



Bega Cheese Limited  
Annual General Meeting

Barry Irvin – Executive Chairman  
Aidan Coleman – Chief Executive Officer

# AGENDA

- 2014 Annual Report
  - Executive Chairman's Report
  - Chief Executive Officer's Report
- Questions
- Approval of Remuneration Report
- Election of Directors

# WELCOME

- Shareholders
- Suppliers
- PricewaterhouseCoopers
- Addisons Lawyers
- Kidder Williams
- Bega Cheese Staff
  
- Apologies

# 2014 ANNUAL REPORT

## Executive Chairman's Report

Barry Irvin AM– Executive Chairman

## A YEAR OF ACHIEVEMENT

- ✓ Record profit
- ✓ Record normalised profit
- ✓ Significant increase in share price
- ✓ Significant increase in milk price
- ✓ Investment in infant formula and nutritional capacity
- ✓ Very strong balance sheet

# FY2014 RESULTS HIGHLIGHTS



- ✓ Revenue increase to \$1,069.4m
- ✓ EBITDA increase to \$122.5m
- ✓ PBT increase to \$93.6m
- ✓ EPS increase to 43.44 cps
- ✓ No net debt (\$8.0m net cash)
- ✓ Balance sheet significantly strengthened by WCB outcome

# FY2014 RESULTS HIGHLIGHTS - \*NORMALISED



- ✓ Revenue increase to \$1,069.4m
- ✓ EBITDA increase to \$70.1m
- ✓ PBT increase to \$42.1m
- ✓ EPS increase to 19.6 cps
- ✓ Total dividend 8.5 cps
- ✓ H2 dividend 4.5 cps  
(record date 1 September, payment date 15 September)

\* Normalised for impact of sales of shares in WCB and investment in Milk Sustainability and Growth Program

# WARRNAMBOOL CHEESE & BUTTER (WCB) INVESTMENT

- Bid launched September 2013
- Initial bid 1.2 Bega shares and \$2 cash
- Highly competitive bid
- Highlighted the value, interest and position in the Australian dairy industry
- Bega Cheese remained disciplined throughout
- Concluded more value to be created by selling
- Received \$99m cash
- Generated \$66m profit before transaction costs
- Impact on profit after tax \$44m



# MILK SUSTAINABILITY AND GROWTH PROGRAM

- ✓ Strategic investment in milk supply
- ✓ Responding to customer requirements both now and in the future
- ✓ Sustainability includes resource management and farm practice (BEMS)
- ✓ Growth programs with goal of growing supply over the next 3 years
- ✓ 3 year supply relationship

\$25m investment, expensed in FY2014 \$11m

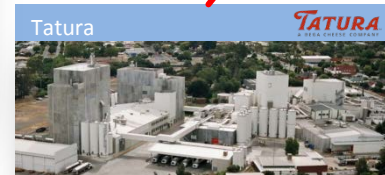
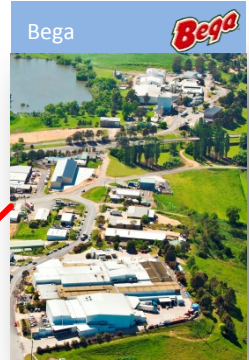
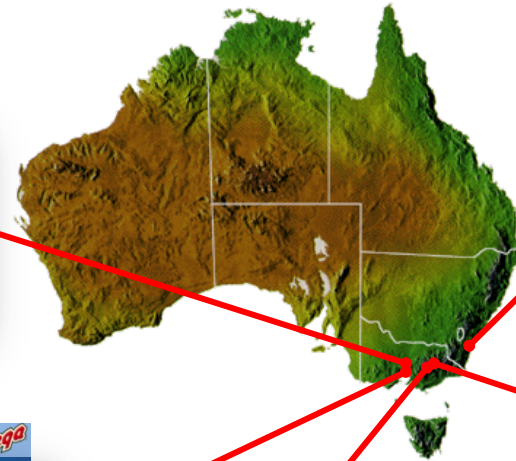
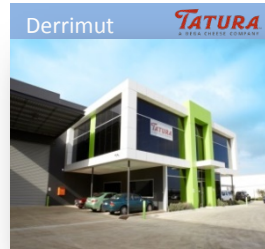
# HIGH QUALITY VALUE ADDED PRODUCT RANGE

- Consumer packaged goods
  - Cheddar
  - Mozzarella
  - Processed cheese
- Dairy Ingredients
  - Cream cheese
  - Milk powders
- Nutritionals
  - Infant formula and growing up milk powders
  - Bio-nutrients



# INVESTING IN INFRASTRUCTURE

- Capital expenditure \$28 million
- Infant nutritional blending and canning at Derrimut (16,000t)
- Increased lactoferrin expansion at Tatura
- Increased cheddar cheese capacity at Coburg (18,000t)
- New whey manufacturing capacity at Tatura (22,500t)



# CUSTOMER RELATIONSHIPS



# BALANCE SHEET EXTRACT



	FY2014 \$m	FY2013* \$m
Cash & cash equivalent	28.6	22.6
Trade and other receivables	106.7	103.5
Inventories	184.2	163.0
Investments	-	39.0
Property, plant & equipment	213.6	209.1
<b>Total Assets</b>	<b>548.6</b>	<b>549.2</b>
Trade and other payables	164.2	142.7
Borrowings	20.6	110.9
<b>Total Liabilities</b>	<b>234.2</b>	<b>287.3</b>
<b>Net Assets</b>	<b>314.4</b>	<b>262.0</b>
<b>Net cash/(debt)</b>	<b>8.0</b>	<b>(88.2)</b>

\*Restated for change in accounting standard

## STRATEGIC PRIORITIES

- ✓ Focus on growth and efficiencies in key platforms
- ✓ Grow infant formula and child nutritional platform
- ✓ Extracting more value from existing milk components
- ✓ Sustainability and growth of milk supply
- ✓ Continue to investigate value creating rationalisation opportunities

# STRATEGIC PRIORITIES

- ✓ Bio-nutrient platform
- ✓ Develop new science based innovation platform
- ✓ Dairy and non-dairy micro nutrients
- ✓ Leverage off existing knowledge and capabilities
- ✓ Reviewing global knowledge and capacities

# OUTLOOK

- Impact of falling commodity prices and Russian sanctions
- Good base for Asian expansion using new capacity
- High value whey protein project in final development stages (approximate cost \$30m)
- Very strong balance sheet to support expansion
- \*Normalised FY15 revenue and profit broadly in line with prior year

\* Normalised for impact of sales of shares in WCB and investment in Milk Sustainability and Growth Program





# 2014 ANNUAL REPORT

## Chief Executive's Report

Aidan Coleman – Chief Executive Officer

# NORMALISED BUSINESS PERFORMANCE



	FY2014*	FY2013**
	\$m	\$m
Sales Revenue	1,069.4	1,004.4
EBITDA	70.1	65.7
EBIT	47.2	44.0
PBT	42.1	35.9
NPAT	29.8	25.8

- Good revenue growth in all areas, particularly nutritionals (23%) and core dairy ingredients (12%)
- Plant efficiencies driving EBITDA and profit growth
- Reduced interest cost as borrowings paid down

\*Normalised for impact of sales of shares in WCB and investment in Milk Sustainability and Growth Program

\*\*Normalised and restated for change in accounting standard

## DERRIMUT FACILITY

- Commenced production in April 2014
- Infant formula blending and canning capability
- Capacity 16,000 tonnes



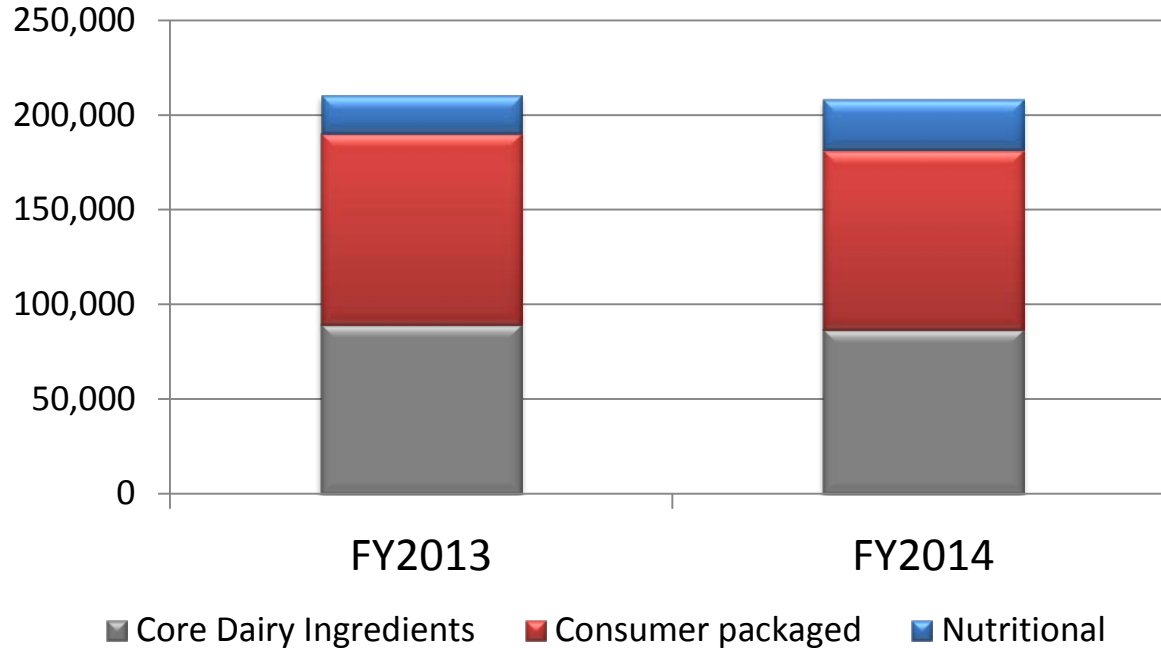
# PRODUCT RANGE



# BEGA BRAND

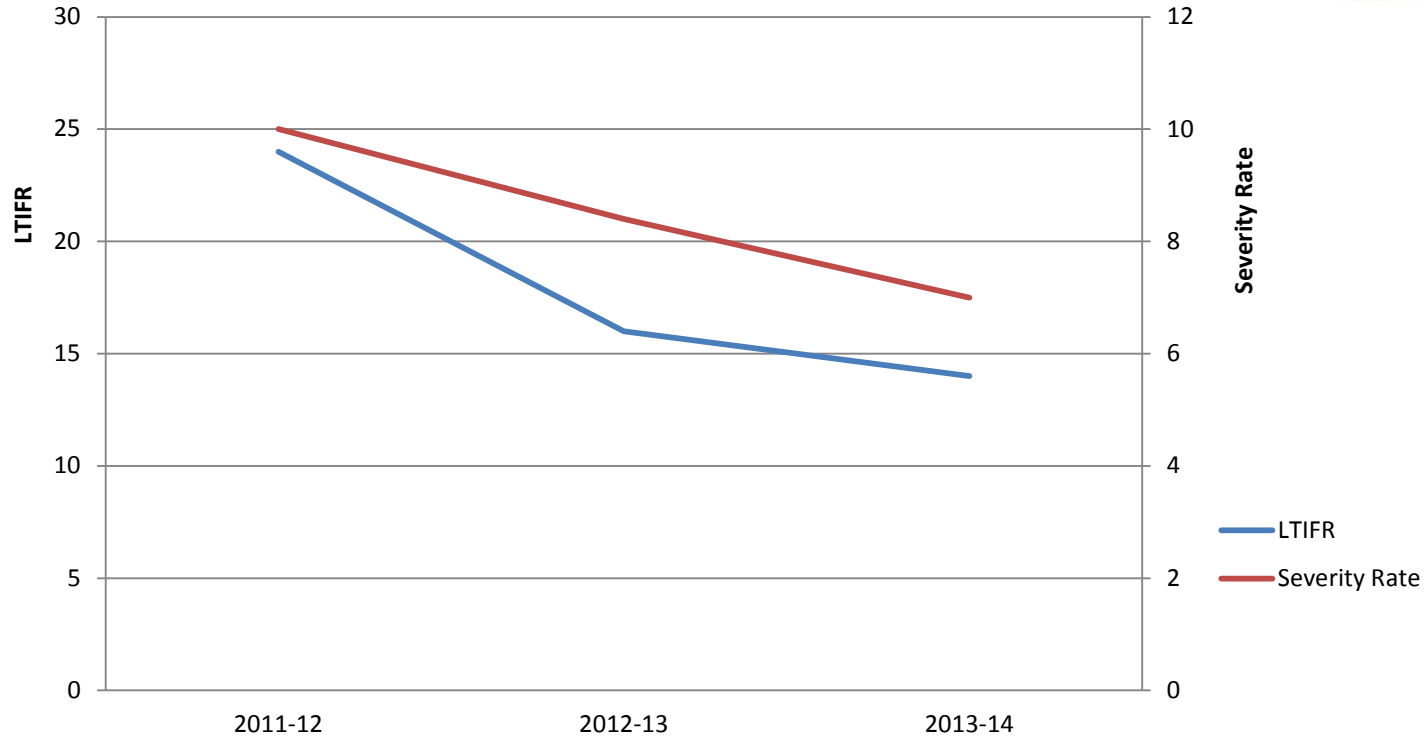


# PRODUCTION – STRONG GROWTH IN NUTRITIONALS



- Total production 208,120 tonnes in line with previous year
- Nutritional volumes up 23%

# SAFETY



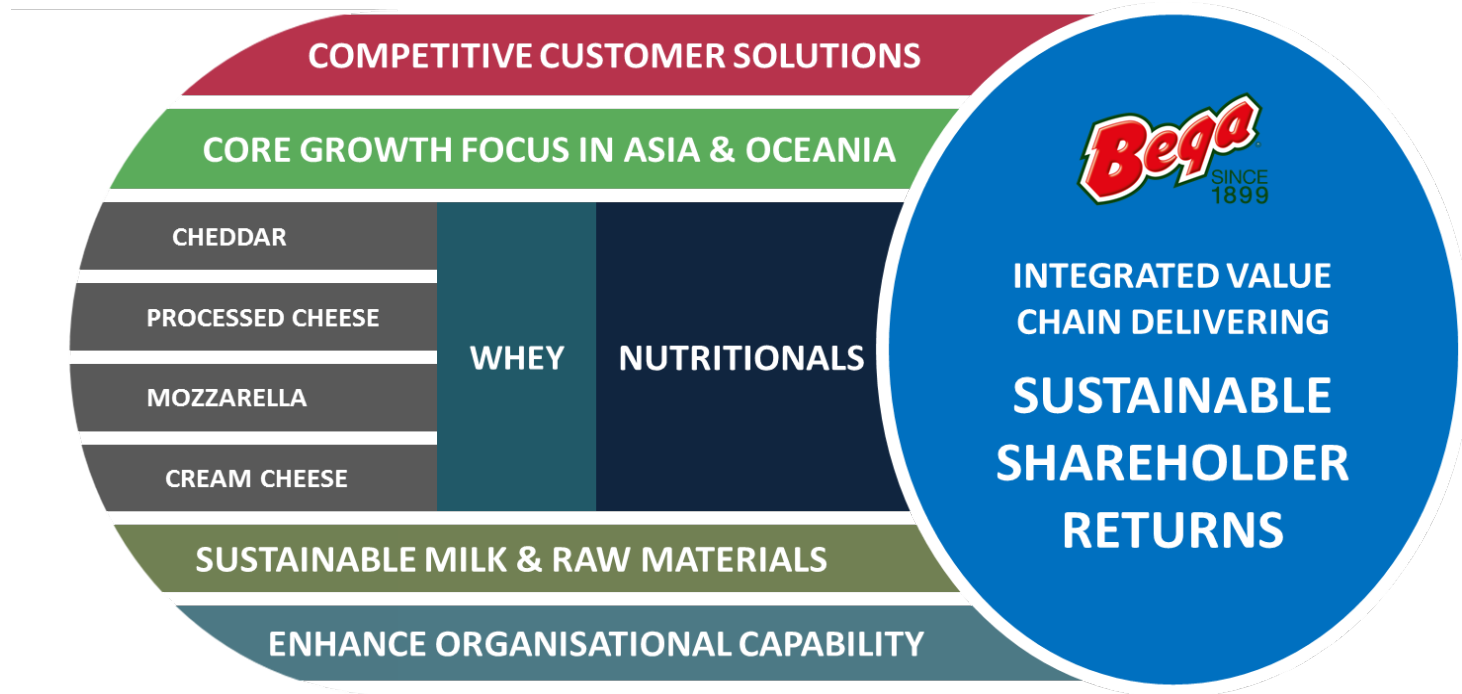


# COMMODITY PRICES

Australasian dairy export index (Jan 2011-now)



# STRATEGIC FOCUS AREAS



# 2014 ANNUAL REPORT

Barry Irvin AM – Executive Chairman

# QUESTIONS



# 2014 ANNUAL REPORT

## Formalities and Voting

Barry Irvin AM – Executive Chairman

## REMUNERATION REPORT

- Pages 20 – 30 of Annual Report
- Board, CEO and other key management personnel
- Market data and external advisors

### Resolution

- *Adopt remuneration report for the year ended 30 June 2014*

# REMUNERATION REPORT

- Proxies
- Total votes – 51,345,126 (33.65%)
- For – 48,300,806 (94.07%)
- Open – 2,769,308 (5.39%)
- Against – 275,012 (0.54%)

## ELECTION OF DIRECTORS

- Richard Parbery
- Peter Margin
- Joy Linton



## ELECTION OF DIRECTORS

### Richard Parbery

- Total Votes – 48,957,036 (32.08%)
- For – 36,123,482 (73.79%)
- Open – 2,310,575 (4.72%)
- Against – 10,552,979 (21.49%)

## ELECTION OF DIRECTORS

### Peter Margin

- Total Votes – 51,397,937 (33.68%)
- For – 46,401,670 (90.28%)
- Open – 2,777,926 (5.4%)
- Against – 2,218,341 (4.32%)

## ELECTION OF DIRECTORS

### Joy Linton

- Total Votes – 51,405,187 (33.69%)
- For – 48,488,041 (94.33%)
- Open – 2,777,926 (5.4%)
- Against – 139,220 (0.27%)



# DISCLAIMER



Bega Cheese Limited advises that these presentation slides contain forward looking statements which may be subject to significant uncertainties outside the control of Bega Cheese and its related entities.

No representation is made as to the accuracy or reliability of forward looking statements or the assumptions on which they are based.

Actual future events may vary from these forward looking statements and you are cautioned not to place undue reliance on any forward looking statement.

Unless otherwise indicated, all references to estimates, targets and forecasts and derivations of the same in this material are references to estimates, targets and forecasts by Bega Cheese. Management estimates, targets and forecasts are based on views held only at the date of this material, and actual events and results may be materially different from them. Bega Cheese does not undertake to review the material to reflect any future events or circumstances.