



## ASX ANNOUNCEMENT

### FY2019 FINANCIAL RESULTS

#### COMMITMENT TO OUR INVESTMENT STRATEGY FOR THE FUTURE DELIVERS RECORDS IN MILK INTAKE, PRODUCTION, REVENUE AND UNDERLYING PROFIT

#### Bega Cheese Limited FY2019 Report

Bega Cheese Limited (ASX: BGA) announced its full year audited results for the financial year ended 30 June 2019.

Result announcement:

Key Measures	FY2019	FY2018	Change	
	\$m	\$m	\$m	%
Milk intake (million litres)	1,060	752	308	41%
Production (mt)	280,405	259,235	21,179	8%
Working capital	188.2	206.7	(18.5)	(9%)
<b>Normalised Performance</b>				
Revenue	1,420	1,252	168	13%
EBITDA	115.4	109.6	5.8	5%
EBIT	75.0	78.9	(3.9)	(5%)
PAT	38.3	44.0	(5.7)	(13%)
EPS (cents per share)	18.5	23.9	(5.4)	(23%)
<b>Statutory Performance</b>				
EBITDA	89.5	92.0	(2.5)	(3%)
EBIT	38.9	60.7	(21.8)	(36%)
PAT	11.8	28.8	(17.0)	(59%)
EPS (cents per share)	5.7	15.6	(9.9)	(64%)

#### Record Underlying Financial Performance – Normalised EBITDA \$115.4 million, up 5%

Bega Cheese generated a record normalised earnings before interest, depreciation and tax (EBITDA) of \$115.4 million in FY2019, being in line with recent guidance and an increase of 5% over the prior year. On a statutory basis Bega Cheese generated EBITDA of \$89.5 million, being 3% below the prior year, which reflects primarily one-off acquisition costs related to the Koroit facility and Coburg closure costs.

In commenting on the underlying profit for the group, Chairman Mr Max Roberts said “Whilst we are pleased to announce record milk intake, production, revenue and underlying financial performance, the Board and management note our profit was below the expectations we set ourselves at the beginning of the year primarily as a result of milk competition in a declining milk market.”

Bega Cheese’s net profit after tax was \$11.8 million, being down 59% largely as a result of higher depreciation and amortisation from recent capital investments, interest from higher borrowings throughout the year to fund acquisition costs and working capital and higher effective tax rate from the tax treatment for acquisition costs.

### **Positioning the Business for Growth**

Bega Cheese has continued to build on its strategic plan to diversify its reach in the Australian dairy industry, evolve and grow its portfolio of high-quality food products and investing in and protecting its famous Australian brands.

Bega Cheese CEO Paul van Heerwaarden said “We understand the challenging circumstances the Australian dairy industry had to tackle this year and worked tirelessly to balance delivering the strategic objectives of the business in an unprecedented competitive environment for milk. We accelerated investment in infrastructure, played a key role in rationalisation of the Australian dairy industry, expanded our product portfolio and invested in our brands and milk supply relationships.”

### **Record Revenue - \$1.42 billion, up 13%**

Bega Cheese generated record revenue of \$1.42 billion in FY2019, up by 13%. The increase in revenue was supported by an extension of the company’s product portfolio. With the acquisition of the Koroit facility in August 2018, Bega Cheese has become a major supplier of retail and food service butter, growing up and adult milk powders and other specialist milk powder blends. Australia’s famous Vegemite extended its reach with the launch of Gluten Free Vegemite. We also launched the Bega Simply Nuts peanut butter range which provides a premium natural product, using only Australian peanuts sourced from growers who supply fresh peanuts to our Kingaroy and Tolga facilities in Queensland.

Mr van Heerwaarden commented “In pursuing bottom line profit growth, we never lose sight of the fact that top line maintainable growth is essential. It is pleasing to see the key metrics for growth have been delivered by our company this year. We will continue to invest responsibly in secure, sustainable milk supply, infrastructure, our brands and customer relationships.”

### **Material Increase in Milk Supply – 1.06 billion litres, up 308 million litres**

Bega Cheese received a record 1.06 billion litres of milk this year, being an increase of 41%. The Bega Supply Premium, launched in FY2018 and carried into FY2019, was a major factor in Bega Cheese growing its direct milk intake by 308 million litres, at a time when Australian milk production materially decreased.

In commenting on sustainable milk supply, Mr Roberts said “FY2019 will go down in history as one of the most difficult dairy farming years ever experienced. The one in one-hundred-year drought, extremely high grain, hay and water prices and continually suppressed retail selling prices for our quality dairy products has really tested the strength and resilience of our dairy suppliers, their families and the communities in which they operate. It also created intense competition for the diminishing available milk pool which put pressure on our underlying profit. Our investment in advancing over \$38 million to suppliers via our Bega

Supplier Premium and related supply agreements should buffer some of the intense competition for milk into FY2020.”

**Capital Management – net debt \$288 million with Leverage Ratio of 2.5 times**

Bega raised \$200 million through an Institutional Placement (price \$7.20 per share) and Share Purchase Plan (price \$7.10 per share) finalised in October 2018. The offers resulted in the issue of 27.8 million shares. The funds from the capital raising were applied in reducing total debt following the Koroit facility acquisition. Net debt at 30 June 2019 totalled \$288 million, representing a leverage ratio of 2.5 times.

Bega Cheese also entered a Trade Receivables Facility with Rabobank in February 2019 and subsequent to the end of FY2019 extended the term of this facility to 31 August 2020 and increased the committed funds to the equivalent of AUD\$200 million.

**Final FY2019 Dividend – 5.5 cents per share**

Bega Cheese also today announced a final fully franked dividend of 5.5 cents per share for FY2019, being in line with the prior year. This takes FY2019 total dividends to 11.0 cents per share, which is also in line with the prior year.

**Outlook**

As stated in the market update in early August 2019 the competition for milk has never been stronger than in the last quarter of FY2019 and in setting the FY2020 milk price. Whilst global dairy commodity prices remain strong Bega Cheese will continue to monitor milk supply expectations across Europe, the US and New Zealand which may impact pricing in the second half of FY2020.

Bega Cheese is well positioned to continue to respond to these challenges. Mr van Heerwaarden said “It is imperative that we continue to further accelerate growth initiatives across the business particularly for our branded consumer products portfolio. We will prioritise investments in reducing costs across the supply chain and overheads. Whilst we deal with the challenging trading conditions in dairy, we remain committed to our strategy and transformation to become The Great Australian Food Company.”

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