



# FY2022 Full Year Results Presentation

26 August 2022

Bega Cheese Limited

**2022**  
**ANNUAL**  
**REPORT**



*creating great food  
for a better future*

*creating great food for a better future*

**Barry Irvin**  
Executive Chairman



# KEY MESSAGES

- Solid financial performance in a challenging environment
- Revenue of \$3 billion
- Normalised EBITDA of \$180.1 million and statutory EBITDA of \$149.9 million
- Strong operating cash generation (\$158 million)
- Strong balance sheet, leverage ratio 1.8 (net debt reduction \$60 million)
- Lion Dairy and Drinks integration and synergies achieved
- Brand leadership in key categories
- Global dairy commodity markets remain strong
- Sustainability programs continue to be implemented
- Significant COVID-19 cost and supply chain disruption
- Farm gate milk supply decreased with competition remaining robust



# OUR PURPOSE



*creating great food  
for a better future*

Our purpose helps connect our people, customers, consumers, suppliers and the communities in which we operate. It helps guide strategy and decision-making and informs our values and behaviours.

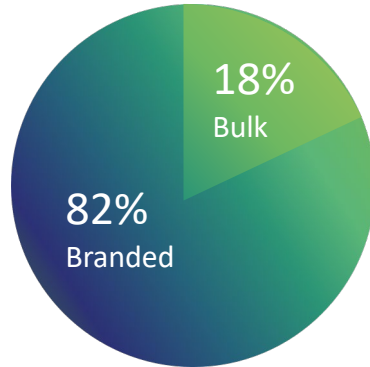
We are proud of our heritage as an iconic Australian business with strong connections to agriculture and a passion for creating great food.

To deliver on our purpose for consumers we must anticipate consumer needs and food trends. The recent product launches featured in this report showcase how we innovate products to create great food for a better future.

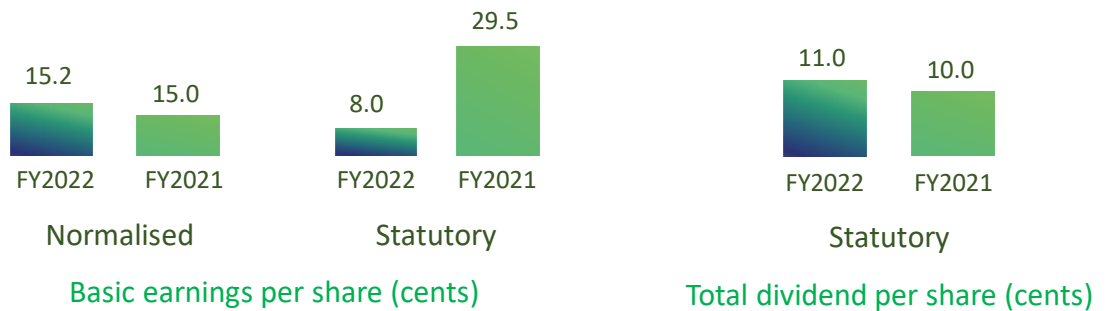
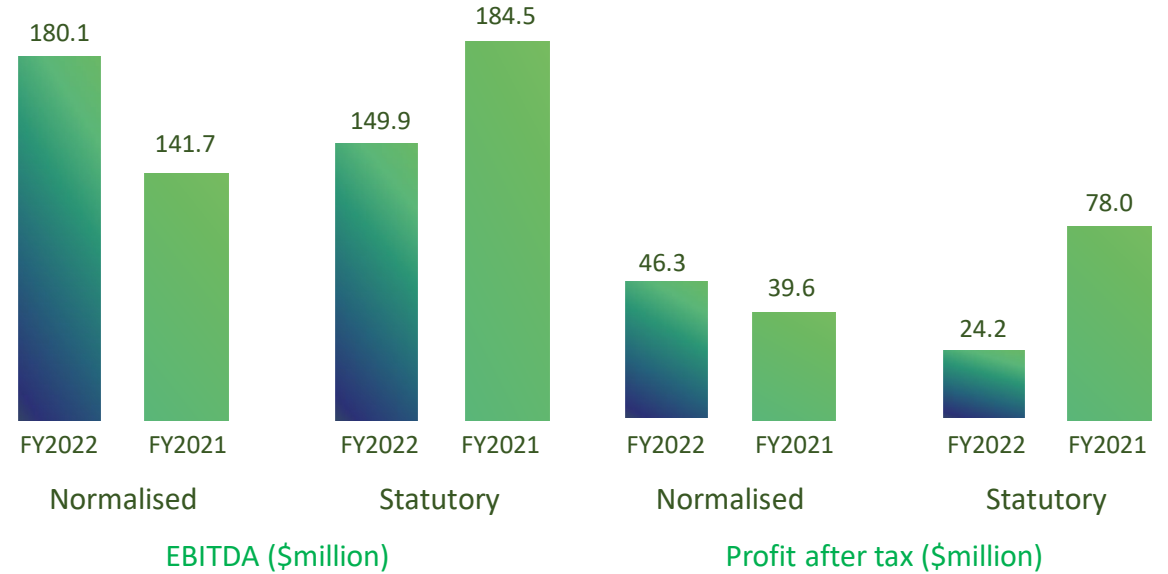
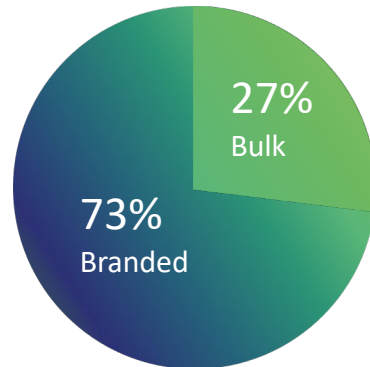
# PERFORMANCE HIGHLIGHTS

Net revenue

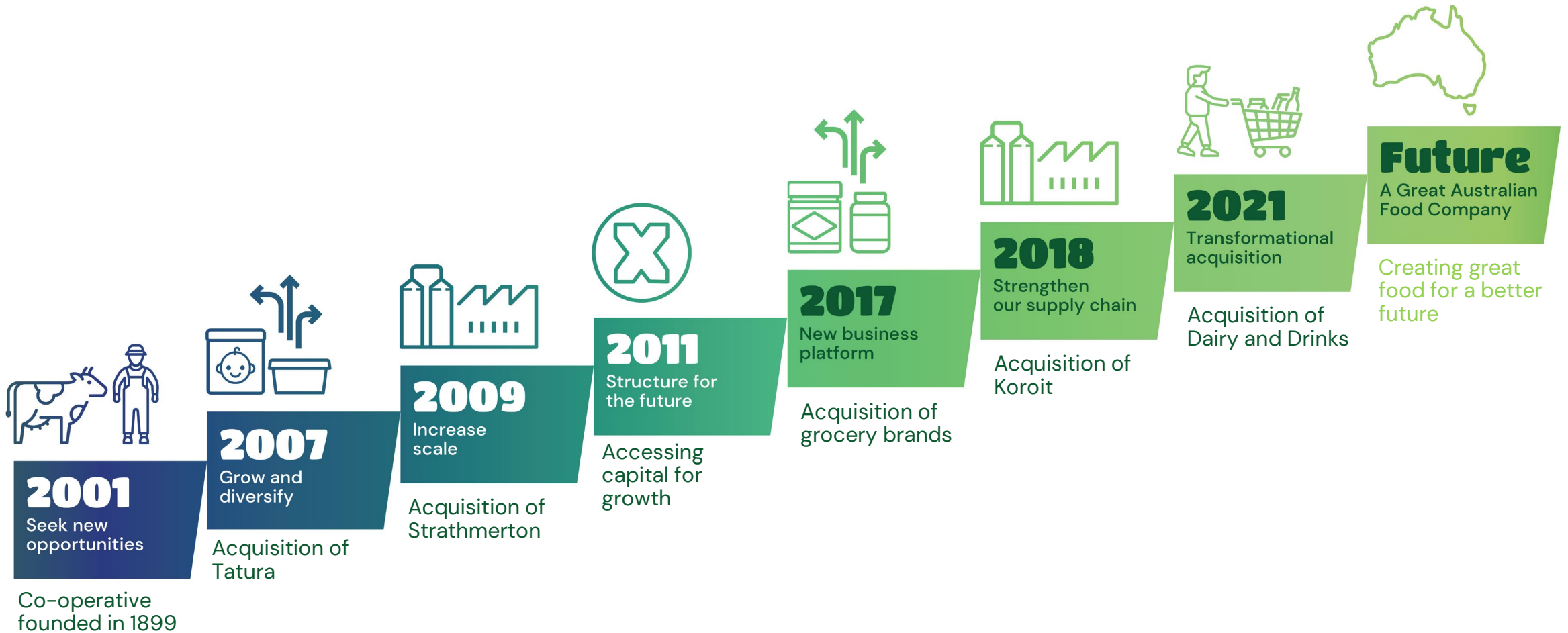
FY2022  
\$3.01  
billion



FY2021  
\$2.07  
billion



# OUR TRANSFORMATION



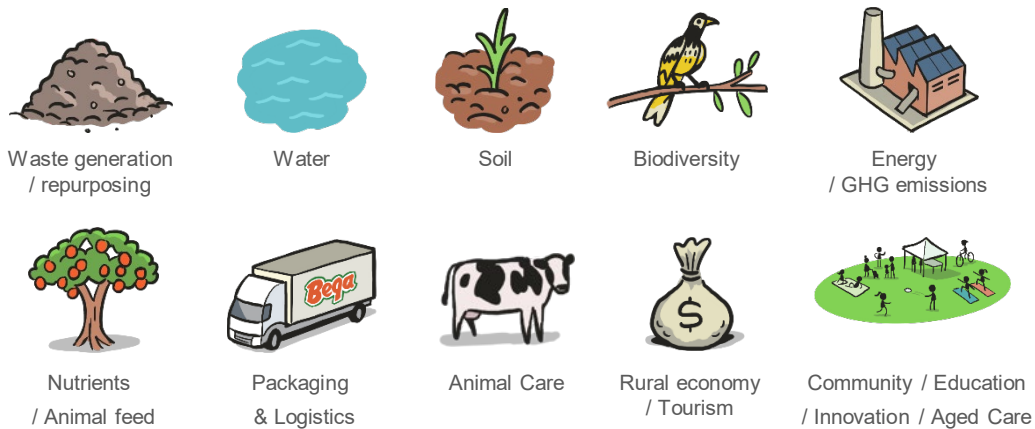
# SUSTAINABILITY AND THE CIRCULAR ECONOMY

## Bega Cheese carbon target

Scope 1 and 2 emissions targets established in support of Paris Agreement goals:

- 50% reduction in emissions intensity by 2030
- 40% reduction in absolute emissions by 2030
- Net zero emissions by 2050

## Circularity in the Bega Valley



*creating great food for a better future*

**Paul van Heerwaarden**  
CEO

**Pete Findlay**  
CFO





## MAJOR INITIATIVES

- Executed BDD integration and synergy program
  - Completed IT transition from Lion
  - Leveraging combined distribution and go-to-market capabilities
  - Realising milk optimisation through expanded processing network
- Investing in digital platform and network infrastructure
- Completed exit from Reckitt service and access agreement
- Rationalised processed cheese capacities
- Continue to progress sustainability initiatives
- Major capital projects across sites progressed and on schedule

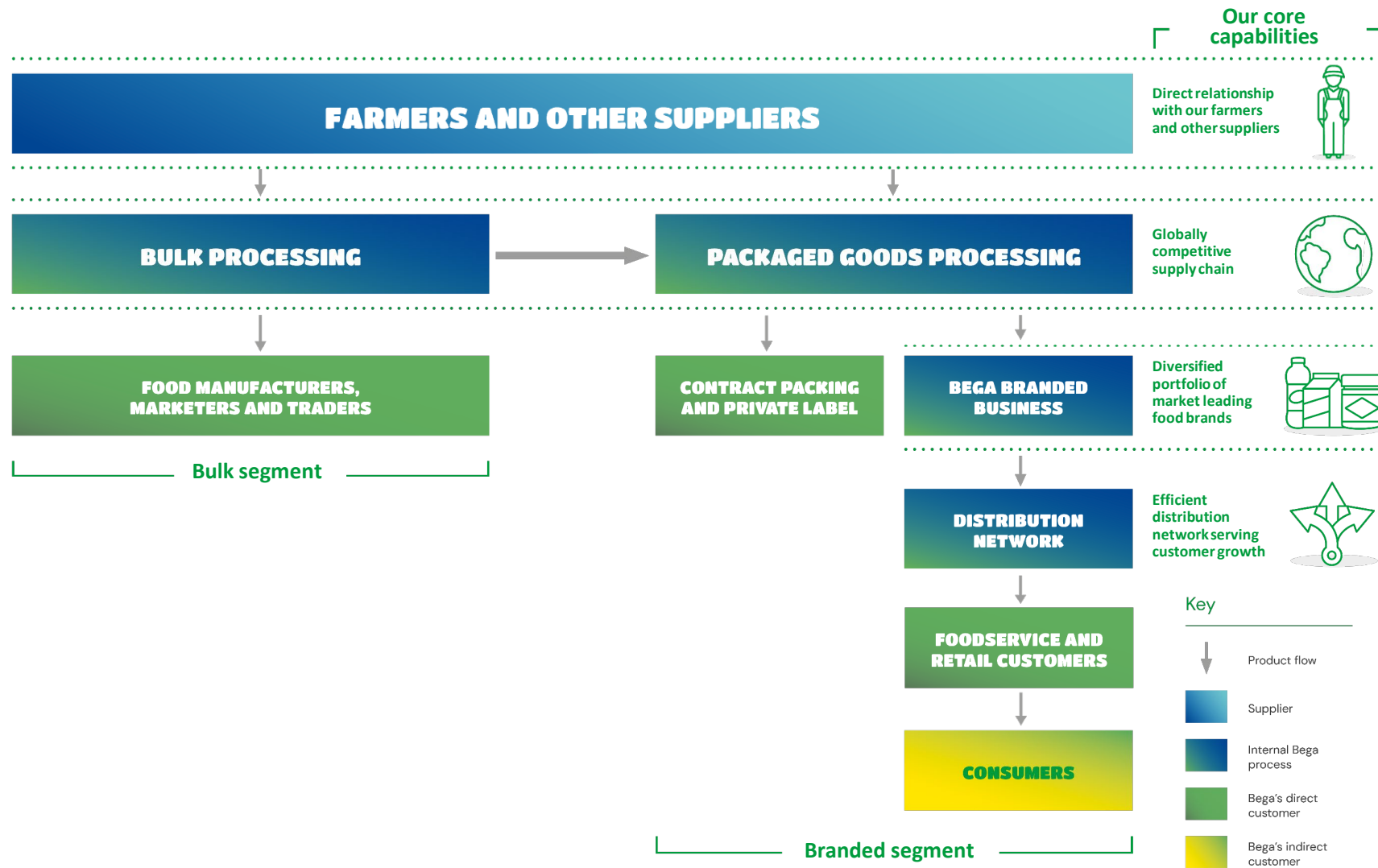


# COMMERCIAL AND OPERATIONS REVIEW

- Increases in both commodity and consumer prices for milk products
- Strong retail sales volume and mix across brands
- Investment in innovation of our products
- Improved returns from dairy commodities
- Significant COVID-19 related direct costs
- Global supply chain issues (including packaging, pallets and shipping)
- Supply chain disruptions due to flooding



# OUR BUSINESS MODEL



# SEGMENTS

(\$ million)	Branded	Bulk	Unallocated Overheads	Inter-segment elimination	Group Total
Revenue	2,480.9	735.5	-	(206.5)	3,009.9
Growth vs FY2021%	63%	(18%)	-	(40%)	45%
Normalised EBITDA	135.0	61.0	(17.5)	1.6	180.1
Increase/(decrease) vs FY2021 EBITDA	36.6	(8.1)	7.3	2.6	38.4

## BRANDED

- Significant disruption and cost from COVID-19 and floods
- Rapid increase in global commodities and inflation being passed through sales pricing
- Strong retail sales volume, particularly in grocery
- Full year impact of Bega Dairy and Drinks

## BULK

- Increased dairy commodity returns
- Competition for milk supply resulting in lower milk intake and increases in farm gate milk prices
- Rightsizing of infant formula capacity following Reckitt exit at Derrimut and Tatura infant formula dryer

# RECONCILIATION OF NORMALISED RESULT

Consolidated Period Ending 30 June 2022 (\$ million)	Per Financial Statements	Reckitt Termination	LDD Transaction Related Costs	Other Costs	Normalised Outcome
Revenue	3,009.9	(24.1)	-	-	2,985.8
Cost of sales	(2,320.5)	0.2	-	-	(2,320.3)
<b>Gross Profit</b>	<b>689.4</b>	<b>(23.9)</b>	-	-	<b>665.5</b>
EBITDA	149.9	(19.3)	46.5	3.0	180.1
Depreciation, amortisation and impairment	(103.7)	-	-	-	(103.7)
EBIT	46.2	(19.3)	46.5	3.0	76.4
Net finance costs	(12.4)	-	-	-	(12.4)
<b>Profit before income tax</b>	<b>33.8</b>	<b>(19.3)</b>	<b>46.5</b>	<b>3.0</b>	<b>64.0</b>
Income tax expense	(9.6)	5.8	(13.0)	(0.9)	(17.7)
<b>Profit for the year</b>	<b>24.2</b>	<b>(13.5)</b>	<b>33.5</b>	<b>2.1</b>	<b>46.3</b>
Basic earning per share - cents	8.0				15.2

# BALANCE SHEET

	FY2022 \$m	FY2021 \$m
Cash	44.9	87.2
Trade and other receivables	274.7	348.7
Inventories	317.6	345.0
Property, plant and equipment	844.0	911.6
Assets held for sale	60.5	-
Right of use assets	109.9	103.4
Intangible assets	588.1	589.5
<b>Total Assets</b>	<b>2,358.8</b>	<b>2,507.1</b>
Trade and other payables	449.2	477.4
Borrowing (net of costs)	308.5	391.9
Lease liabilities	114.3	104.6
<b>Total Liabilities</b>	<b>1,096.4</b>	<b>1,240.6</b>
<b>Net Assets</b>	<b>1,262.4</b>	<b>1,266.5</b>
<b>Net Debt</b>	<b>(265.1)</b>	<b>(324.9)</b>

- 18% reduction in net debt
- Leverage ratio 1.8 times (2.3 in FY2021)
- Strong receivables and inventory management
- Extensive property portfolio
- Port Melbourne property held for sale

# CASH FLOW

	FY2022 \$m	FY2021 \$m
Receipts from customers	3,342.8	2,221.7
Payments to suppliers and employees	(3,179.2)	(2,086.5)
Net receipts/(payments) from/to Trade Receivables Facility	18.9	(12.7)
Net interest and other costs of financing paid	(12.5)	(10.5)
Income tax paid	(11.9)	(0.7)
<b>Operating activities</b>	<b>158.2</b>	<b>111.4</b>
Payment for acquisition of Lion Dairy and Drinks	-	(514.5)
<b>Investing activities</b>	<b>(63.8)</b>	<b>(546.7)</b>
Net proceeds from issue of shares	-	390.2
Net (repayments)/proceeds of/from borrowings	(83.0)	145.0
Dividends paid to shareholders	(28.7)	(23.3)
<b>Financing activities</b>	<b>(136.7)</b>	<b>499.6</b>
Net (decrease)/increase in cash and cash equivalents	(42.3)	64.3

- Strong operating cashflow of \$158 million
- Capital expenditure of \$72 million
- Repayment of borrowings \$83 million
- Full year impact of Bega Dairy and Drinks on customer receipts and supplier payments

# MANAGING OPERATIONAL AND MARKET IMPACTS OF COVID-19

- Direct costs of COVID-19 in FY2022 in excess of \$40 million
- Absenteeism at times exceeded 30%
- Significant investment in PPE and additional safety measures
- Disruption and extended supply chain of core inputs
- Interrupted and inconsistent customer trading
- COVID-19 challenges impacting ability to manage other unplanned events (e.g. floods)





# BECOMING A MULTI-CHANNEL BRANDED COMPANY

Pre 2017

## Commodity processor and contract packer

Majority of profit contribution from major contracts including private label for Coles, Woolworths and Aldi and contract packing for Fonterra, Mead Johnson, Bellamy's and Mondelez.

Strong dairy commodity business with three processing facilities and long term customer relationships in export markets including Japan.

Established international branded presence via distributor model.

Emerging risks with domestic drought, and industry processing overcapacity.

Downward pressure on contract packing margins (new MG cheese facility in Cobram) and softening in China infant formula market.



Acquisitions and major initiatives (2017 to 2021)

**Divestment of certain infant formula assets (April 2017)** to Mead Johnson (who were subsequently acquired by Reckitt) realising \$200m for a single dryer and canning plant and entered 10 year service and access agreements providing 25% capacity access and service agreements. These agreements were terminated early by Reckitt and paid out in FY2021 and FY2022.

**Acquisition of Vegemite business (July 2017)** from Mondelez which included the iconic brand along with the leading peanut butter product in the Australian grocery channel and a manufacturing facility located in inner Melbourne where these and other non-dairy products are produced.

**Acquisition of Peanut Company of Australia (January 2018)** which included peanut processing facilities in Queensland and improved the reliability of supply and provenance of the Australian peanuts used in Bega peanut butter.

**Acquisition of Koroit dairy facility from Saputo (August 2018)** to diversify and grow the sourcing of milk solids in one of Australia's strongest dairy regions and increase our processing capability in new product formats such as butter and retail milk powders.

**Closure of Coburg cheese production plant (March 2019)** which had been used to supply the Coles private label cheese contract that was lost to Murray Goulburn in early 2017. Following the closure, farm gate milk supply was diverted to Koroit and Tatura to support growth in other categories.

**Investment in lactoferrin facility at Koroit (commissioned April 2020)** to increase our capacity and position Bega as one of the largest manufacturers of lactoferrin globally.

**Acquisition of Lion Dairy & Drinks (January 2021)** which realised further industry consolidation and value creation, with synergies across the supply chain, an attractive portfolio of brands and Australia's largest national cold chain distribution network supplying food service and convenience stores.

TODAY

## DIVERSE AND GROWING MULTI-CHANNEL BRAND COMPANY

Portfolio of category leading iconic Australian brands including Bega, Vegemite, Dairy Farmers, Dare, Farmers Union and Daily Juice.

Expanded customer reach across multiple channels including chilled distribution network delivering ~40,000 orders per week.

Brand marketing, product and packaging innovation and consumer insights capability.

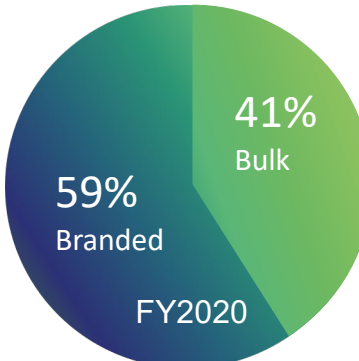
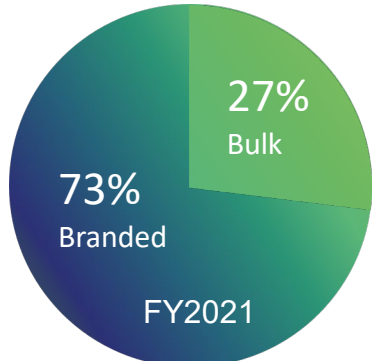
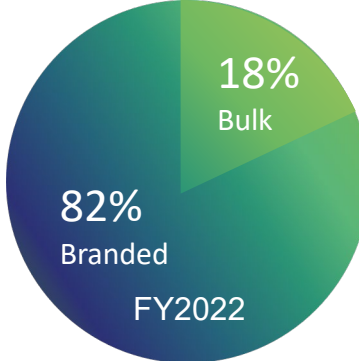
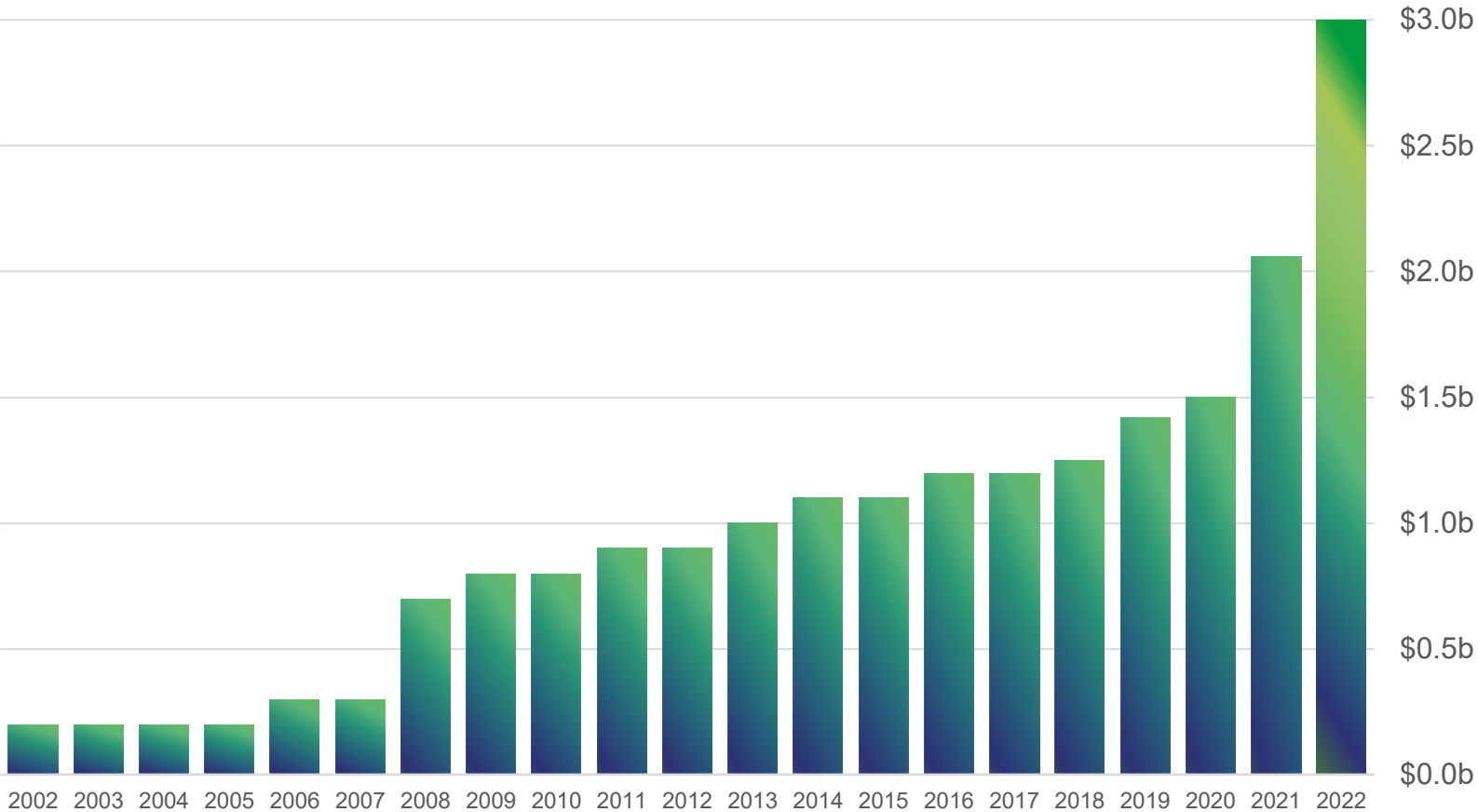
Extensive national manufacturing network able to optimise returns across commodity and value added products.

Operate in 40 countries with employees in market.








Significant property portfolio and stable balance sheet to support further growth and investment and consolidation opportunities.



# Growing value with iconic Australian brands



# PORTFOLIO OF LEADING ICONIC BRANDS IN GROWTH CATEGORIES

Category	Category size \$m	Category growth	Bega share	Market Position	Brand portfolio
Fresh white milk <sup>1, 2</sup>	1,942	1.4%	12%	3	 <b>PURA</b> <sup>®</sup>  
Yoghurt <sup>1</sup>	1,563	6.3%	25%	1	   
Milk based beverages <sup>1, 2</sup>	851	2.3%	50%	1	    
Spreads <sup>3</sup>	666	5.2%	32%	1	   
Chilled juice <sup>1</sup>	620	5.2%	23%	2	  
Creams and custards <sup>1</sup>	515	1.3%	10%	4	 <b>PURA</b> <sup>®</sup>
Plant based milk <sup>1</sup>	380	11.7%	26%	2	
Water ice <sup>1</sup>	54	8.2%	81%	1	 

<sup>1</sup> Data extracted from IRI Total Business Scan (AU grocery Unweighted and Structured Convenience) MAT 30 June 2022. (value). Statements in relation to market share data provided by IRI (and Bega's competitive position) are based on outside data sources, assumptions and weightings in combination with management estimates

<sup>2</sup> Excludes non dairy

<sup>3</sup> Bega calculation based in part on data reported by NielsenIQ through its Scantrack Service for the Total Spreads category (Client defined), for the 52-week period ending 28 June 2022, for the Total Grocery Australia market (value). Copyright © 2021, Nielsen Consumer LLC

# INNOVATION AND GROWTH IN CONSUMER BRANDS

## Investing behind our core brands

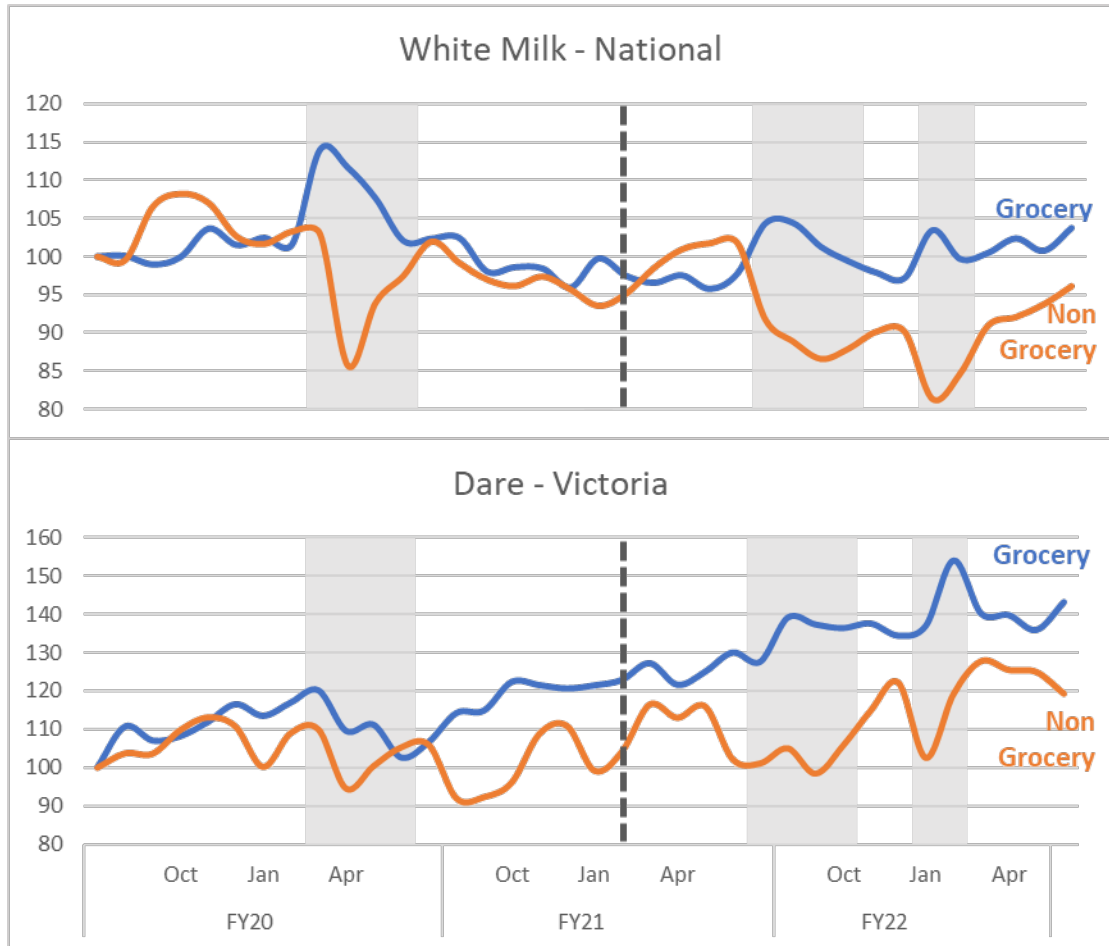
- Advertising and activation support behind our leading brands of Vegemite, Dairy Farmers, Dare, Farmers Union, Yoplait and Daily Juice
- Expansion of the Dare No Added Sugar Range
- Strong growth of kids snacking via pouch yoghurts and multi pack offers
- Focused support of local State brands Big M, Masters, Pura and Farmers Union Iced Coffee
- Expansion of core spreads with Simply Nuts Squeeze innovation

## Expanding the portfolio in high growth adjacencies

- Addition of lactose free offers for Pura and Farmers Union Iced Coffee brands in SA
- Extension of Daily Juice into a new 1 litre functional juice range
- The launch of two new dedicated HORECA white milk brands Bayside Dairy by Pura in Victoria and Origin 65 by Dairy Farmers in NSW
- Expansion of 180 Nutrition into the flavoured milk segment with a functional recovery milk beverage 180 Nutrition Good Sport



# COVID-19 MARKET CHANNEL IMPACTS



COVID lockdowns and disruption  
 Acquisition of Lion Dairy & Drinks

## March 2020: Panic buying

The national lockdown commencing March 2020 had two major impacts on sales volumes: increased foot traffic and stay-at-home orders drove grocery sales higher while the closure of the hospitality industry saw non-grocery volume plummet.

## July 2020: Second Victorian Lockdown

The second Victorian lockdown and the associated closure of large sections of the economy also reduced mobility and greatly reduced demand for 'on the go' consumption products, such as Dare. Panic buying was less pronounced during this phase

## July/August 2021: NSW/VIC Delta Lockdowns

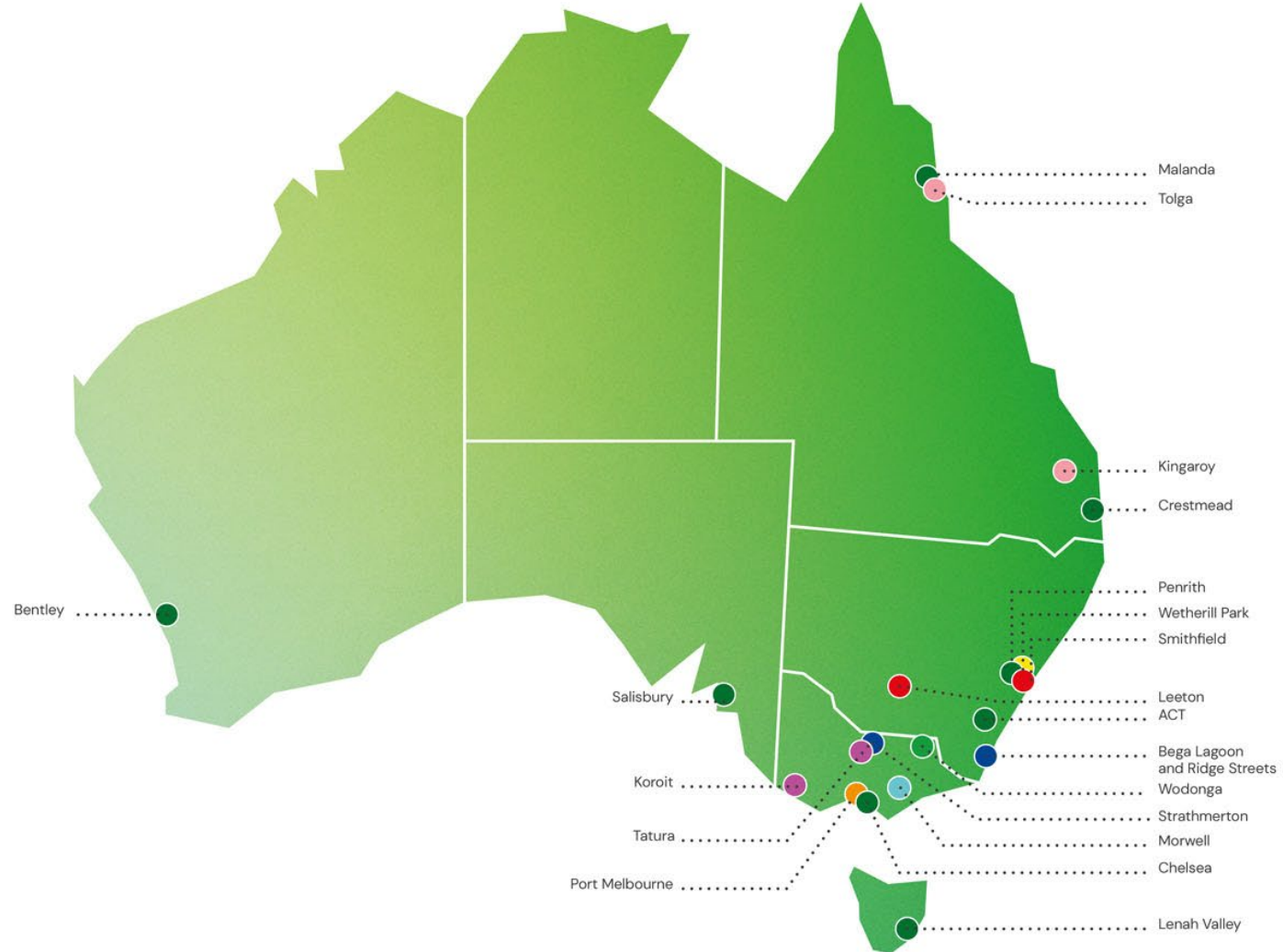
Delta outbreaks in Melbourne and Sydney saw the two largest states enter lockdowns again which ended in October 2021.

## January/February 2022: Omicron outbreak

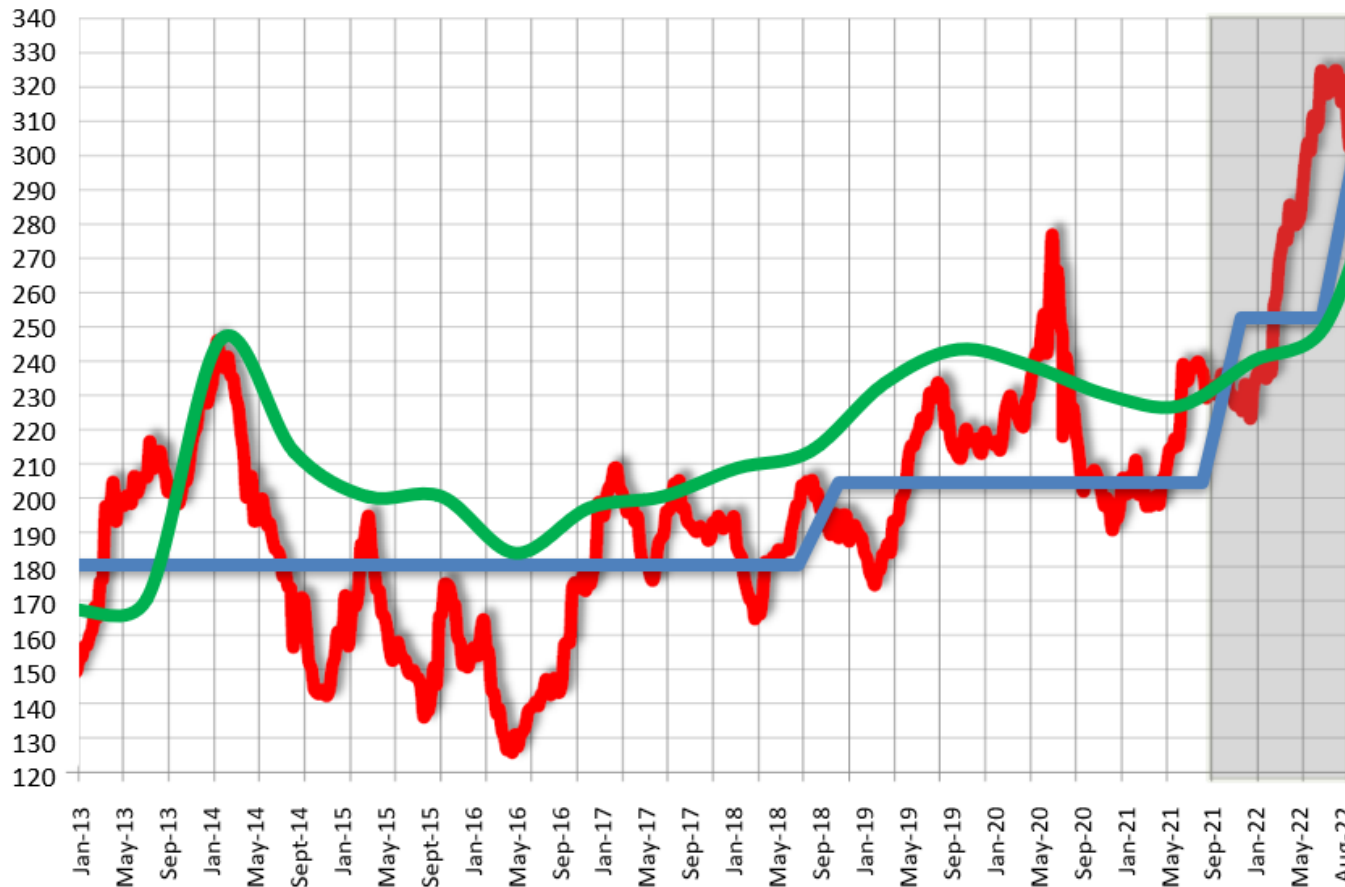
While not a lockdown, Omicron reduced community mobility, which hit 'on the go' retail sales and saw people staying away from hospitality venues, denting non-grocery sales.

# MANUFACTURING NETWORK

- 8 White Milk and Milk Based Beverages
- 1 Milk Based Beverages Hub
- 3 Cheese
- 2 Dairy Powder and Fats
- 2 Peanuts
- 2 Juice
- 1 Yoghurt
- 1 Spreads
- 1 Plant-based – Joint Venture



# DAIRY COMMODITY AND FARM GATE MILK PRICES



- Significant increase in global dairy commodity pricing
- Commodity pricing reflected in farm gate milk price increase
- Global supply continues to be constrained
- Global demand remains stable and consistent

- Export trend index – global commodity prices and Australian currency impact (source: freshagenda)
- Bega Cheese southern farm gate milk price trend
- Major grocers private label milk price index
- FY2022 opening milk price \$7.14 per kg milk solids
- FY2023 opening milk price \$9.55 per kg milk solids

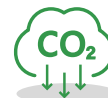
# APPROACH TO CORPORATE SOCIAL RESPONSIBILITY



Food and nutrition



Diversity, inclusion and equality



Greenhouse gases



Packaging sustainability



Water sustainability

## Highlights FY2022

Removed 1,000 tonnes of added sugar from Bega Dairy and Drinks portfolio since 2020, reaching our 2025 target 2 years early.

Donated 1,072,267 kilograms of products to our partner Foodbank, equating to more than 1.9 million meals for Australians in need.

100% of products manufactured in sites certified to food safety standards. 93% of ingredients sourced from supplier facilities certified to a program recognised by the Global Food Safety Initiative.

## Highlights FY2022

Increased the representation of women in management positions to 37%.

Became a signatory to the 40:40 Vision pledging commitment to achieve gender balance in executive leadership by 2030.

Committed to reporting on the gender pay gap in FY2023.

## Highlights FY2022

Adopted a *Planet Pledge* with targets for carbon, water, waste to landfill and sustainable packaging.

Bega Group Highly Commended in the Leading Energy User Category at the National Energy Efficiency Awards 2022.

Commenced measuring our scope 3 greenhouse gas emissions and engaging with key suppliers on their targets for emissions reduction.

## Highlights FY2022

Launched Simply Nuts Shake 'n' Squeeze bottle manufactured from at least 30% post-consumer recycled polyethylene terephthalate (rPET).

Phase out of polyvinyl chloride (PVC) from our packaging completed.

More than 82% of packaging is recyclable and nearly 27% of packaging includes recycled content.

## Highlights FY2022

Adopted a target to reduce consumptive water use by 30% by 2030 based on a FY2021 baseline.

Around 30% of grants under our Better Farms program have been dedicated to water, irrigation or effluent management.

Contributed to a "proof of concept" project in the Bega Valley to better understand water availability, use, reuse, riparian and water ecology for stakeholders.



# FY2023 EARNINGS GUIDANCE

- Confirm July Earnings guidance Normalised EBITDA range of \$160 million to \$190 million
- Initially expected Victorian farm gate milk price increases in the range of 15% to 20%
- Competition for milk during June and July resulted in further increases to approximately 30% higher than FY2022 farm gate milk price
- Other commodity cost increases (fuel, packaging, resin)
- Timing on benefits of accelerated cost out and efficiency projects
- Strong international commodity prices supporting higher farm gate milk prices
- Domestic price increases predominantly phased in market during Q1 and normalising by Q2 FY2023



**NOW  
FRUITIER &  
CREAMIER**  
TAKE A LICK FOR YOURSELF



*creating great food for a better future*

**Barry Irvin**  
Executive Chairman



# WHERE ARE WE TODAY

- Year of achievement in challenging circumstances
- Transition to branded food company
- Strong underlying brand growth
- Step change in white milk retail pricing
- Significant cost increases late in FY2022
- Further opportunities in business efficiencies and cost out programs
- Price increases being realised in market with timing impacting FY2023
- Integrated dairy commodity business providing flexibility and risk mitigation
- Secured milk supply in highly competitive environment
- Executing sustainability and circularity initiatives
- Liaising closely with Government and industry regarding geopolitical and biosecurity risks
- Diversified business well positioned to respond to market scenarios and create value for shareholders and other stakeholders

**WHEN YOUR MATE  
DOESN'T SEEM GREAT**

**A DARE FIX ~~WON'T~~ FIX IT.**



**BUT A CONVERSATION COULD.  
ASK R U ☺K?**



# Questions?

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