



## ASX ANNOUNCEMENT

### Half Year 2015 Results Highlights Presentation

I have pleasure in enclosing the Half Year 2015 Results Highlights Presentation to be discussed on the Half Year Result 2015 Conference Call scheduled for 2pm today.

A handwritten signature in black ink, reading "B. G. Kelly". The signature is written in a cursive style with a long, sweeping tail on the letter "y".

Brett Kelly  
Company Secretary

18 February 2015

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# 1H FY2015 Results Presentation

February 2015

Barry Irvin – Executive Chairman

Aidan Coleman – CEO

Colin Griffin – CFO

## STRATEGY ON TRACK - SHORT TERM CHALLENGES

- Record sales revenue
- Strong performance of consumer goods business
- Nutritionals platform continues to grow
- Milk intake increased by 8%
- Over 90% of suppliers have signed to the Milk Sustainability and Growth Program
- Global commodity prices impact H1 FY2015 result
- Benefit of currency relativities not yet realised

# 1H FY2015 STATUTORY RESULTS

- Revenue increase by 8% to \$552.5m
- EBITDA \$20.6m (normalised \$31.3m)
- PAT \$6.1m (normalised \$13.5m)
- EPS 4.0 cps (normalised 8.9 cps)
- Interim dividend 4.0 cps
- Milk Sustainability and Growth Program \$10.6m

\* Statutory result in current period includes expense of \$10.6m relating to the Milk Sustainability and Growth Program, which is treated as a normalising adjustment

# 1H FY2015 NORMALISED RESULTS HIGHLIGHTS



Revenue  
growth  
8%

EBITDA  
\$31.3m

PAT  
\$13.5 m

EPS  
8.9 cps

Interim  
dividend  
4.0 cps

- Revenue increase to \$552.5m
- EBITDA decrease to \$31.3m
- PBT decrease to \$18.5m
- EPS decrease to 8.9 cps
- Interim dividend 4.0 cps  
(record date 2 March, payment date 16 March)

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

# NORMALISED BUSINESS PERFORMANCE



	1H FY2015 \$m	1H FY2014 \$m
Sales Revenue	552.5	510.6
EBITDA	31.3	41.8
EBIT	20.0	31.1
PBT	18.5	27.8
PAT	13.5	20.0

- Strong revenue growth, particularly consumer packaged dairy products and nutritionals
- EBITDA reduced as a result of commodity cycle and commissioning of nutritionals infrastructure
- Reduced interest costs as borrowings paid down

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

# BALANCE SHEET EXTRACT



	28 Dec 2014 \$m	30 June 2014 \$m
Cash & cash equivalent	30.7	28.6
Trade and other receivables	131.0	106.7
Inventories	203.7	184.2
Property, plant & equipment	208.2	213.6
<b>Total Assets</b>	<b>588.8</b>	<b>548.6</b>
Trade and other payables	134.8	164.2
Borrowings	85.6	20.6
<b>Total Liabilities</b>	<b>277.9</b>	<b>234.2</b>
<b>Net Assets</b>	<b>310.9</b>	<b>314.4</b>
<b>Net (debt)/cash</b>	<b>(54.9)</b>	<b>8.0</b>

- Seasonal inventory increase
- Timing of receivable/payables
- Sustainability and Growth Program impact

# GROUP CASH FLOWS

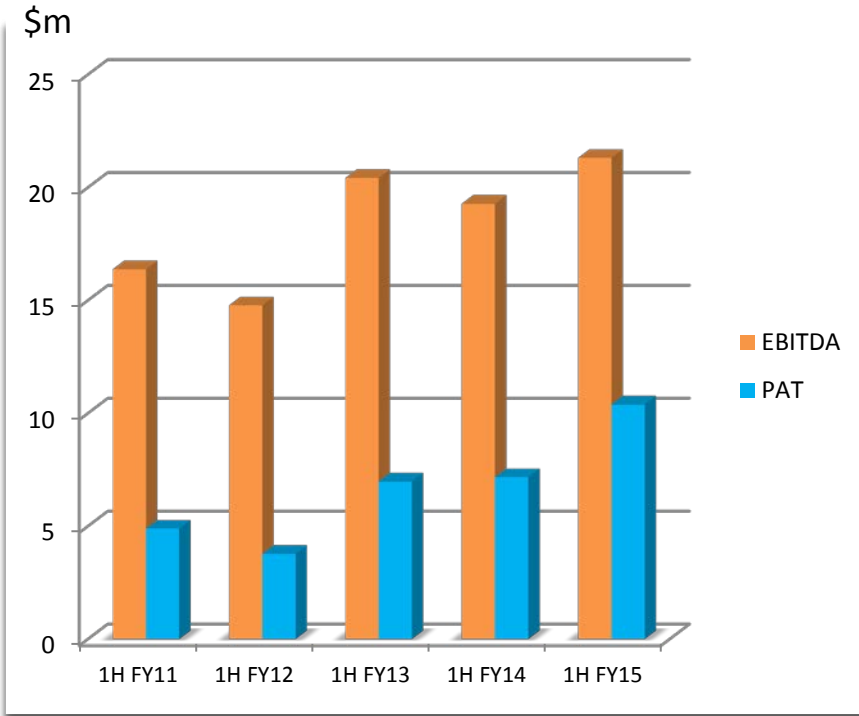


	1H FY2015 \$m	1H FY2014 \$m
Receipts from customers	549.0	521.4
Payments to suppliers	(595.3)	(509.2)
Interest and other cost of financing paid	(1.5)	(3.5)
Income tax paid	(2.7)	(2.7)
<b>Operating activities</b>	<b>(50.5)</b>	<b>6.0</b>
Investing activities	(5.5)	(18.5)
Financing activities	58.1	4.4
<b>Net increase cash and cash equivalents</b>	<b>2.1</b>	<b>(8.1)</b>

- After normalising for Milk Sustainability and Growth Program net cash outflow from operating activities in the current period was \$31.9 million.
- Inventory build was the major factor in cash outflow from operating activities



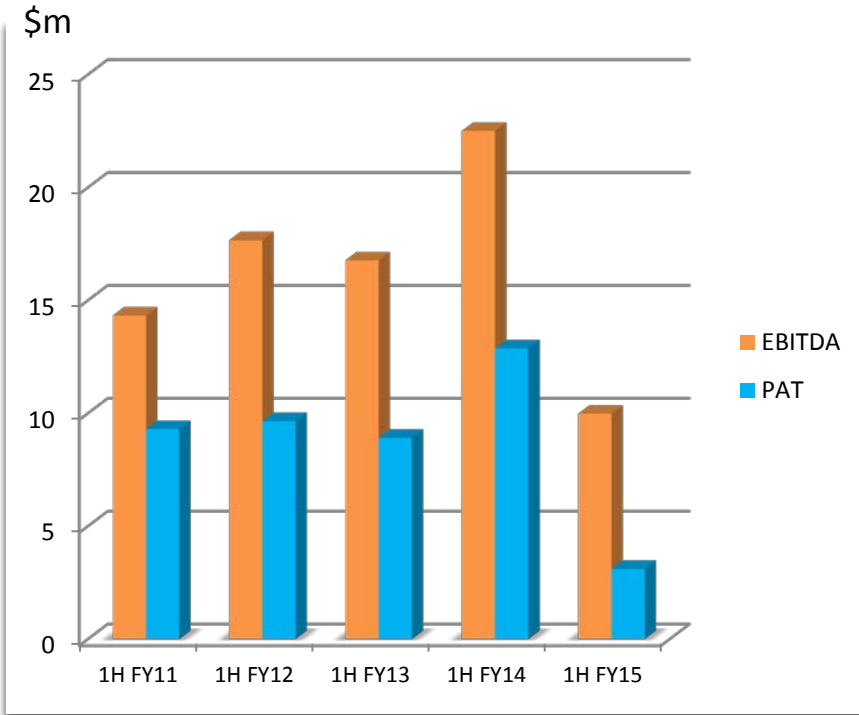
# BEGA CHEESE SEGMENT NORMALISED



- Strong segment performance
- Increasing sales in consumer packaged goods volumes reflect domestic and overseas growth
- Food service expansion into Asia helping deliver 18% growth in export volumes over prior period

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

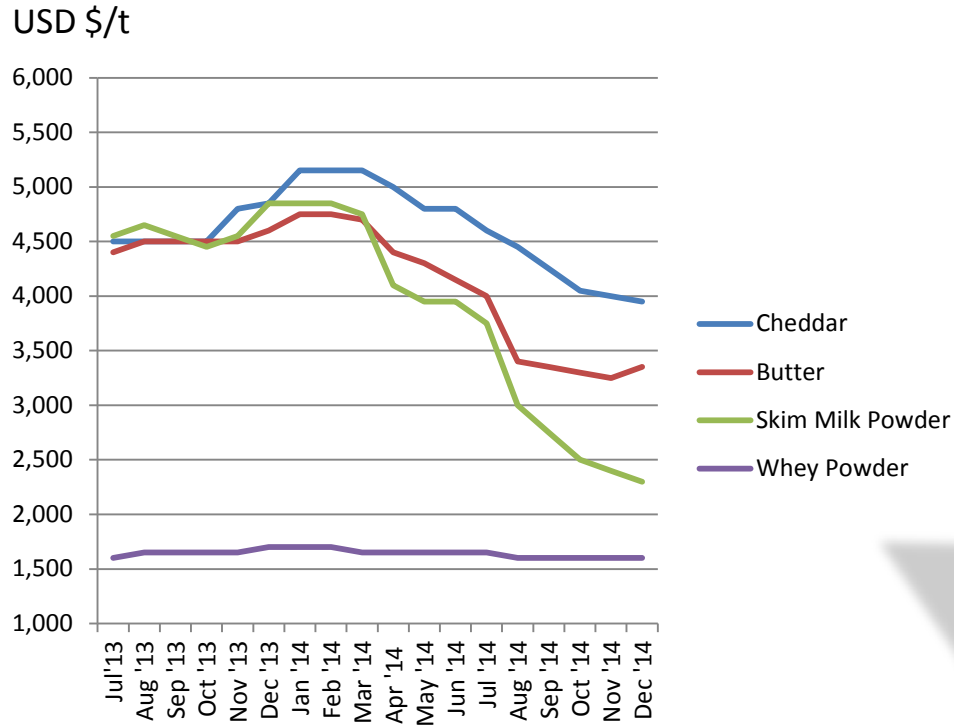
# TATURA MILK SEGMENT NORMALISED



- Impacted by fall in commodity prices
- Currency relativities not yet realised
- Highly competitive milk pricing environment
- Improved sales in value added and nutritional products
- Costs of commissioning and volume build up associated with Derrimut impacting result

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

# DAIRY COMMODITY PRICES IN USD/TONNE



Source: Dairy Australia



## STRATEGIC PRIORITIES

- Focus on growth and efficiencies in key platforms
- Sustainability and growth of milk supply
- Grow consumer goods international business
- Grow infant formula and child nutritional platform
- Create new bio nutrient platform
- Extracting more value from existing milk components
- Continue to investigate corporate opportunities (domestic and international)



# MILK SUSTAINABILITY AND GROWTH



- Over 90% of suppliers signed to Sustainability Program
- 3 year commitment to supply
- Farm practice audits (Environmental/Animal welfare etc.)
- Almost \$50 million of committed farmer investment as result of the Growth Program
- Increased dairy herd, new dairies, land purchases, irrigation development, feeding systems
- Significant growth momentum (8% supply increase in 1H)

# EXPORT CONSUMER GOODS AND FOOD SERVICE GROWTH

11% of  
Group  
Sales

Actual  
Sales  
FY12  
\$74m

Actual  
Sales  
FY13  
\$87m

Actual  
Sales  
FY14  
\$94m

Forecast  
Sales  
FY15  
\$120m

- 3 year cumulative forecast sales growth of 18%
- Continue to build distribution & sales capability – great success in Chef lead selling
- Expanding product portfolio and manufacturing partnerships
- Product initiatives include UHT, mozzarella, cream cheese and processed cheese



# NUTRITIONAL GROWTH

13% of  
Group  
Sales

Actual  
Sales  
FY12  
\$85m

Actual  
Sales  
FY13  
\$99m

Actual  
Sales  
FY14  
\$122m

Forecast  
Sales  
FY15  
\$149m

- 3 year cumulative forecast sales growth of 21%
- Blending and canning facility commissioned in 2014
- Increased portion of volume in valued added retail ready products
- Full benefit of new infrastructure not realised in current FY (commissioning costs/volume build up)



# BIO NUTRIENT PLATFORM

- Identifying opportunities for commercialisation in a number of areas
- Lactoferrin research project – expect commercialisation FY17
- Progressing strategic alliances with commercial partners and research centres
- Finalising structure and commercial priorities





# FREE TRADE AGREEMENT

- Positive impact on competitiveness in key markets
- Major increase in business enquires
- Positive momentum across the supply chain
- Significant increase in partnership opportunities
- Benefits will be seen in the medium to long term
- Current momentum extremely important for international relevance into the future



# INVESTING IN INFRASTRUCTURE



Processing and Packaging  
(Infant Nutritionals)

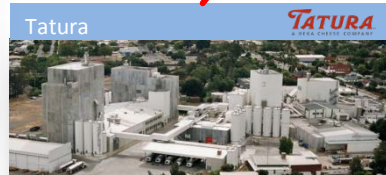


Processing and Packaging  
(Cut and Pack Cheese)

Dairy Production  
(Cheddar Cheese, Stringers)



Dairy Production  
(Cheddar Cheese)



Infant Nutritionals, Lactoferrin, D40,  
Cream Cheese, Skim and Whole Milk  
Powder, MPC, Butter



Processing and Packaging  
(Cut and Pack Cheese)



# INVESTING IN INFRASTRUCTURE

- Ongoing investment in value adding activities
- D90 project continues to be developed
- Infant canning and blending
- Value added cream cheese products
- Environmental improvement project to reduce air emissions at Tatura



# OPERATIONAL OUTLOOK



- Commodity prices showing signs of recovery
- Seasonal inventory management
- Continued growth in nutritionals and consumer goods
- Updated full year normalised forecast, profit after tax reduced from \$29.7m to a range of \$25 to \$28m

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

# STRATEGIC OUTLOOK



- Growth in demand in key platforms
- Improved competitive position
- Milk supply sustainable and growing
- Continued investment in infrastructure and organic growth
- Many opportunities for business improvement
- Optimistic view of FY16 and beyond

# QUESTIONS



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