



The Great Australian Food Company

Great Food
Great People
Great Aspirations
Greater Good



FY2019 Full Year Results Presentation

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Key message

- ▶ Continued transformation to becoming 'The Great Australian Food Company'
- ▶ Challenging year for the dairy industry
- ▶ Bega Cheese has further diversified but still impacted
- ▶ Growing domestic and international branded consumer business
- ▶ Koroit acquisition and integration complete
- ▶ Successful capital raise and stable balance sheet
- ▶ Ongoing supply chain rationalisation and cost efficiencies
- ▶ Closure of Coburg and new third party toll processing arrangement
- ▶ ERP system implementation nearing completion

Transformation to becoming 'The Great Australian Food Company'

FIRST TRANSFORMATION

2001

SEEKING NEW OPPORTUNITIES

Cooperative founded in 1899

- > Industry deregulation 2001
- > Bega based co-op with strong regional brand
- > Main focus: cheddar manufacture, process and pack
- > Long term Australian supply and license agreement with Fonterra
- > Developing international sales opportunities

SECOND TRANSFORMATION

2007

BUILDING RELEVANCE



Acquire Tatura

Diversify and grow customers and markets

- > Exposure to strong dairy region
- > Entry into nutritionals, cream cheese and powders
- > Diversification into export markets
- > People and capabilities

2008/09

GROW AND DIVERSIFY



Acquire Strathmerton and Coburg

Increased capacity and further diversify customer base

- > Cut, pack and processing scale
- > Cheddar and mozzarella expansion
- > Long term supply arrangement with Kraft
- > Long term nutritionals supply agreement with Mead Johnson

THIRD TRANSFORMATION

2011

STRUCTURED FOR THE FUTURE




Strength for growth

- > Capital restructure
- > Value release for farmers
- > Well structured for corporate activity
- > Acquisition of the remaining stake in Tatura
- > Investment in capacity and increased focus on nutritionals and high value dairy products
- > Well established B2B business
- > Developing foodservice and consumer businesses

FOURTH TRANSFORMATION

2017

NEW BUSINESS PLATFORM




Dairy strength enhanced by new categories

- > Major Australian brands (cheese and Vegemite)
- > Major dairy manufacturer
- > Significant consumer goods infrastructure
- > Dairy and food strengthened by combination, market and channel penetration
- > Heritage, reputation and relationships underpin business strength and growth opportunities
- > Opportunity to add further to product portfolio

2019

ACCELERATING GROWTH



Customer and consumer focussed organisation

- > Expanded consumer branded product portfolio in domestic and international markets
- > Accelerated investments in growth and innovation
- > Continuous improvement and rationalisation of manufacturing footprint
- > Aligning our manufacturing footprint with milk supply
- > New strategic alliances

Accelerated growth plan

- ▶ Expanded consumer branded product portfolio in domestic and international markets
- ▶ Aligning our manufacturing footprint with milk supply
- ▶ Accelerated investments in growth and innovation
- ▶ Continuous improvement and rationalisation of manufacturing footprint
- ▶ New strategic alliances



Bega Values





Making a difference

Passion for the customer

We create great food and build brands that our customers and consumers love and trust.





Making a difference

Invest in our future

We have great aspirations to go beyond our business today. We invest in technology, innovative products and new markets.





Making a difference

Support each other

We strive for a greater good by combining our success with a positive and lasting impact on others.





Making a difference

Grow our people

We ensure our people will continue to grow with Bega. We give them the responsibility to work together and achieve great outcomes.



Revenue analysis

- ▶ Export now 31% of total revenue
- ▶ Increased dairy and nutritional volumes from Koroit acquisitions
- ▶ Expanding customer base in infant formula and bionutrients
- ▶ Launched new branded dairy and spreads products

16%

Spreads and other grocery

9%

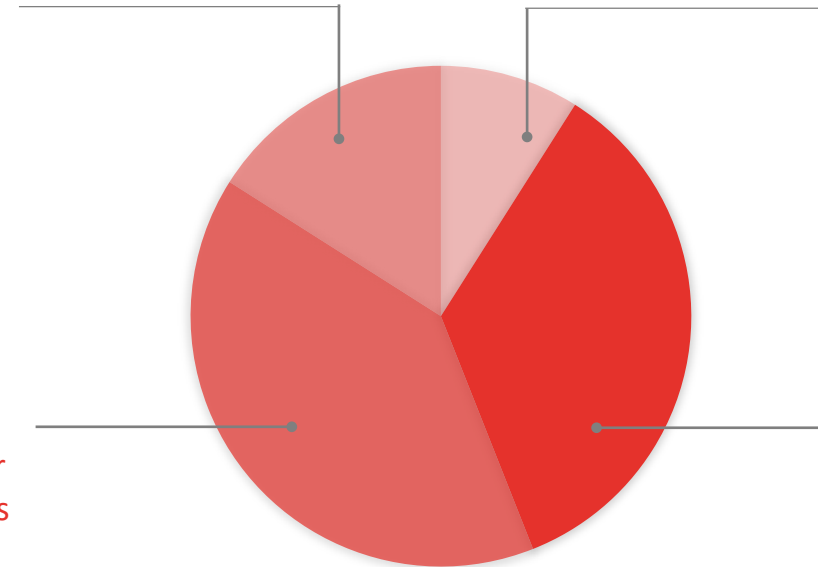
Nutritionals

40%

Dairy consumer packaged goods

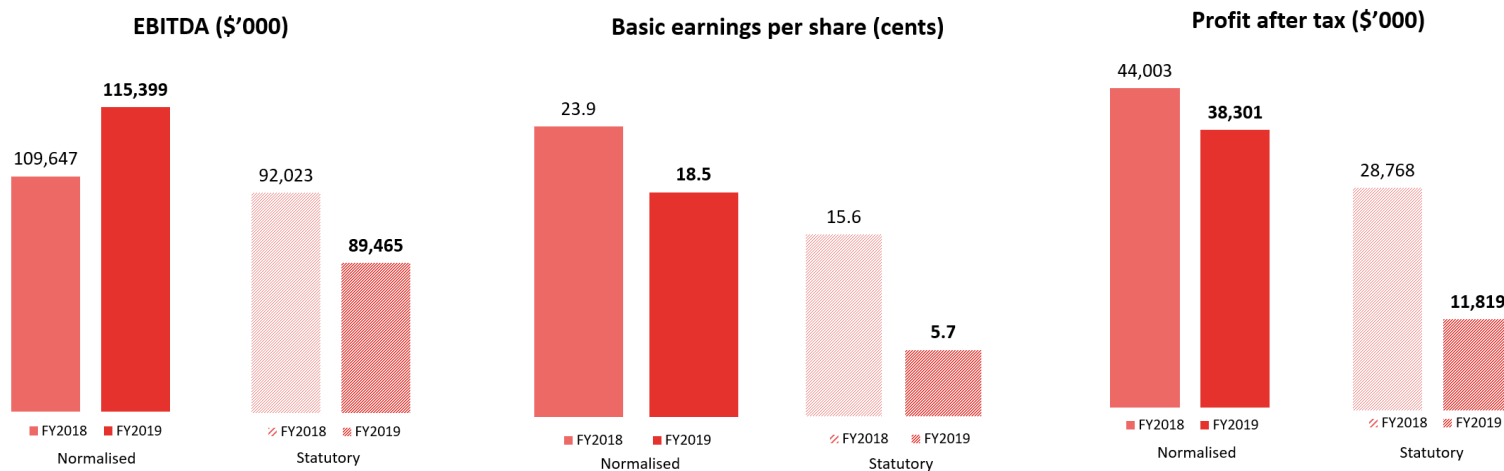
35%

Dairy and other ingredients



Performance highlights

- ▶ Revenue increased by 13% to \$1.42 billion
- ▶ Export sales increased 4% to \$442 million
- ▶ Increased production by 8% to 280,405 tonnes
- ▶ Increased milk intake by 41% to 1.06 billion litres
- ▶ Normalised EBITDA increased by 5% to \$115.4 million



Reconciliation of normalised result

| Consolidated Period Ending 30 June 2019 | Per Financial Statements \$'000 | Koroit Acquisition Costs \$'000 | Koroit Fair Value Adjustments \$'000 | Coburg Site Closure Costs \$'000 | Legal Costs \$'000 | Other Costs \$'000 | Normalised Outcome \$'000 |
|--|--|--|---|---|-----------------------------------|-----------------------------------|--|
| Revenue | 1,419,952 | - | - | - | - | - | 1,419,952 |
| Cost of sales | (1,129,674) | - | 2,648 | - | - | - | (1,127,026) |
| Gross profit | 290,278 | - | 2,648 | - | - | - | 292,926 |
| EBITDA | 89,465 | 11,019 | 2,648 | 4,942 | 3,783 | 3,542 | 115,399 |
| Depreciation, amortisation and impairment | (50,602) | - | - | 10,229 | - | - | (40,373) |
| EBIT | 38,863 | 11,019 | 2,648 | 15,171 | 3,783 | 3,542 | 75,026 |
| Net finance costs | (19,952) | 357 | - | - | - | - | (19,595) |
| Profit before income tax | 18,911 | 11,376 | 2,648 | 15,171 | 3,783 | 3,542 | 55,431 |
| Income tax expense | (7,092) | (2,495) | (794) | (4,551) | (1,135) | (1,063) | (17,130) |
| Profit for the year | 11,819 | 8,881 | 1,854 | 10,620 | 2,648 | 2,479 | 38,301 |
| Basic earnings per share - cents | 5.7 | | | | | | 18.5 |

Balance sheet

| | FY2019 \$m | FY2018 \$m* |
|-------------------------------|----------------|----------------|
| Cash | 28.8 | 21.7 |
| Trade and other receivables | 179.9 | 221.4 |
| Inventories | 274.1 | 211.2 |
| Property, plant and equipment | 443.3 | 323.6 |
| Intangible assets | 535.1 | 411.5 |
| Total Assets | 1,488.6 | 1,215.8 |
| Trade and other payables | 265.9 | 225.9 |
| Borrowings (net of costs) | 316.1 | 267.1 |
| Total Liabilities | 662.6 | 583.8 |
| Net Assets | 825.9 | 632.0 |
| Net (Debt)/Cash | (288.2) | (245.4) |

*FY2018 figures have been restated due to accounting practices



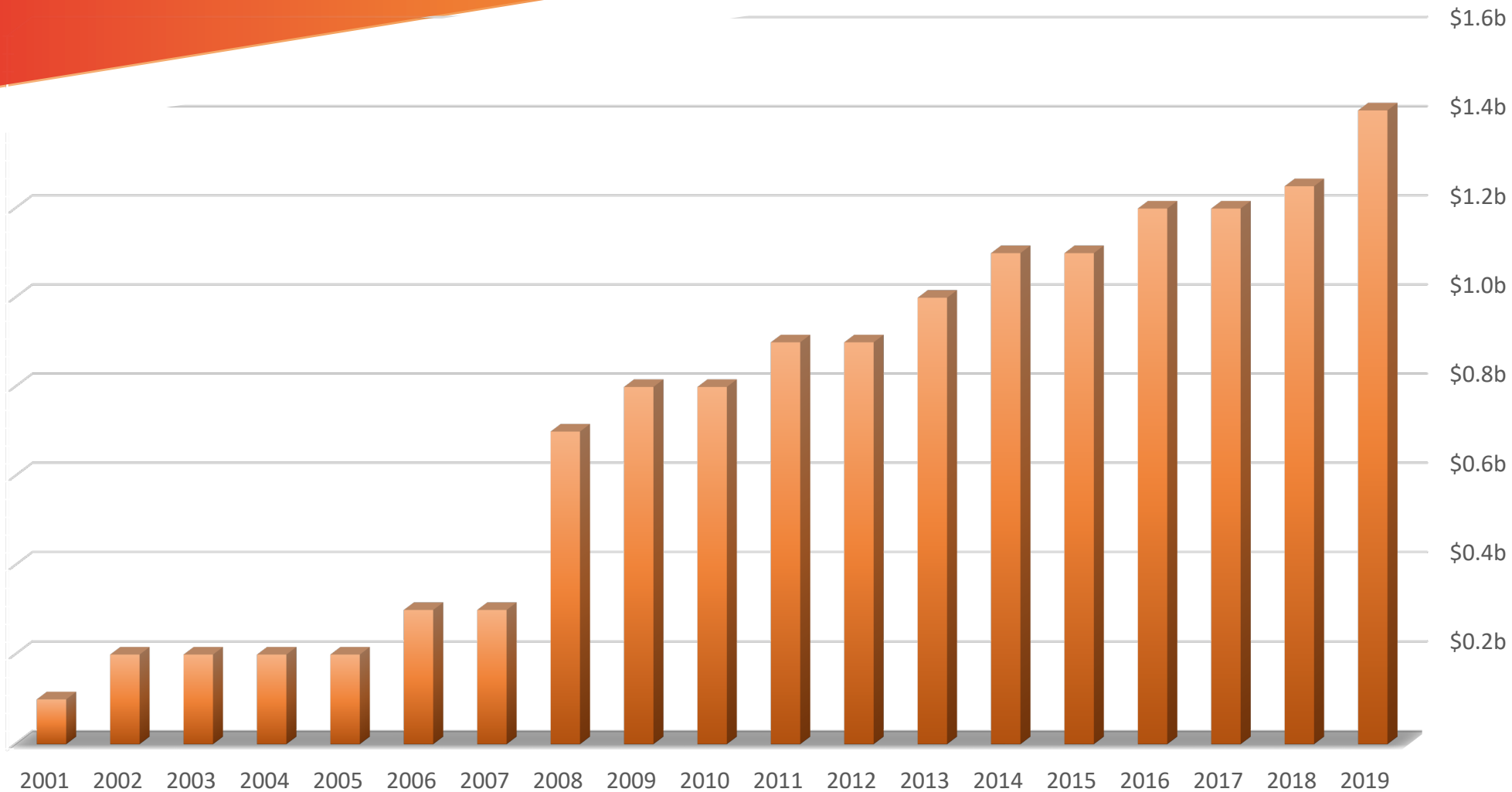
Cash flow

| | FY2019 \$m | FY2018 \$m* |
|---|----------------|----------------|
| Receipts from customers | 1,422.1 | 1,313.7 |
| Payments to suppliers | (1,476.8) | (1,218.7) |
| Net proceeds from trade receivables facility | 188.6 | - |
| Interest and other costs of financing paid | (20.4) | (10.7) |
| Income tax paid | (13.3) | (25.8) |
| Operating activities | 100.3 | 58.6 |
| Proceeds from sale of PPE | 0.2 | 10.0 |
| Payment for acquisition of Koroit | (251.2) | - |
| Tax on sale of infant nutritional assets | - | (53.4) |
| Acquisition of Bega Foods | - | (452.7) |
| Acquisition of PCA | - | (11.7) |
| Investing activities | (322.9) | (564.8) |
| Financing activities | 229.7 | 52.4 |
| Net increase/(decrease) in cash and cash equivalents | 7.1 | (453.9) |

*FY2018 figures have been restated due to accounting practices



Group sales



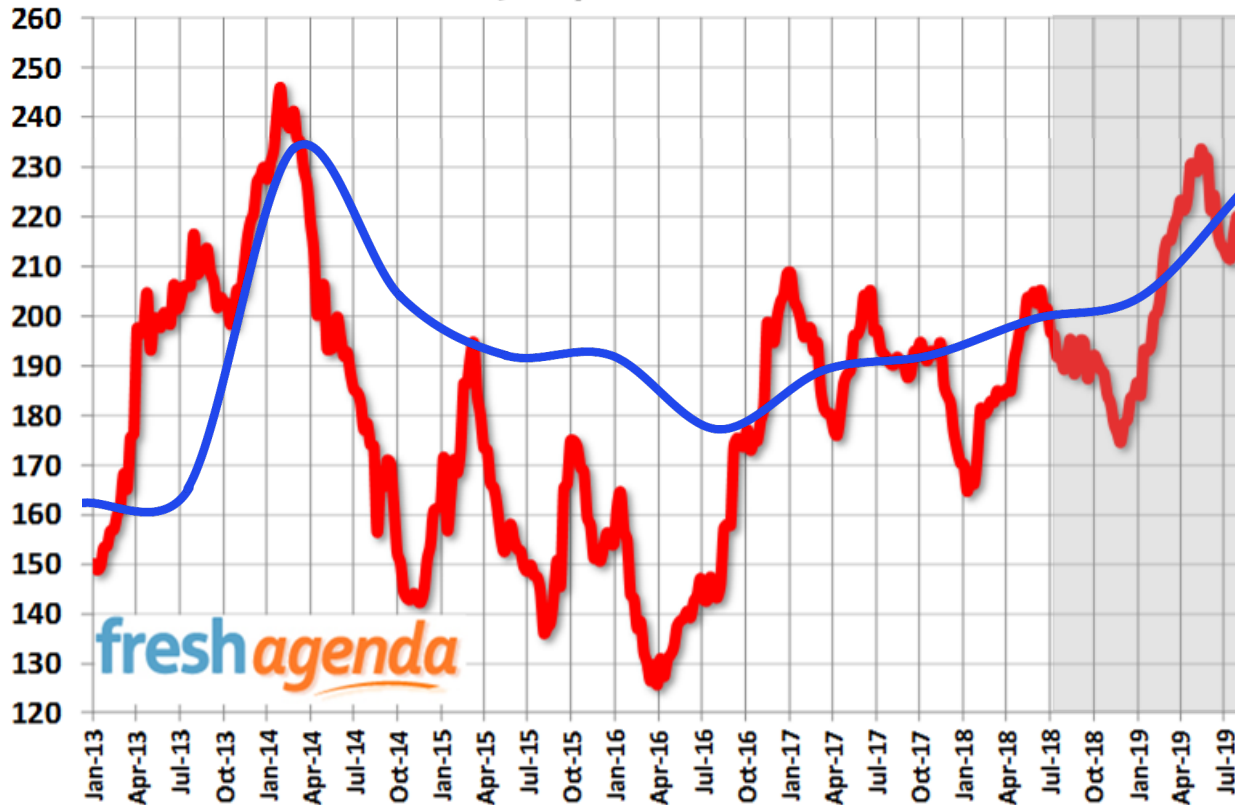
Our consumer brands

- ▶ Launched 41 new products including Gluten Free Vegemite
- ▶ Launched Farmer's Table and Simply Nuts brands
- ▶ Increased licencing including successful launch of Arnott's Vegemite Shapes
- ▶ Court has confirmed Bega Cheese ownership rights to peanut butter trade dress now subject to appeal by Kraft
- ▶ Relunched Dairymont brand driving significant growth in food service



Dairy commodity and farm gate milk prices

Australasian dairy export index



- ▶ Significant decrease in Australian milk production
- ▶ Drought impact on water, grain and hay prices
- ▶ Record milk intake for Bega of 1.06 billion litres
- ▶ Strong recovery in global commodities
- ▶ Downward pressure on margins due to increased competition for milk

— 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 milk solids

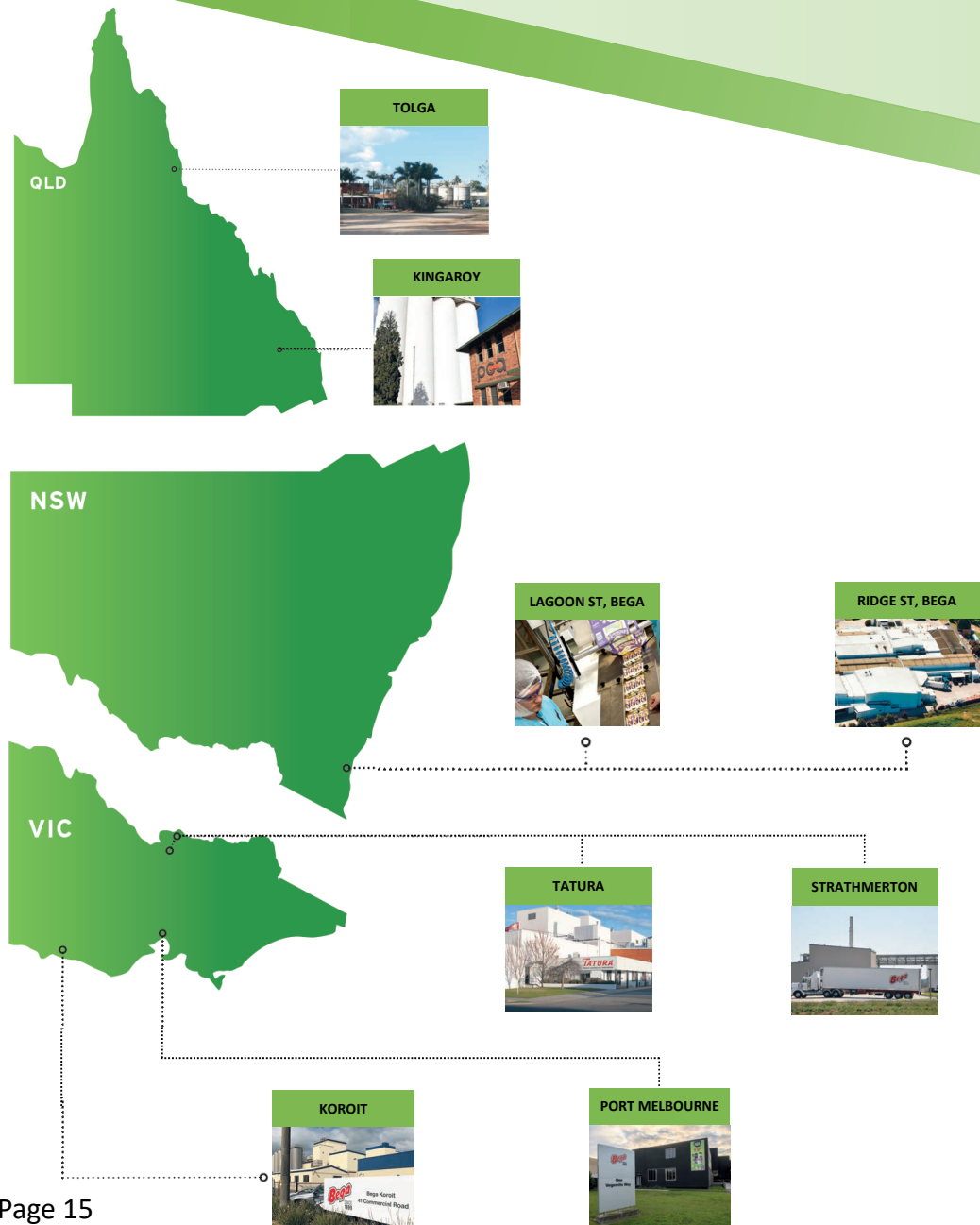
FY2019 opening milk price \$5.85 per kg milk solids

Operations review

- ▶ Total recordable injury frequency rate improved by 15%
- ▶ Total production increased to 280,405 tonnes
- ▶ Significant efficiency gains in processing plants including closure of Coburg site and toll processing arrangement
- ▶ Rationalisation of milk supply network with the integration of Koroit
- ▶ Commenced construction of lactoferrin plant at Koroit
- ▶ ERP system implementation in final stages



Our manufacturing sites



- ▶ Quality assets in key locations
- ▶ Focused capex program to maintain and enhance capabilities
- ▶ Koroit acquisition expands geographic reach in key milk region
- ▶ Expanding lactoferrin capacity
- ▶ Rationalised Coburg and entered into mozzarella toll processing arrangement



Approach to Corporate Social Responsibility

our focus is on the five areas where we can have the greatest impact



Aligned with the United Nations Global Compact

Food nutrition



Highlights FY2019

Launched both Vegemite Gluten Free and Simply Nuts Peanut Butter

Diversity, inclusion and equality



Highlights FY2019

Women represent 46% of salaried staff in professional roles

Greenhouse gases



Highlights FY2019

Energy roadmap established delivering a 20% reduction in energy use over four years

Packaging sustainability



Highlights FY2019

As a member of the Australia Packaging Covenant we achieved 'Leadership' level for post-consumer recovery and waste diversion

Water sustainability



Highlights FY2019

38% of water in our manufacturing operations was reused

Where are we today?

- ▶ Transition to diversified brand food company well progressed
- ▶ Competitive supply chain broadly aligned with market demand
- ▶ Volatile dairy industry facing ongoing structural change and cyclical challenges
- ▶ Intense competition for milk and excess domestic processing capacity
- ▶ Bega Cheese is well positioned to navigate these challenges
- ▶ Stable balance sheet following significant period of corporate activity



Our priorities

- ▶ Continue investment in brands and markets
- ▶ Accelerate new product development
- ▶ Focused capital program to further rationalise supply chain and manufacturing footprint
- ▶ Remain open to further dairy industry consolidation opportunities
- ▶ Protect and diversify current milk supply
- ▶ Commission lactoferrin plant at Koroit
- ▶ Actively protect our intellectual property rights, including matters currently before the courts





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