



## ASX ANNOUNCEMENT

### Half Year 2017 Results Highlights Presentation

I have pleasure in enclosing the Half Year 2017 Results Highlights Presentation to be discussed on the Half Year Result 2017 Conference Call scheduled for 11:00am today.

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

Brett Kelly  
Company Secretary

22 February 2017

---

For further information please contact

Brett Kelly  
Company Secretary  
Bega Cheese Limited

02 6491 7777

[www.begacheese.com.au](http://www.begacheese.com.au)

# 1H FY2017 Half Year Results

Barry Irvin – Executive Chairman

Paul van Heerwaarden – CEO

Colin Griffin – CFO



**Bega**  
SINCE  
1899

**TATURA**  
A BEGA CHEESE COMPANY

# Strategic Overview

- Revenue growth
- Profit growth
- Acquisition execution
- Strong core business
- Expanded business base
- Business resilience and agility



# Key Messages

- Strong performance in challenging market
- Highly competitive environment in cheese cut, pack and processing
- Volatility and uncertainty remains in nutritional
- Impact of the above will be seen H2  
(lower volume in nutritional and cheese cut, pack and processing)
- Dairy commodity prices significantly strengthened enhancing our ingredients business performance
- Milk procurement is highly competitive, Bega Cheese successful in acquiring additional milk
- Acquisition transition commenced
- Full year guidance remains as stated at FY2016 AGM



# Result Highlights – Statutory

Revenue  
Growth  
10.6%

EBITDA  
Growth  
9.7%

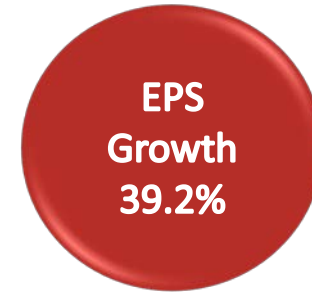
PAT  
Growth  
8.2%

EPS  
Growth  
8.2%

Interim  
Dividend  
5cps

- Revenue increase to \$621m
- EBITDA increase to \$35.5m
- PAT increase to \$15.7m
- EPS increase to 10.3cps
- Interim dividend 5cps

# Result Highlights – Normalised\*



- Revenue increase to \$621m
- EBITDA increase to \$42.6m
- PAT increase to \$20.7m
- EPS increase to 13.5cps
- Interim dividend 5cps

\*Normalised for inventory impairment 1H FY2017



# 1H FY2017 Results Normalised\*

Consolidated Period Ending 25 December 2016	Per Financial Statements \$'000	Inventory impairment \$'000	Normalised Result \$'000	Change from prior period \$'000	%
Revenue	621,131	-	621,131	59,758	10.6
Cost of sales	(556,077)	7,100	(548,977)	(46,797)	9.3
<b>Gross profit</b>	<b>65,054</b>	<b>7,100</b>	<b>72,154</b>	<b>12,961</b>	<b>21.9</b>
Other income and expenses	(29,558)	-	(29,558)	(3,224)	12.2
<b>EBITDA</b>	<b>35,496</b>	<b>7,100</b>	<b>42,596</b>	<b>9,737</b>	<b>29.6</b>
<b>EBIT</b>	<b>22,948</b>	<b>7,100</b>	<b>30,048</b>	<b>7,890</b>	<b>35.6</b>
Finance costs	(1,414)	-	(1,414)	512	26.6
Profit before income tax	21,534	7,100	28,634	8,402	41.5
<b>Profit for the half year</b>	<b>15,689</b>	<b>4,970</b>	<b>20,659</b>	<b>5,818</b>	<b>39.2</b>
Basic earnings per share - cents	10.3		13.5	3.8	39.2

\*Normalised for inventory impairment 1H FY2017



# Balance Sheet (extract)

	1H FY2017 Dec \$m	1H FY2016 Dec \$m	FY2016 Jun \$m
Trade and other receivables	160.5	122.9	143.7
Inventories	194.3	206.5	192.4
Property, plant & equipment	222.7	213.7	219.9
<b>Total Assets</b>	<b>621.3</b>	<b>577.9</b>	<b>586.7</b>
Trade and other payables	157.9	128.9	156.0
Borrowings	85.1	92.4	62.7
<b>Total Liabilities</b>	<b>286.3</b>	<b>257.1</b>	<b>258.8</b>
<b>Net Assets</b>	<b>335.0</b>	<b>320.8</b>	<b>327.9</b>
Net Debt	(70.6)	(75.0)	(53.0)





# Working Capital

	1H FY2017 Dec \$m	1H FY2016 Dec \$m	FY2016 Jun \$m
Trade Receivables	160.5	122.9	143.7
Inventories	194.3	206.5	192.4
Trade Payables	(157.9)	(128.9)	(156.0)
<b>Working Capital</b>	<b>196.9</b>	<b>200.5</b>	<b>180.1</b>

- Working capital in line with 1H FY2016
- Increase \$17 million from June 2016 as result of Woolworths contract commencing earlier than anticipated and strong sales Q4 2016
- Managed seasonal inventory build



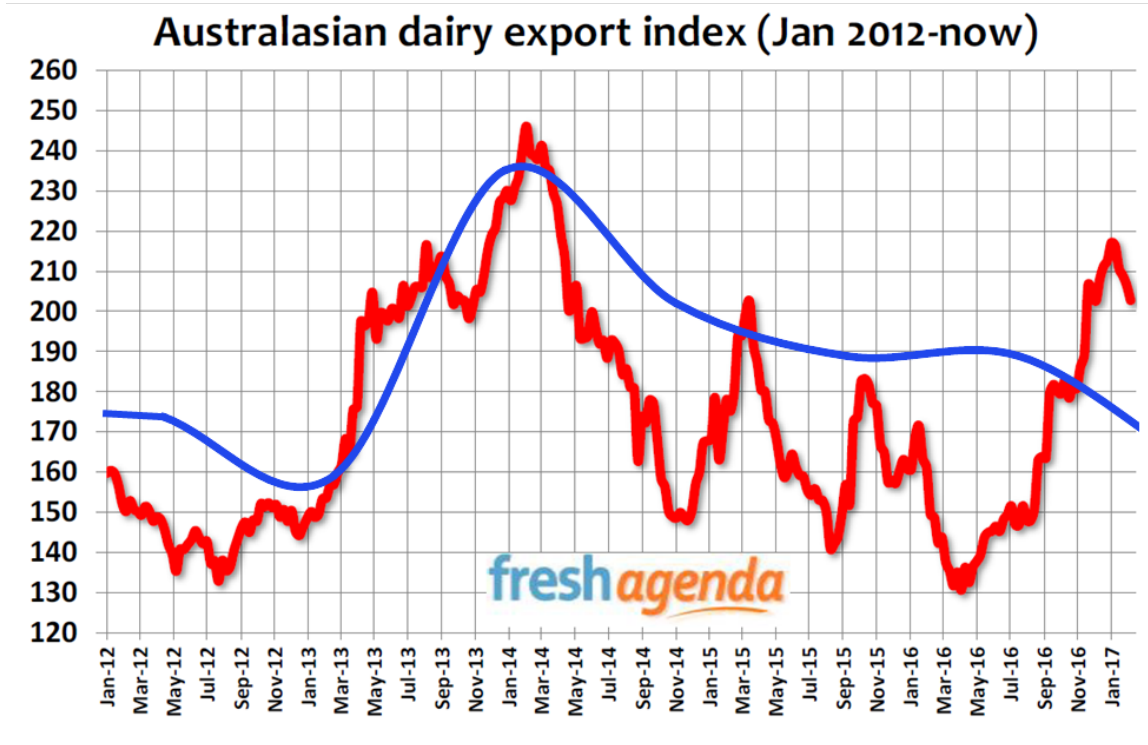
# Net Debt

	1H FY2017 Dec \$m	1H FY2016 Dec \$m	FY2016 Jun \$m
Cash	14.5	17.3	9.7
Debt	85.1	92.4	62.7
<b>Net Debt</b>	<b>70.6</b>	<b>75.0</b>	<b>53.0</b>
<b>Interest Coverage &gt; 2.5 times</b>	<b>14.5</b>	<b>8.5</b>	<b>12.1</b>
<b>Debt Leverage &lt; 3.0 times</b>	<b>1.0</b>	<b>1.4</b>	<b>0.8</b>

- Balance sheet does not reflect recent acquisition



# Dairy Commodity Prices and Farm Gate Milk Price



- Farm gate milk price now aligned to global dairy commodity price
- Global supply more aligned with demand
- EU intervention stock a concern
- Russian sanctions continue
- Stronger demand particularly from China
- Volatility remains

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

— Farm gate milk price trend

FY2015 Milk price \$6.00 per Kg MS

FY2016 Opening milk price \$5.60 per Kg MS

FY2017 Milk price \$5.13 per Kg MS

# Investing in Infrastructure

## Cheese cutting and packaging

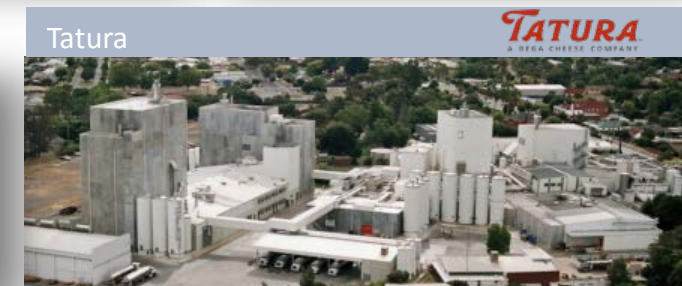
- New natural cheese shred and slice lines
- Efficiency and capacity improvements

## Cream cheese

- Increased capacity in value added packaging

## Enterprise resource planning

- Streamline business processes
- Facilitate growth strategy



# Sales and Marketing

## Bega Brand

- Number one Australian cheese brand
- Continued international growth

## Food service

- Chef lead selling program continues to be very successful throughout Asia
- Increased mozzarella capacity generating strong sales

## Nutritionals

- Nutritionals changes and impact well documented
- Reviewing business profile and exposure to infant formula
- Demand and enquiry remain strong



Note: Bega Cheese brand franchised to Fonterra Brands (Australia) for the Australian market



# Mondelez Australian Grocery Acquisition



- \$460 million acquisition
  - Vegemite, peanut butter, salad dressings and cheese
- \$40-45 million EBITDA\* in first full year of operations
- Strong positive reaction to announcement
- Transition in progress
- Continue to target completion by end of FY2017



\*Prior to one off transactional costs, implementation costs and any impact arising from a purchase price allocation.

**TATURA**  
A BEGA CHEESE COMPANY



# Strategic Priorities



- Finalise Mondelez Australian grocery business acquisition
- Build on opportunities from acquisition
- Grow international business in dairy goods and nutritionals
- Respond to dairy ingredient opportunities
- Execute near term corporate opportunity
- Strengthen balance sheet

**Beqa**<sup>®</sup>  
SINCE  
1899



# Disclaimer

The following disclaimer applies to this presentation and any information provided in this presentation (Information). You are advised to read this disclaimer carefully before reading or making any other use of this presentation or any Information.

This presentation has been prepared by Bega Cheese Limited ACN 008 358 503 (Bega Cheese) on information available at the time of its preparation. The Information is in summary form and does not purport to be complete. Except as required by law, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, reliability or correctness of the Information, opinions or conclusions, or as to the reasonableness of any assumptions.

Certain statements, particularly those regarding possible or assumed future performance, costs, returns, prices, potential business growth, industry growth or other trend projections, and any estimated company earnings or other performance measures, are, or may be, forward looking statements. Such statements relate to future events and expectations and as such involve unknown risks and uncertainties, many of which are outside the control of or unknown to Bega Cheese and its officers, employees, agents or associates. Actual results, performance or achievement may vary materially from any forward looking statements and the assumptions on which those are based, and such variations are normal and to be expected.

The Information also assumes the success of Bega Cheese's business strategies. The success of the strategies is subject to uncertainties and contingencies beyond Bega Cheese's control, and no assurance can be given that the anticipated benefits from the strategies will be realised in the periods for which forecasts have been prepared or otherwise. Given these uncertainties, Bega Cheese cautions investors and potential investors not to place undue reliance on these forward-looking statements.

The Information may be changed at any time in Bega Cheese's absolute discretion and without notice to you. Bega Cheese undertakes no obligation to revise the forward looking statements included in this presentation to reflect any future events or circumstances, except as required by law or any relevant regulatory authority.

The release, publication or distribution of this Information in jurisdictions outside of Australia may be restricted by law and you should observe any such restrictions. This Information does not constitute investment, legal, accounting regulatory, taxation or other advice and the Information does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and for making your own independent assessment of the Information. You are solely responsible for seeking independent professional advice in relation to the Information and any action taken on the basis of the Information. No responsibility or liability is accepted by Bega Cheese or any of its officers, employees, agents or associates for any of the Information or for any action taken by you on the basis of the information.

