

Bega Cheese Limited

*FY2017 Full Year
Results
23 August 2017*





FY2017 Full Year Results 23 August 2017

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

Key Messages


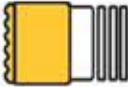






- § Creating a great Australian food company
- § Key strategic transactions
 - § Mondelez Grocery Business
 - § Mead Johnson
- § Successful capital raising
- § Revenue growth 3%
- § EBITDA growth 250% (normalised 7%)
- § Profit growth 382% (normalised 4%)
- § EPS growth 381% (normalised 4%)
- § Business stability in a volatile environment



KEY HIGHLIGHTS



	2017	2016
REVENUE (\$'000) 	1,226,663	1,195,967
PRODUCTION VOLUME (TONNES) 	236,928	238,156
EBITDA (\$'000) 	70,620 <small>NORMALISED</small> 228,850 <small>STATUTORY</small>	66,009 <small>NORMALISED</small> 65,405 <small>STATUTORY</small>
PROFIT AFTER TAX (\$'000) 	30,331 <small>NORMALISED</small> 138,748 <small>STATUTORY</small>	29,202 <small>NORMALISED</small> 28,779 <small>STATUTORY</small>
BASIC EARNINGS PER SHARE (CENTS) 	19.9 <small>NORMALISED</small> 90.9 <small>STATUTORY</small>	19.1 <small>NORMALISED</small> 18.9 <small>STATUTORY</small>
TOTAL DIVIDEND PER SHARE (CENTS) 	10.0	9.5

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

Reconciliation of Statutory to Normalised Result



Consolidated Period Ending 30 June 2017	Per Financial Statements \$'000	Inventory Losses \$'000	Bega Foods Acquisition Costs \$'000	Sale of Nutritional Assets \$'000	Asset Impairments \$'000	Normalised Outcome \$'000
Revenue	1,226,663	-	-	-	-	1,226,663
Cost of sales	(1,072,436)	8,085	-	-	-	(1,064,351)
Gross profit	154,227	8,085	-	-	-	162,312
EBITDA	228,850	8,085	11,518	(177,833)	-	70,620
Depreciation, amortisation and impairment	28,023	-	-	-	3,347	(24,676)
EBIT	200,827	8,085	11,518	(177,833)	3,347	45,944
NET finance costs	(2,789)	-	-	-	-	(2,789)
Profit before income tax	198,038	8,085	11,518	(177,833)	3,347	43,155
Income tax expense	(59,290)	(2,425)	(3,455)	53,350	(1,004)	(12,824)
Profit for the year	138,748	5,660	8,063	(124,483)	2,343	30,331
Basic earnings per share - cents	90.9					19.9

Balance Sheet (extract)



	FY2017 \$m	FY2016 \$m
Cash	475.5	9.7
Trade and other receivables	168.5	143.7
Inventories	167.9	192.4
Property, plant & equipment	196.8	219.9
Total Assets	1,056.3	586.7
Trade and other payables	169.3	156.0
Borrowings (net of costs)	215.3	62.7
Total Liabilities	485.6	258.8
Net Assets	572.7	327.8
Net Cash / (Debt)	260.2	(53.1)

Cash Flow



	FY2017 \$m	FY2016 \$m
Receipts from customers	1,274.9	1,241.1
Payments to suppliers	(1,203.8)	(1,175.9)
Interest and other costs of financing paid	(3.2)	(3.8)
Income tax paid	(10.7)	(3.3)
Operating activities	57.1	59.0
Investing activities	151.3	(39.6)
Financing activities	257.5	(20.0)
Net increase/(decrease) in cash and cash equivalents	465.9	(0.6)

§ High cash position as a result in delay in Mondelez Grocery Business settlement
(Scheduled 30 June actual 4 July)

Operations Review



§ Sales

- § Growth in food service including mozzarella and cream cheese
- § Transitioned private label customers
- § Stabilised nutritionals

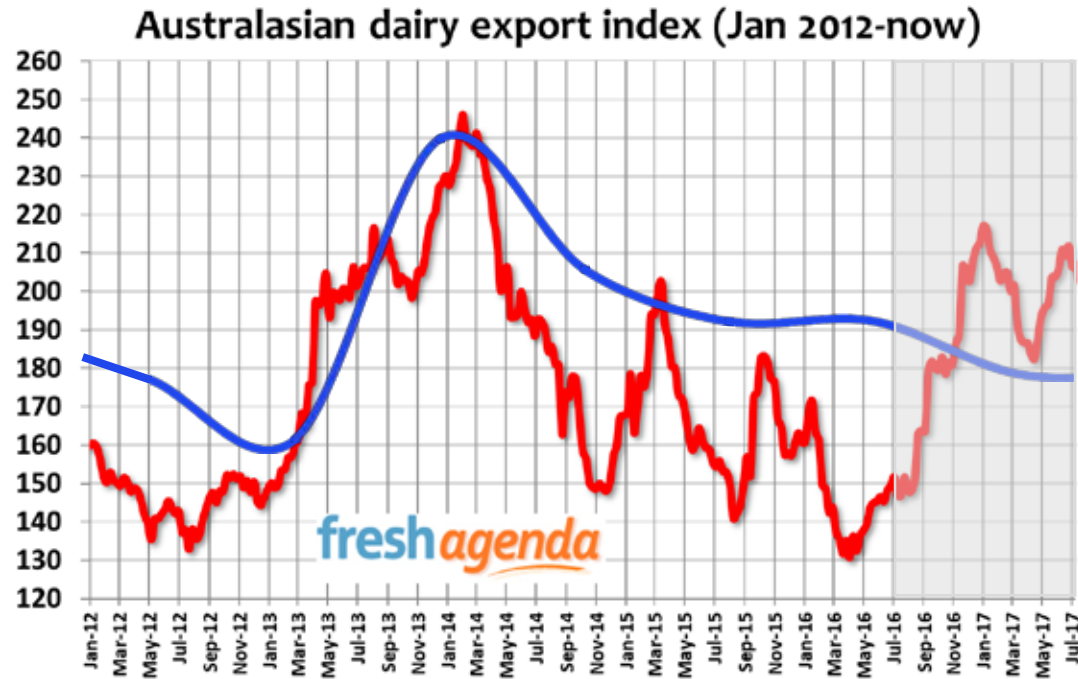
§ Operations

- § 237,000 tonnes of production
- § Capital expenditure \$40.8 million focused on efficiency and capacity
- § Significant increase in mozzarella production
- § 6.5% reduction in energy use per tonne

§ Environment and safety

- § Bega Cheese sustainability report issued March 2017
- § Continued success with on farm environmental management program
- § 15% reduction in TRIFR

Dairy commodity price and farm gate milk price



— Export trend index - global commodity prices/Australian currency impact source *freshagenda*

— Bega Cheese southern farm gate milk price trend

FY2015 Milk price \$6.00 per Kg MS

FY2016 Opening and closing milk price \$5.60 per Kg MS

■ FY2017 Opening milk price \$5.00 per Kg MS

■ FY2018 Opening milk price \$5.50 per Kg MS

§ FY2017 milk supply stable

§ 654 million litres direct milk intake

§ Strong performance in context of 7% decline in national production and 15% decline in northern Victorian production

§ New suppliers added in FY2017 further additional supply in FY2018

Investing in Infrastructure



NEW SOUTH WALES

VICTORIA



TATURA
236 Hogan Street
Tatura VIC 3616 Australia



DERRIMUT
11 Benn Court
Derrimut VIC 3090 Australia



COBURG
10-16 Allenby Street
Coburg VIC 3058 Australia



PORT MELBOURNE
1 Vegemite Way
Port Melbourne VIC 3207 Australia



PORT MELBOURNE
664 Lorimer Street
Port Melbourne VIC 3207 Australia



STRATHMERTON
Murray Valley Highway
Strathmerton VIC 3641 Australia



BEGA CHEESE MANUFACTURE
11-13 Lagoon Street
Bega NSW 2550 Australia



**BEGA HEAD OFFICE AND
PROCESSING & PACKAGING PLANT**
23-45 Ridge Street
Bega NSW 2550 Australia

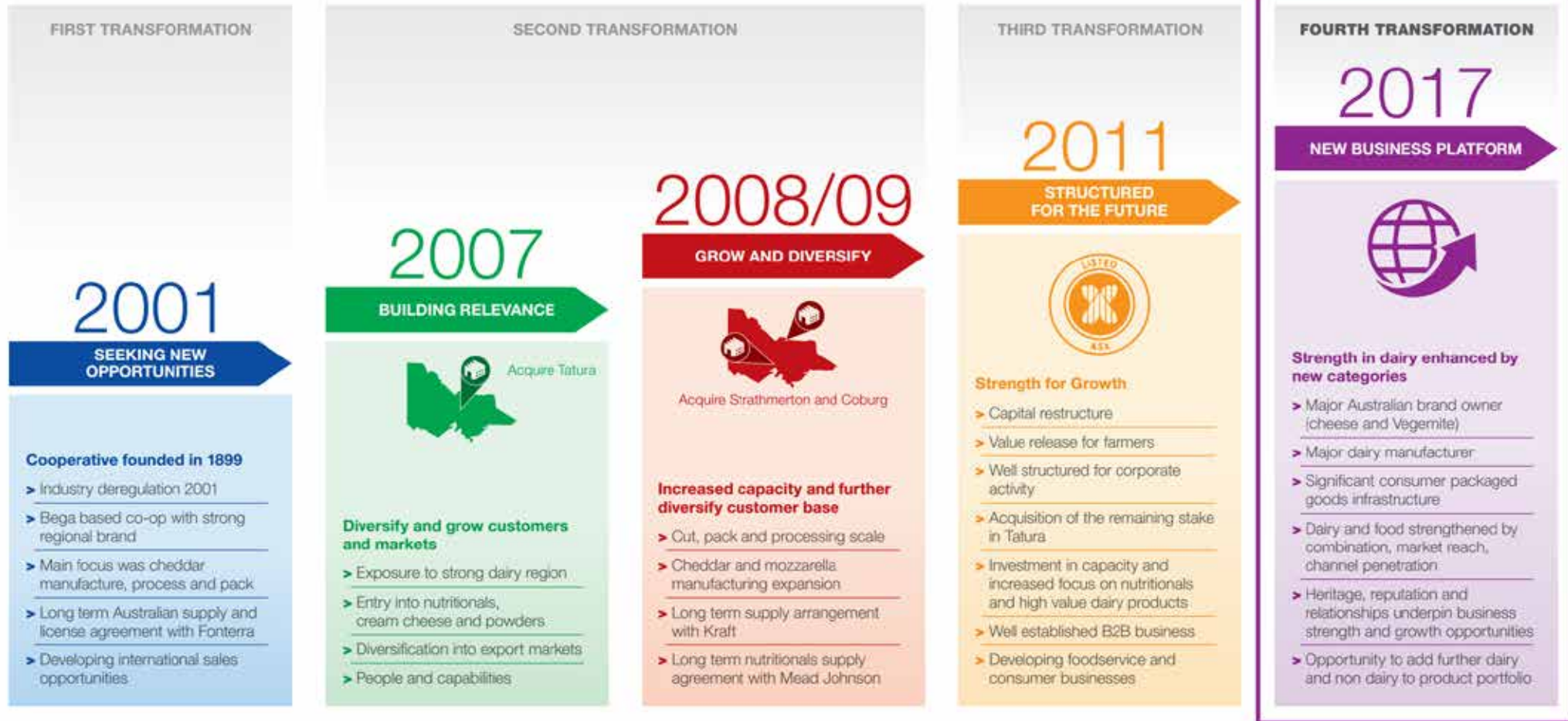
- § Capital expenditure \$40.8 million
- § New automated shred and slice lines
- § Cream cheese increased capacity and packaging
- § Management information system implementation

Investing in People

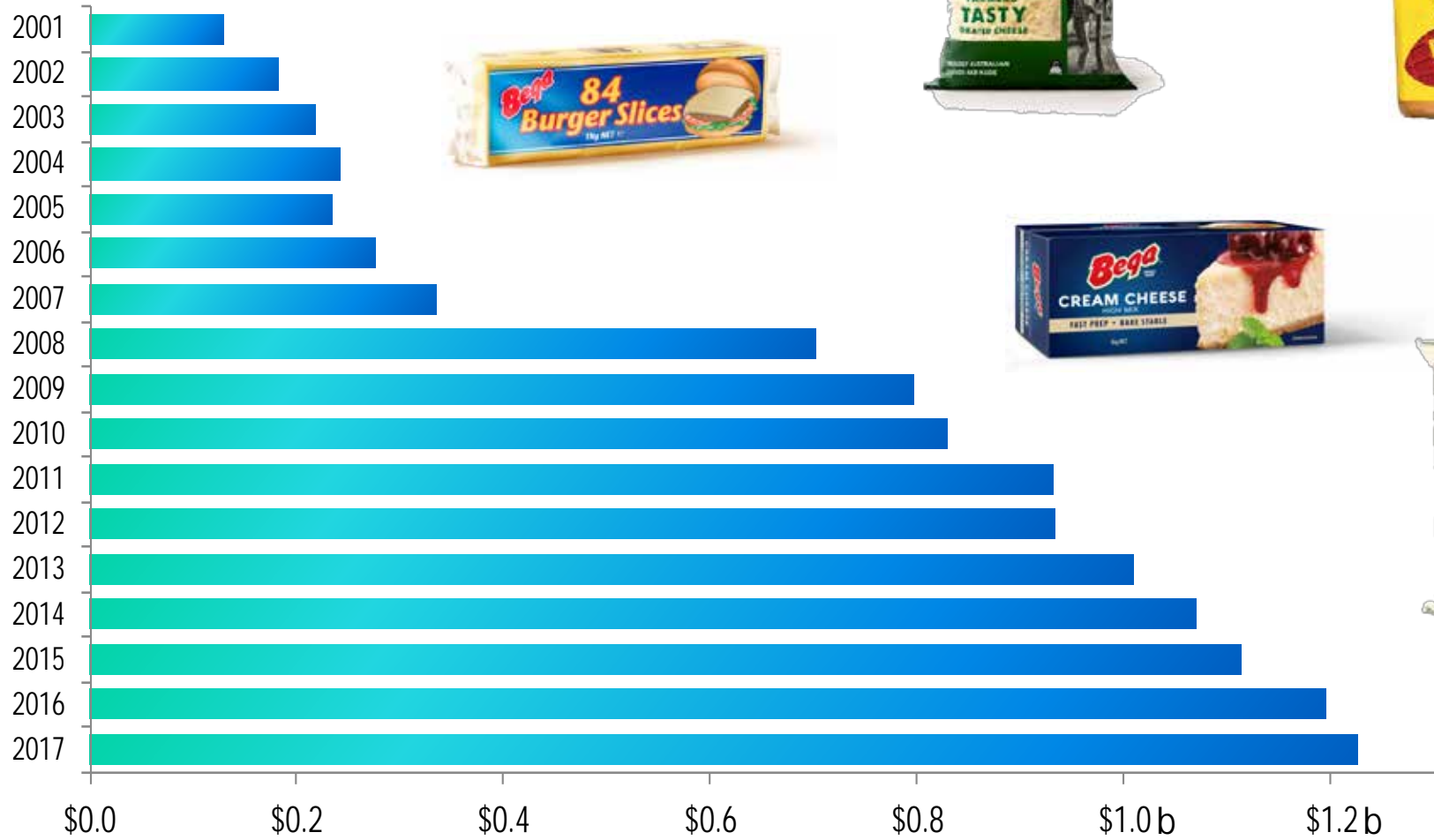


- § Adam McNamara appointed General Manager Bega Foods
- § Over 220 marketing, sales, operations, technical and administrative employees added to the team
- § Strong combination of research and development and commercialisation teams
- § Significant new capability in marketing and expanded sales team
- § New thinking for both businesses
- § Significant numbers of employees engaged in training and professional development programs

Bega Cheese Transformation



Group Sales



Mondelez Grocery Business Overview



- § Cultural fit – Heritage, community, customers
- § Diversifies Bega Cheese into complementary markets and categories beyond dairy
- § Enhances our skills and capability to continue to evolve
- § Complements our significant knowledge of lean and innovative food manufacturing processes
- § Acquisition facilitates growth and extends our capabilities.



Bega Foods Business Overview



Leading grocery and cheese products with 66% of revenue derived from products with #1 positions¹

Vegemite, an iconic Australian brand recognised as 'Australia's Favourite Breakfast Food' and found in over 90% of Australian pantries

Leadership in spreads category with a strong combination of Vegemite, peanut butter, other nut and cheese spreads

6.3ha of land and buildings comprising a unique and scalable production facility at Port Melbourne, Victoria

Pro forma net revenue of \$310m and EBITDA of between \$40m to \$45m²



¹Nielsen MAT July 2016

²First full year of operation, prior to one off transaction costs, implementation costs and any impact arising from a purchase price allocation

Strong Marketing Properties and Branding



Mead Johnson Transaction



- § Long term nutritional partnership strengthens Bega Cheese's relationship with one of its key customers
- § Sale of one spray dryer at Tatura and the infant formula finishing plant at Derrimut, Melbourne
- § Sale proceeds of \$200 million:
 - § \$180 million received in April 2017
 - § \$10 million received in June 2017
 - § Balance of \$10 million due by 31 December 2017
 - § Used to fund MDLZ Grocery Business acquisition by reducing debt funding required
- § Secures revenue streams via a 10 year access and service agreement



Where we are Today?



A stable business growing in dairy and building in food

- § Completing the MDLZ Grocery Business acquisition on 4 July 2017
- § Brand portfolio including iconic Australian brands Bega and Vegemite
- § Company of choice for dairy farmers with strong milk supply growth
- § Stability in dairy nutritional business
- § Growing high value dairy ingredients business
- § International and Australian food service and retail channels well developed
- § Potential new corporate opportunities emerging in dairy and food

Our focus



Creating a great Australian food company

- § Protect the strengths, reputation and returns of the existing businesses
- § Manage volatility in changing markets and maintain a globally competitive supply chain
- § Leverage and grow the iconic brand portfolio
- § Expand channels and markets for our products
- § Build on sales strength and operational knowledge of the combined business
- § Optimise cashflow
- § Invest for efficiency and optimisation of infrastructure
- § Maintain a strong balance sheet
- § Remain agile and well positioned to identify and execute corporate opportunities



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