



## Bega Cheese Annual General Meeting

Barry Irvin – Executive Chairman  
Paul van Heerwaarden – CEO

# Agenda



- § 2017 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
  - § Link Market Services
  - § Bega Cheese Staff
- 
- § Apologies

Bega Cheese Limited

*2017*  
*Annual Report*

Executive Chairman's Report

Barry Irvin – Executive Chairman



# Key Messages


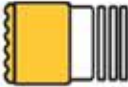






- § Creating a great Australian food company
- § Key strategic transactions
  - § Mondelez Grocery Business
  - § Mead Johnson
- § Successful capital raising
- § Revenue growth 3%
- § EBITDA growth 250% (normalised 7%)
- § Profit growth 382% (normalised 4%)
- § EPS growth 381% (normalised 4%)
- § Business stability in a volatile environment



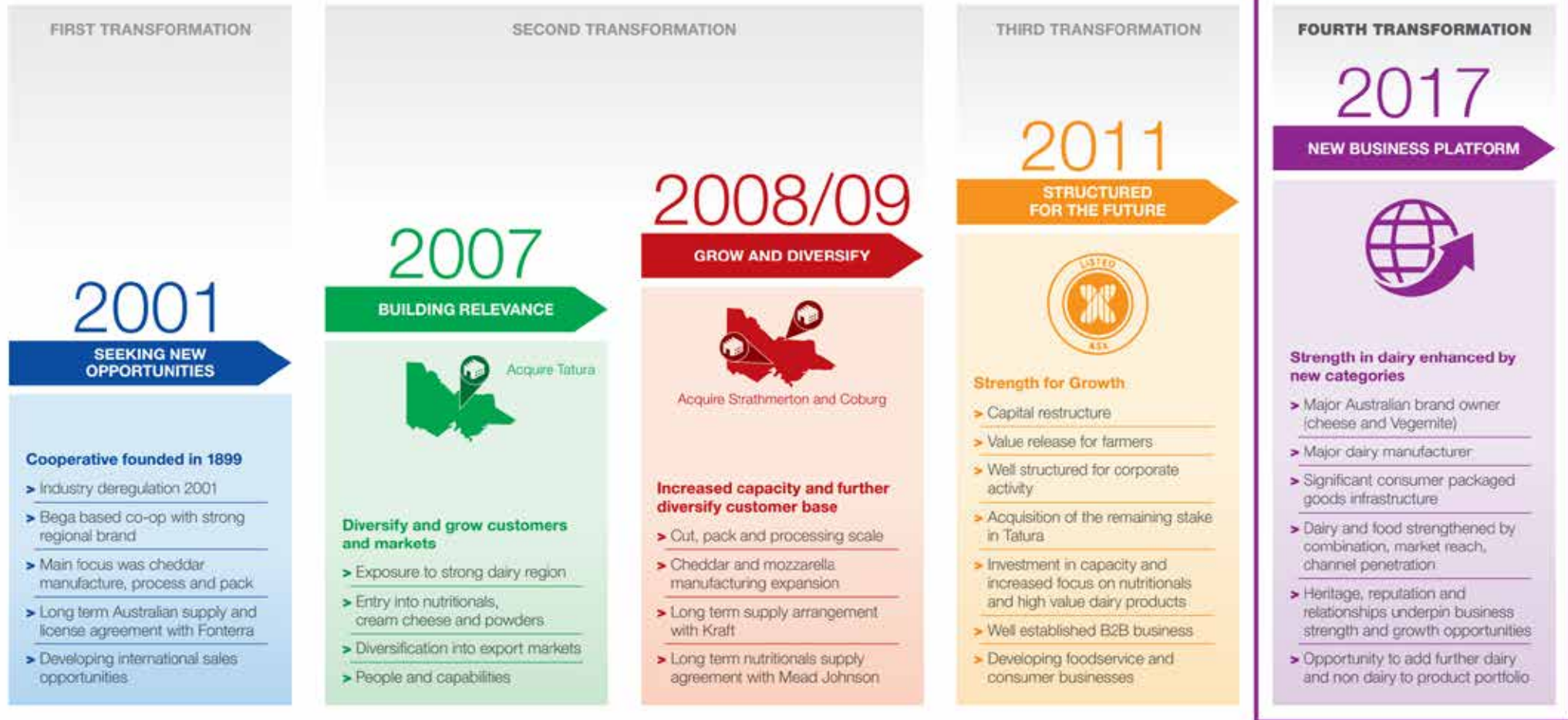
## KEY HIGHLIGHTS



	2017	2016
<b>REVENUE (\$'000)</b> 	<b>1,226,663</b>	<b>1,195,967</b>
<b>PRODUCTION VOLUME (TONNES)</b> 	<b>236,928</b>	<b>238,156</b>
<b>EBITDA (\$'000)</b> 	<b>70,620</b> <small>NORMALISED</small> <b>228,850</b> <small>STATUTORY</small>	<b>66,009</b> <small>NORMALISED</small> <b>65,405</b> <small>STATUTORY</small>
<b>PROFIT AFTER TAX (\$'000)</b> 	<b>30,331</b> <small>NORMALISED</small> <b>138,748</b> <small>STATUTORY</small>	<b>29,202</b> <small>NORMALISED</small> <b>28,779</b> <small>STATUTORY</small>
<b>BASIC EARNINGS PER SHARE (CENTS)</b> 	<b>19.9</b> <small>NORMALISED</small> <b>90.9</b> <small>STATUTORY</small>	<b>19.1</b> <small>NORMALISED</small> <b>18.9</b> <small>STATUTORY</small>
<b>TOTAL DIVIDEND PER SHARE (CENTS)</b> 	<b>10.0</b>	<b>9.5</b>

Normalised results exclude the impact of significant events occurring during the year.

# Bega Cheese Transformation



# Mondelez Grocery Business Overview



- § Cultural fit – Heritage, community, customers
- § Diversifies Bega Cheese into complementary markets and categories beyond dairy
- § Enhances our skills and capability to continue to evolve
- § Complements our significant knowledge of lean and innovative food manufacturing processes
- § Acquisition facilitates growth and extends our capabilities.





# Strong Marketing Properties and Branding



# Mead Johnson Transaction



- § Long term nutritional partnership strengthens Bega Cheese's relationship with one of its key customers
- § Sale of one spray dryer at Tatura and the infant formula finishing plant at Derrimut, Melbourne
- § Sale proceeds of \$200 million:
  - § \$180 million received in April 2017
  - § \$10 million received in June 2017
  - § Balance of \$10 million due by 31 December 2017
  - § Used to fund MDLZ Grocery Business acquisition by reducing debt funding required
- § Secures revenue streams via a 10 year access and service agreement



# Capital Raising

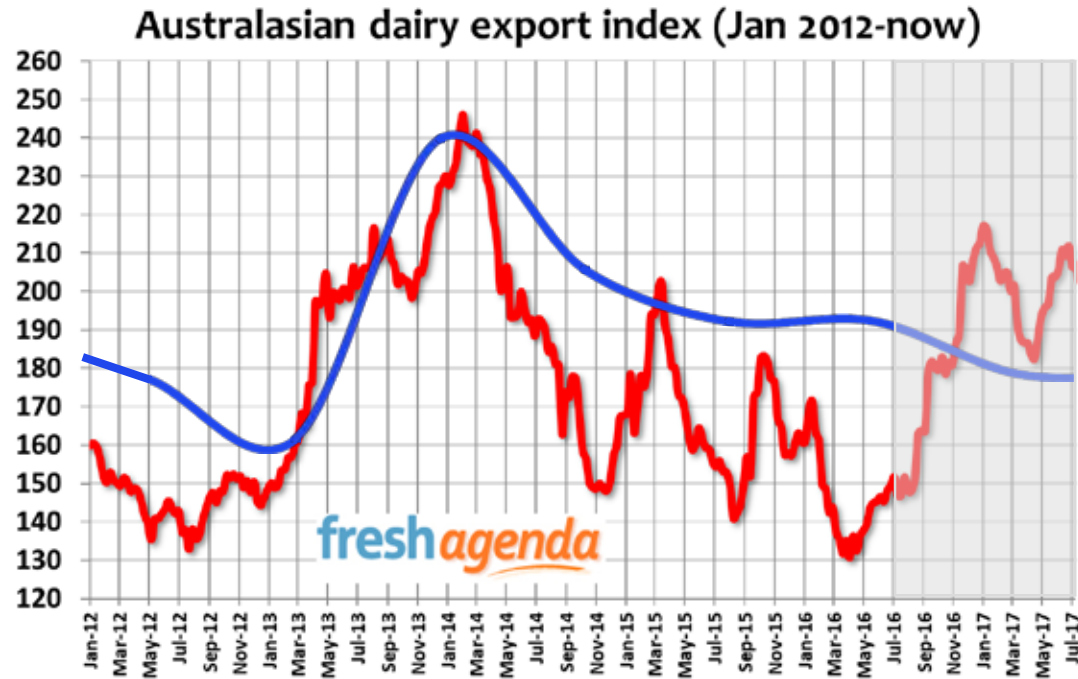


- § Bega Cheese targets \$160 million capital
- § Strengthen balance sheet and position for growth
- § Share Placement Plan target \$122.5 million (\$5.35)
- § Share Purchase Plan target \$37.5 million (\$5.25)
- § Significantly over subscribed
- § Placement scaled back, all valid applications for the SPP accepted
- § Capital raised \$172.7 million

# Customer Relationships



# Dairy commodity price and farm gate milk price



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

— Bega Cheese southern farm gate milk price trend

FY2015 Milk price \$6.00 per Kg MS

FY2016 Opening and closing milk price \$5.60 per Kg MS

■ FY2017 Opening milk price \$5.00 per Kg MS

■ FY2018 Opening milk price \$5.50 per Kg MS

- § FY2017 milk supply stable
- § 654 million litres direct milk intake
- § Strong performance in context of 7% decline in national production and 15% decline in northern Victorian production
- § New suppliers added in FY2017 further additional supply in FY2018



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Chief Executive Officer's Report


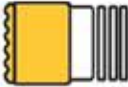




Paul van Heerwaarden – CEO





## KEY HIGHLIGHTS



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# Reconciliation of Statutory to Normalised Result



Consolidated Period Ending 30 June 2017	Per Financial Statements \$'000	Inventory Losses \$'000	Bega Foods Acquisition Costs \$'000	Sale of Nutritional Assets \$'000	Asset Impairments \$'000	Normalised Outcome \$'000
Revenue	1,226,663	-	-	-	-	1,226,663
Cost of sales	(1,072,436)	8,085	-	-	-	(1,064,351)
<b>Gross profit</b>	<b>154,227</b>	<b>8,085</b>	-	-	-	<b>162,312</b>
EBITDA	228,850	8,085	11,518	(177,833)	-	70,620
Depreciation, amortisation and impairment	28,023	-	-	-	3,347	(24,676)
EBIT	200,827	8,085	11,518	(177,833)	3,347	45,944
NET finance costs	(2,789)	-	-	-	-	(2,789)
<b>Profit before income tax</b>	<b>198,038</b>	<b>8,085</b>	<b>11,518</b>	<b>(177,833)</b>	<b>3,347</b>	<b>43,155</b>
Income tax expense	(59,290)	(2,425)	(3,455)	53,350	(1,004)	(12,824)
<b>Profit for the year</b>	<b>138,748</b>	<b>5,660</b>	<b>8,063</b>	<b>(124,483)</b>	<b>2,343</b>	<b>30,331</b>
Basic earnings per share - cents	90.9					19.9

# Cash Flow



	FY2017 \$m	FY2016 \$m
Receipts from customers	1,274.9	1,241.1
Payments to suppliers	(1,203.8)	(1,175.9)
Interest and other costs of financing paid	(3.2)	(3.8)
Income tax paid	(10.7)	(3.3)
<b>Operating activities</b>	<b>57.1</b>	<b>59.0</b>
Investing activities	151.3	(39.6)
Financing activities	257.5	(20.0)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>465.9</b>	<b>(0.6)</b>

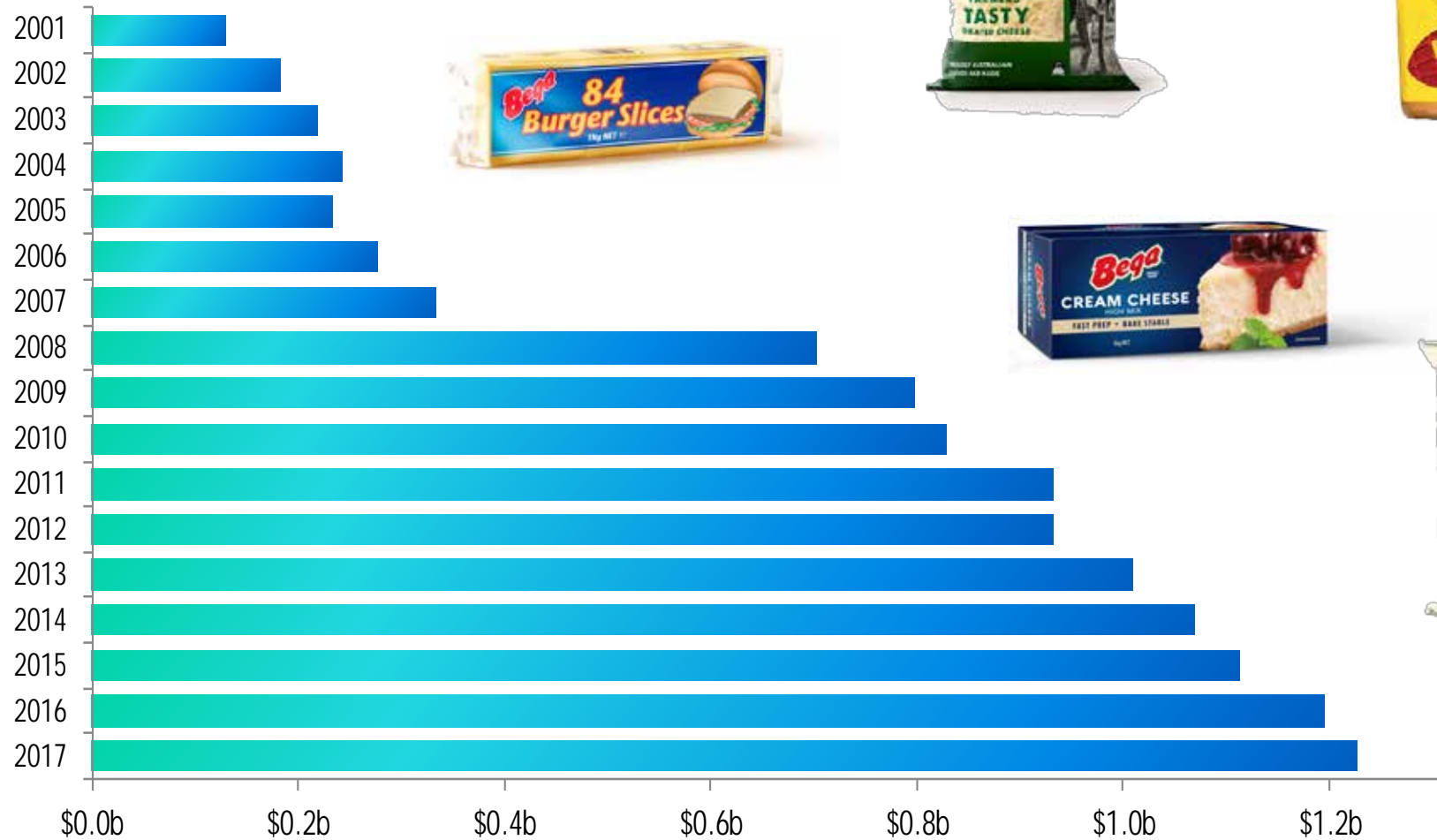
§ High cash position as a result in delay in Mondelez Grocery Business settlement  
(Scheduled 30 June actual 4 July)

# Balance Sheet (extract)



	FY2017 \$m	FY2016 \$m
Cash	475.5	9.7
Trade and other receivables	168.5	143.7
Inventories	167.9	192.4
Property, plant & equipment	196.8	219.9
<b>Total Assets</b>	<b>1,056.3</b>	<b>586.7</b>
Trade and other payables	169.3	156.0
Borrowings (net of costs)	215.3	62.7
<b>Total Liabilities</b>	<b>485.6</b>	<b>258.8</b>
<b>Net Assets</b>	<b>572.7</b>	<b>327.8</b>
<b>Net Cash / (Debt)</b>	<b>260.2</b>	<b>(53.1)</b>

# Group Sales



# Business Platforms



## Bega Brand

- § Number one Australian cheese brand with 15.7% market share
- § Brand portfolio available in over 40 countries

## Food Service and Consumer Goods

- § International portfolio now exceeds \$100 million
- § Continued growth in domestic cheese cut, pack and processing

## Nutritionals

- § Regulation changes – challenges and opportunities
- § Recovery and growth in key markets

## Bionutrients

- § Recovery in lactoferrin markets
- § Ongoing investments in product and market development



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

# Operations and Infrastructure



NEW SOUTH WALES

VICTORIA



**TATURA**  
236 Hogan Street  
Tatura VIC 3616 Australia



**DERRIMUT**  
11 Benn Court  
Derrimut VIC 3090 Australia



**COBURG**  
10-16 Allenby Street  
Coburg VIC 3058 Australia



**PORT MELBOURNE**  
1 Vegemite Way  
Port Melbourne VIC 3207 Australia



**PORT MELBOURNE**  
664 Lorimer Street  
Port Melbourne VIC 3207 Australia



**STRATHMERTON**  
Murray Valley Highway  
Strathmerton VIC 3641 Australia



**BEGA CHEESE MANUFACTURE**  
11-13 Lagoon Street  
Bega NSW 2550 Australia



**BEGA HEAD OFFICE AND  
PROCESSING & PACKAGING PLANT**  
23-45 Ridge Street  
Bega NSW 2550 Australia

- § Production of 236,928 tonnes
- § Commenced continuous improvement program
- § Capital expenditure
  - § Slice line at Ridge St, Bega
  - § Shred line at Ridge St, Bega
  - § Cream cheese at Tatura
  - § Management information system

# Workplace Safety and Environmental



## Workplace safety

- § 15% decrease in TRIFR
- § Safety behaviour leadership program

## Environmental

- § 6.5% energy decrease per tonne of production
- § 6.7% decrease in water usage across the group
- § Sustainability report

# Strategic Focus



## “The Great Australian Food Company”

- § Build and protect key business platforms
- § Leverage sales channels and brand strength
- § Integrate operational excellence
- § Continue to develop strong leadership team
- § Respond to international demand and changing markets
- § Maximise product returns and mix
- § Continue to pursue acquisitions that delivery synergies and value





# Where we are Today?



*A stable business growing in dairy and building in food*

- § Completing the MDLZ Grocery Business acquisition on 4 July 2017
- § Brand portfolio including iconic Australian brands Bega and Vegemite
- § Company of choice for dairy farmers with strong milk supply growth
- § Stability in dairy nutritional business
- § Growing high value dairy ingredients business
- § International and Australian food service and retail channels well developed
- § Potential new corporate opportunities emerging in dairy and food

# Our focus



## *Creating a great Australian food company*

- § Protect the strengths, reputation and returns of the existing businesses
- § Manage volatility in changing markets and maintain a globally competitive supply chain
- § Leverage and grow the iconic brand portfolio
- § Expand channels and markets for our products
- § Build on sales strength and operational knowledge of the combined business
- § Optimise cashflow
- § Invest for efficiency and optimisation of infrastructure
- § Maintain a strong balance sheet
- § Remain agile and well positioned to identify and execute corporate opportunities



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Formalities and Voting

Barry Irvin – Executive Chairman



# Remuneration Report



- § Pages 22-30 of Annual Report
- § Board, Executive Chairman, CEO and other key management personnel
- § Market data and external advisors

## Resolution

- § *Adopt remuneration report for the year ended 30 June 2017*

# Remuneration Report Proxies



- § Total Votes – 78,572,099 (42.46%)
- § For – 76,663,052 (97.57%)
- § Open – 1,542,943 (1.96%)
- § Against – 366,104 (0.47%)

# Election of Directors



- § Richard Parbery
- § Peter Margin
- § Terrence O'Brien



# Election of Directors



- § Total Votes – 80,988,764 (43.76%)
- § For – 51,978,202 (64.18%)
- § Open – 1,500,976 (1.85%)
- § Against – 27,509,586 (33.97%)



**Richard Parbery**

# Election of Directors



- § Total Votes – 80,986,907 (43.76%)
- § For – 71,920,960 (88.81%)
- § Open – 1,503,939 (1.86%)
- § Against – 7,562,008 (9.34%)



**Peter Margin**

# Election of Directors



- § Total Votes – 80,960,637 (43.75%)
- § For – 78,674,442 (97.18%)
- § Open – 1,511,296 (1.87%)
- § Against – 774,899 (0.96%)



**Terry O'Brien**

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