strong presence in baby foods. (5) The acquisition of Bellamy is in line with Mengniu's globalization strategy. Bellamy has operations in Australia, New Zealand, China and Southeast Asia.
- We reiterate "Accumulate" and TP of HK\$33.50.** The Company values high-quality long-term growth and has confidence to achieve double-digit percentage growth over the next 5 years. We expect that the Company's product mix will continue to improve after the acquisition of Bellamy. We have "Accumulate" rating and TP of HK\$33.50, which represents 17.9x 2019 PER, 26.9x 2020 PER and 23.4x 2021 PER. Our earnings forecasts includes the impact of disposal of Junlebao but not included the acquisition of Bellamy.
- 蒙牛计划收购贝拉米。** 2019年9月15日, 蒙牛乳业(“蒙牛”或“公司”)与贝拉米订立《计划实施契据》。贝拉米是一家全球领先的澳洲有机婴幼儿配方奶粉公司, 具有显赫的品牌知名度、相当可观的利润率。蒙牛建议以每计划股份 12.65 澳元(约相等于 68.15 港元)的计划对价来收购所有计划股份。贝拉米获准派付特别股息每计划股份 0.60 澳元。收购成本(每股 13.25 澳元)相当于较贝拉米 2019 年 9 月 13 日收盘价溢价 59%。公司须就计划股份支付的总对价不超过 14.6 亿澳元(约相等于 78.6 亿港元), 相当于 2019 财年 30 倍 EV/EBITDA、34.1 倍 2018 财年市盈率及 67.3 倍 2019 财年市盈率。贝拉米截至 2018 年 6 月 30 日和 2019 年 6 月 30 日止的年收入分别为 3.29 亿澳元和 2.66 亿澳元。贝拉米截至 2018 年 6 月 30 日止的纯利(税前税后)分别为 6,120 万澳元和 4,280 万澳元, 而截至 2019 年 6 月 30 日止的经审核纯利(税前税后)分别为 3,140 万澳元和 2,170 万澳元。贝拉米有较为可观的盈利能力, 但净利因为中国业务的拖累有所下滑。
- 收购完成后将产生显著的协同效应。** (1) 出售君乐宝之后, 蒙牛手上将有充沛的现金去支持收购, 不会影响其负债率和分红派息政策。(2) 贝拉米最近一段时间在中国的销售因为新电商法以及奶粉注册制受到了一定影响, 在线下渠道的增长基本停滞。但蒙牛与监管机构有较为顺畅的沟通, 能够支持贝拉米注册更多的奶粉配方。(3) 贝拉米将与雅士利高度互补, 贝拉米在一线城市以及电商渠道有优势, 主攻超高端市场。而雅士利在三四线城市以及母婴渠道有优势, 主攻高端市场。(4) 蒙牛主要增长战略之一是在高端婴幼儿配方奶粉板块取得突破式增长。有机奶粉是目前中国奶粉增长最快的品类, 而贝拉米在有机奶粉有着深厚的积淀, 有望在中国实现快速增长。而且贝拉米在婴儿食品也有较为广泛的布局。(5) 收购贝拉米符合蒙牛全球化战略,

贝拉米在澳洲、新西兰、中国和东南亚均设有业务。

- **我们重申“收集”和 33.50 港元的目标价。**公司更加看重高质量的长期增长并有信心在未来五年实现双位数增长。我们认为公司的产品结构将在收购贝拉米之后进一步改善。我们给予蒙牛“收集”评级和 33.50 港元的目标价，相当于 17.9 倍、26.9 倍和 23.4 倍 2019 年、2020 年和 2021 年市盈率。我们的盈利预测有计算出售君乐宝的影响但没有计算收购贝拉米的影响。

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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