

1H FY2019 Half Year Results Presentation

- Barry Irvin – Executive Chairman
- Paul van Heerwaarden – CEO
- Colin Griffin – CFO





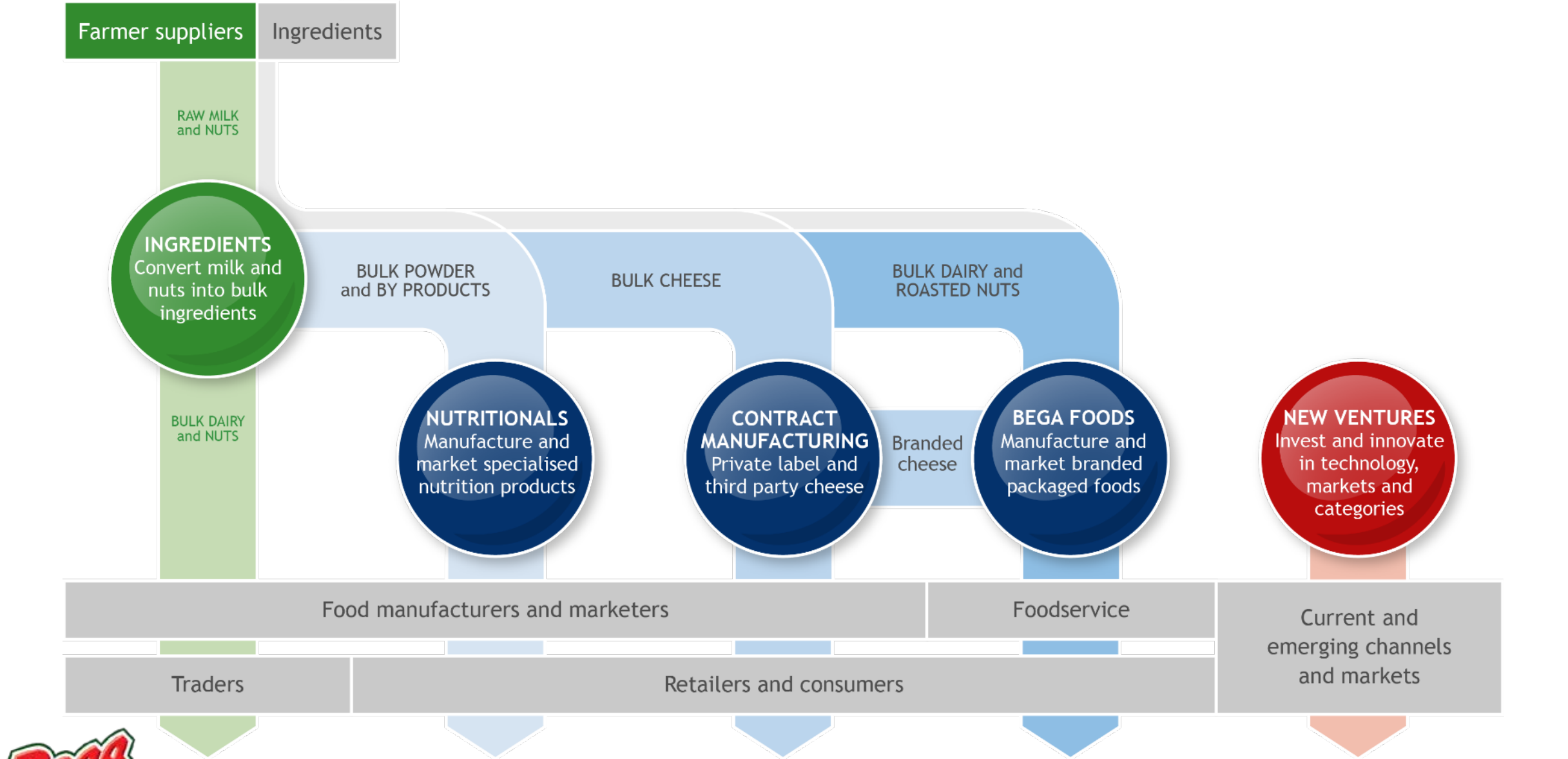
Barry Irvin
Executive Chairman

Value Proposition



- High quality infrastructure
- Iconic brands
- Well established operating model
- Diversified and balanced customer portfolio
- Strong supplier relationships and reputation
- Continued business growth

The Bega Integrated Business Model



Key Messages

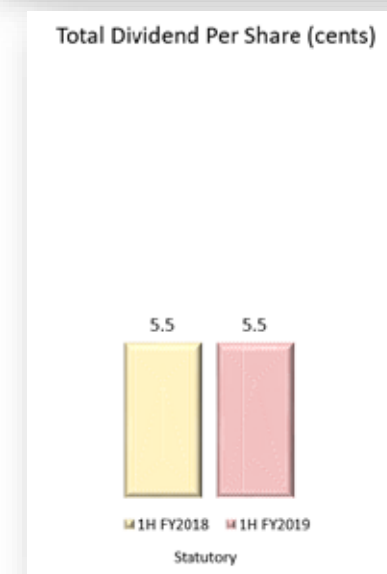
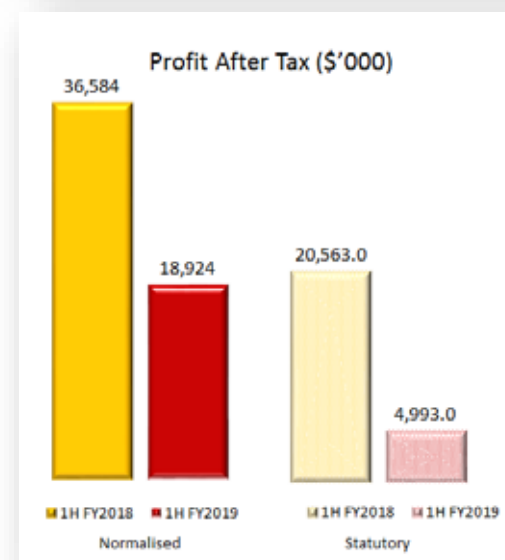
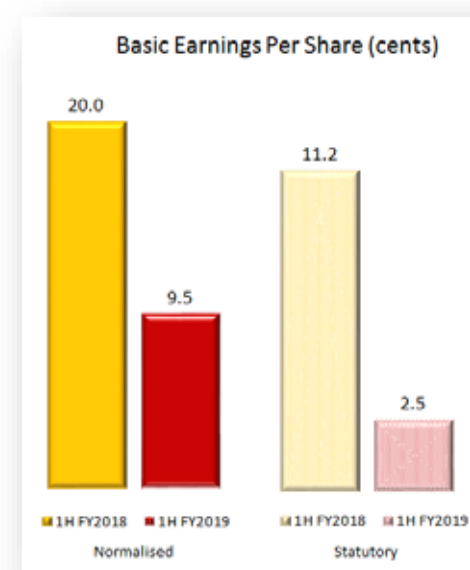
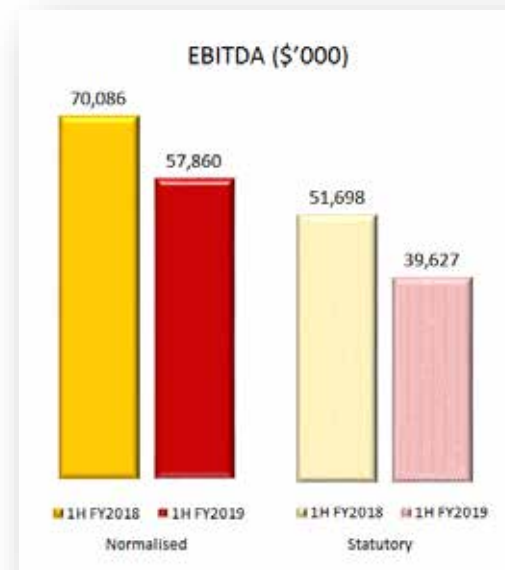


- Acquisition of Koroit
- Successful milk acquisition program
- Lactoferrin investment
- Contract manufacturing mozzarella and cheddar
- Coburg closure
- Bega Foods business stabilising
- Challenging first half
- Sales timing impacting 1H performance and inventory levels
- Drought impacting farm gate milk price and volumes
- Maintain full year outlook at lower end of range



Financial Performance

- Revenue \$0.65 billion up 6%
- Normalised EBITDA \$57.9 million
- Statutory EBITDA \$39.6 million
- Normalised net profit after tax \$18.9 million
- Statutory net profit after tax \$5.0 million
(impacted by higher effective tax rate due to corporate activity)
- 1H FY2019 dividend 5.5 cents per share
- Normalised earnings per share 9.5 cents
- Statutory earnings per share 2.5 cents



*Normalised results exclude the impact of significant events occurring during the year.



Strategic Focus



- Sustainable and diversified milk supply
- Execute lactoferrin expansion
- Ingredients product mix and infrastructure utilisation
- Diversify nutritional customer base and product range
- Leverage consumer goods capability
- New ventures and innovation



Paul van Heerwaarden
CEO

Delivering to Strategy



- Koroit acquisition
- Milk procurement program
- Lactoferrin expansion
- Organic and goat milk usage in infant formula
- New product launches in spreads category
- Third party manufacturing agreement (cheddar and mozzarella)
- PCA integration into Bega Foods
- Coburg rationalisation
- Continuous improvement programs



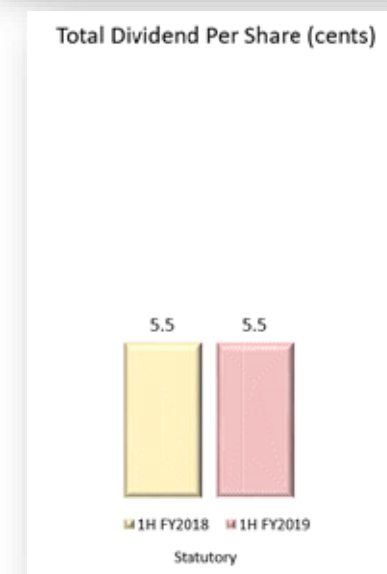
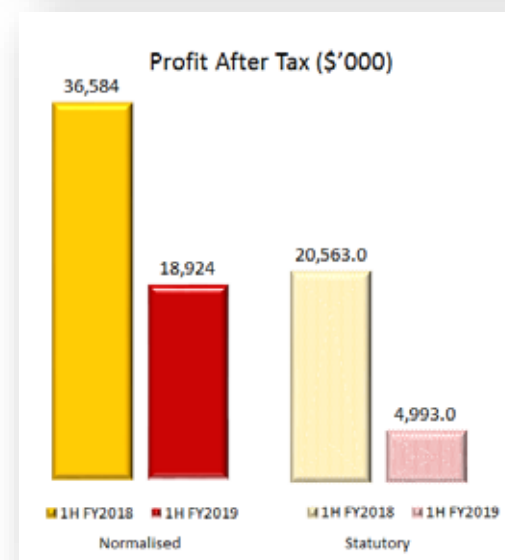
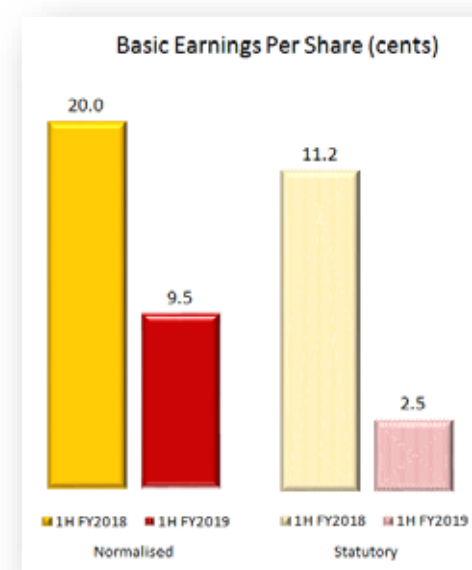
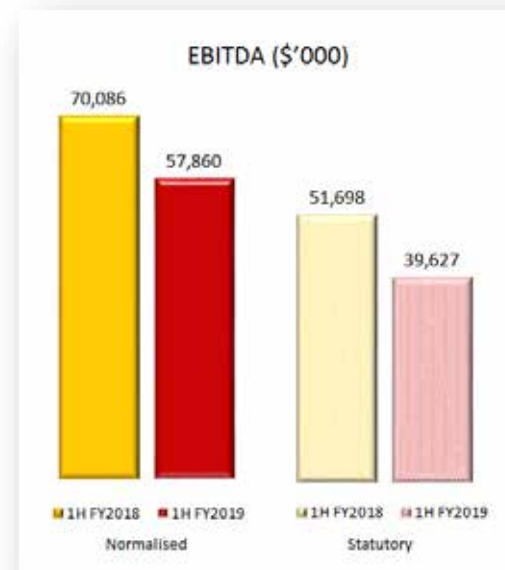
Business Highlights and Challenges



- Continued revenue growth
- Record milk intake
- Drought impact and milk price
- Koroit integration on target
- Inventory management
- Timing of nutritionals and ingredients sales
- Input cost increases (energy, insurances)
- Kraft and Fonterra legal cases

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1H FY2019 Results

Consolidated Period Ending 31 December 2018	Per Financial Statements \$'000	Koroit Acquisition Costs \$'000	Koroit Fair Value Adjustments \$'000	Legal Costs \$'000	Other Costs \$'000	Normalised Result \$'000		Change from prior period \$'000	%
Revenue	649,164	-	-	-	-	649,164		35,697	5.8
Cost of sales	(528,274)	-	2,648	-	-	(525,626)		(49,546)	10.4
Gross profit	120,890	-	2,648	-	-	123,538		(13,849)	-10.1
Other income and expenses	(81,263)	10,842	-	2,194	2,549	(65,678)		1,623	-2.4
EBITDA	39,627	10,842	2,648	2,194	2,549	57,860		(12,226)	-17.4
EBIT	20,223	10,842	2,648	2,194	2,549	38,456		(17,994)	-31.9
Finance costs	(11,706)	357	-	-	-	(11,349)		(7,459)	191.7
Profit before income tax	8,517	11,199	2,648	2,194	2,549	27,107		(25,453)	-48.4
Profit for the half year	4,993	8,757	1,854	1,536	1,784	18,924		(17,660)	-48.3
Basic earnings per share - cents	2.5					9.5		(10.5)	



Balance Sheet

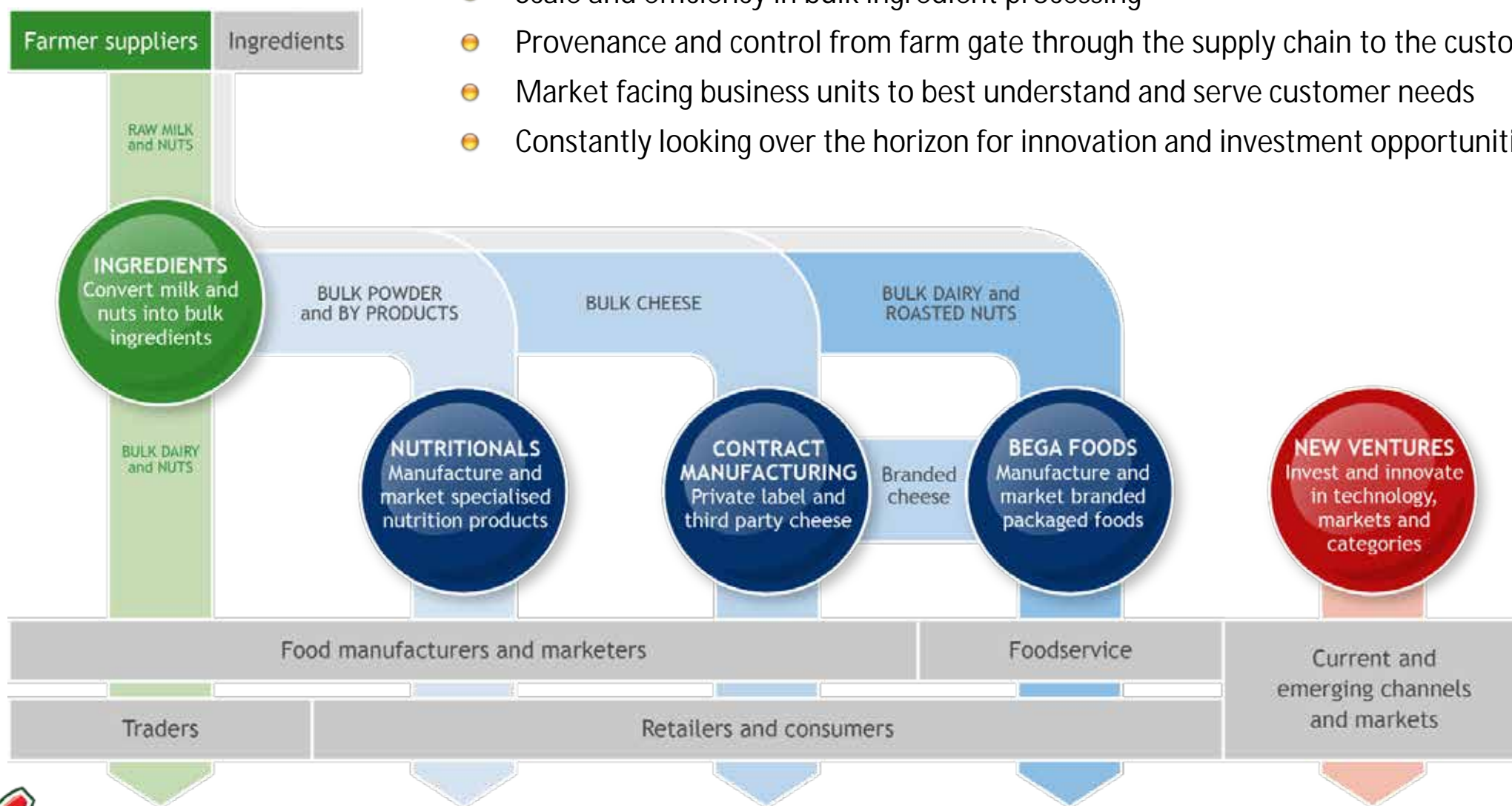
	1H FY2019 Dec \$m	1H FY2018 Dec \$m	FY2018 Jun \$m
Cash and cash equivalents	40.6	18.7	21.7
Trade and other receivables	285.1	215.5	200.6
Inventories	398.8	272.5	232.1
Property, plant and equipment	443.6	307.5	323.6
Intangible assets	520.8	413.3	411.5
Total Assets	1,735.7	1,250.4	1,215.8
Trade and other payables	304.6	229.9	225.9
Borrowings	508.7	292.1	267.1
Total Liabilities	908.4	616.1	583.8
Net Assets	827.4	634.3	632.0
Net Debt	(468.1)	(273.4)	(245.4)

- Balance sheet growth with acquisition of Koroit
- Capital raising of \$202 million and increased borrowings
- Increased inventories primarily due to Koroit transition and increased milk volumes



The Bega Integrated Business Model

- Scale and efficiency in bulk ingredient processing
- Provenance and control from farm gate through the supply chain to the customer
- Market facing business units to best understand and serve customer needs
- Constantly looking over the horizon for innovation and investment opportunities



Bulk Ingredient and Nutritional Products



- Lactoferrin product supply capacity increases
- Strong global lactoferrin pricing
- Increased innovation and new customer demand
- Slower first half in infant formula and GUMP

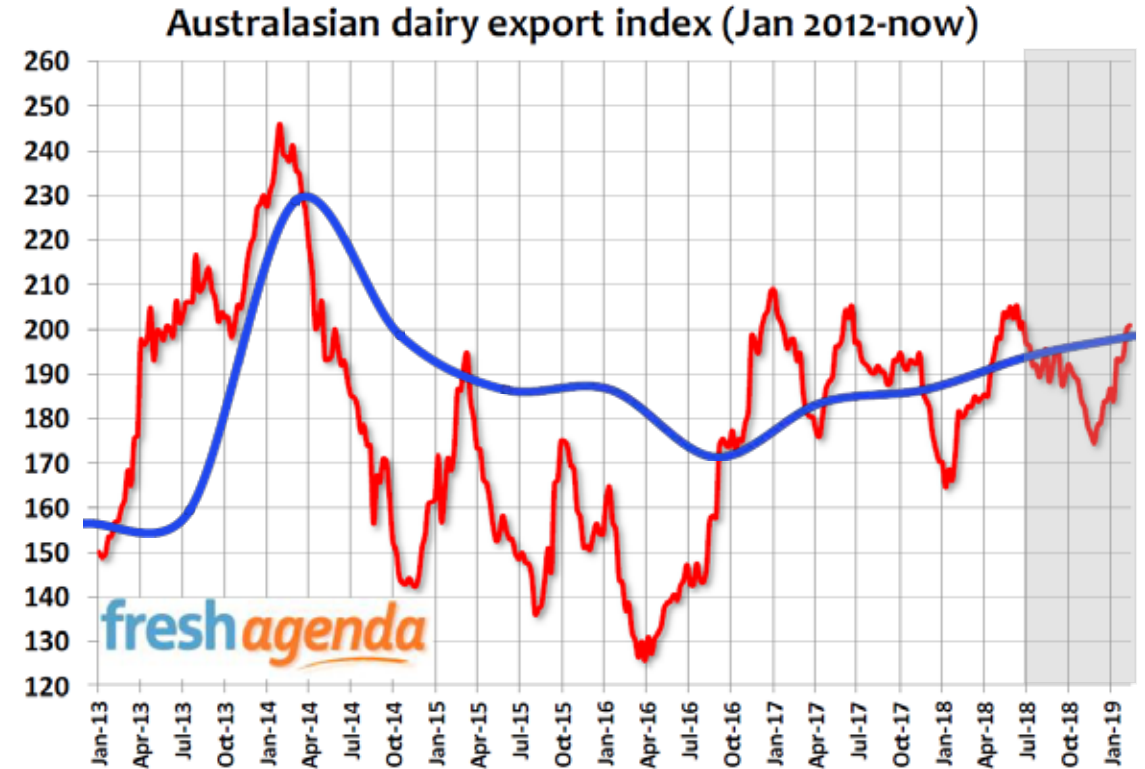


- Bega's milk supply increased 55% to 641 million litres
- Expansion domestic and international customer base
- Skim milk powder global price improvement
- Downward pressure on global fat price



Dairy Commodity and Farm Gate Milk Price

- Milk supply competition strong particularly in northern Victoria
- National milk supply lower 5.1% primarily due to impact from drought
- Domestic milk prices are a premium to commodity returns
- Butter prices decreased 30% and SMP prices improved 6% in 1H FY2019.
- SMP intervention stocks in Europe now sold down
- Dairy commodity prices continue to firm in the 2H FY2019



— Export trend index – global commodity prices and Australian currency impact

Source: freshagenda

— Bega Cheese southern farm gate milk price trend

■ FY2018 Opening milk price \$5.50 per Kg MS

■ FY2019 Opening milk price \$5.85 per Kg MS



Branded and Third Party Packaged Product



- Expanded range of retail products available following acquisition of Koroit
- Secured private label butter and powder sachet contracts
- Expanded export product portfolio and customer base
- Sector remains highly competitive



- Expansion into new categories and channels
- Collaboration with Arnott's for the new Vegemite flavoured shapes
- New product development (natural peanut butter, gluten free Vegemite)
- Integration of peanut supply chain and product range

Domestic Retail Market



- Retail cheese category now \$1.6 billion growing at 3.7% annually
- Private label cheese now up to 49% volume share
- Bega brand growing with 15.7% market share
- Vegemite consumption soft in 1H but gaining momentum 2H
- Bega holding 60% share of peanut butter category despite competition
- Peanut butter driving spreads category performance on back of natural product
- Natural peanut butter now over 25% of peanut butter category

Corporate Social Responsibility



- Total recordable injury frequency rate reduced by 53%
- Safety investment continues to focus on eliminating risks
- Year 2 of our behavioral safety program



- Sustainability report released, incorporating plans for 2019
- Energy management program established across all manufacturing sites
- On track to reduce our water intensity in FY2019
- Commenced plans to address; 2025 national package waste targets and modern slavery act 2018

Infrastructure



Bega – Ridge Street

- Established 1997
- Cut and pack natural cheese and processed cheese



Bega – Lagoon Street

- Established 1900
- Milk processing into cheese and by products



Tatura

- Acquired in 2007
- Milk processing into cream cheese, powder, infant formula, lactoferrin and other dairy products



Koroit

- Acquired 2018
- Milk and nutritional powders and butter
- Milk processing into butter and powders



Infrastructure



Vegemite Way

- Acquired 2017
- Vegemite, Bega peanut butter, Zoosh, Dairylea and Bonox



Strathmerton

- Acquired 2009
- Cut and pack natural cheese and processed cheese



Kingaroy

- Acquired 2018
- Peanut processing into blanched, roasted and snack products



Tolga

- Acquired 2018
- Processing and storage



Business Priorities



- Manufacturing footprint and cost structure
- Milk volume and product mix
- Inventory management
- New retail product launches
- Legal cases
- ERP system implementation

Growth Horizons



- Ongoing innovation in consumer spreads and dairy category
- Diversify nutritional product range and channels to customers
- Bionutrients
(including lactoferrin)
- Domestic and international food service channels particularly for dairy
(Cream cheese, mozzarella, butter and processed cheese)
- Milk pricing mechanism to support on farm profitability and growth



Barry Irvin
Executive Chairman

Where are we today



- Expand infrastructure and product range
- Rationalising capacity
- Record milk intake in difficult supply circumstances
- Regional supply challenges and competition
- Business integration impacting sales timing
- Challenging 1H FY2019

Outlook



- Global dairy supply and demand more balanced
- Weather conditions impacting all raw material supply (milk, peanuts)
- Execution of lactoferrin expansion and contract manufacturing agreement contributing to FY2020
- Koroit integration at expectation
- Confident of demand and inventory sales process for 2H
- Normalised FY2019 EBITDA at bottom end of range following recent farm gate milk price increases





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