



# The Great Australian Food Company

Great Food  
Great People  
Great Aspirations  
Greater Good



## FY2019 Full Year Results Presentation

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# Key message

- ▶ Continued transformation to becoming 'The Great Australian Food Company'
- ▶ Challenging year for the dairy industry
- ▶ Bega Cheese has further diversified but still impacted
- ▶ Growing domestic and international branded consumer business
- ▶ Koroit acquisition and integration complete
- ▶ Successful capital raise and stable balance sheet
- ▶ Ongoing supply chain rationalisation and cost efficiencies
- ▶ Closure of Coburg and new third party toll processing arrangement
- ▶ ERP system implementation nearing completion

# Transformation to becoming 'The Great Australian Food Company'

FIRST TRANSFORMATION

## 2001

SEEKING NEW OPPORTUNITIES

**Cooperative founded in 1899**

- > Industry deregulation 2001
- > Bega based co-op with strong regional brand
- > Main focus: cheddar manufacture, process and pack
- > Long term Australian supply and license agreement with Fonterra
- > Developing international sales opportunities

SECOND TRANSFORMATION

## 2007

BUILDING RELEVANCE

Acquire Tatura

**Diversify and grow customers and markets**

- > Exposure to strong dairy region
- > Entry into nutritionals, cream cheese and powders
- > Diversification into export markets
- > People and capabilities

## 2008/09

GROW AND DIVERSIFY

Acquire Strathmerton and Coburg

**Increased capacity and further diversify customer base**

- > Cut, pack and processing scale
- > Cheddar and mozzarella expansion
- > Long term supply arrangement with Kraft
- > Long term nutritionals supply agreement with Mead Johnson

THIRD TRANSFORMATION

## 2011

STRUCTURED FOR THE FUTURE

**Strength for growth**

- > Capital restructure
- > Value release for farmers
- > Well structured for corporate activity
- > Acquisition of the remaining stake in Tatura
- > Investment in capacity and increased focus on nutritionals and high value dairy products
- > Well established B2B business
- > Developing foodservice and consumer businesses

FOURTH TRANSFORMATION

## 2017

NEW BUSINESS PLATFORM

**Dairy strength enhanced by new categories**

- > Major Australian brands (cheese and Vegemite)
- > Major dairy manufacturer
- > Significant consumer goods infrastructure
- > Dairy and food strengthened by combination, market and channel penetration
- > Heritage, reputation and relationships underpin business strength and growth opportunities
- > Opportunity to add further to product portfolio

## 2019

ACCELERATING GROWTH

**Customer and consumer focussed organisation**

- > Expanded consumer branded product portfolio in domestic and international markets
- > Accelerated investments in growth and innovation
- > Continuous improvement and rationalisation of manufacturing footprint
- > Aligning our manufacturing footprint with milk supply
- > New strategic alliances

# Accelerated growth plan

- ▶ Expanded consumer branded product portfolio in domestic and international markets
- ▶ Aligning our manufacturing footprint with milk supply
- ▶ Accelerated investments in growth and innovation
- ▶ Continuous improvement and rationalisation of manufacturing footprint
- ▶ New strategic alliances



# Bega Values





Making a difference

## Passion for the customer

We create great food and build brands that our customers and consumers love and trust.





Making a difference

## Invest in our future

We have great aspirations to go beyond our business today. We invest in technology, innovative products and new markets.





Making a difference

## Support each other

We strive for a greater good by combining our success with a positive and lasting impact on others.





Making a difference

## Grow our people

We ensure our people will continue to grow with Bega. We give them the responsibility to work together and achieve great outcomes.



# Revenue analysis

- ▶ Export now 31% of total revenue
- ▶ Increased dairy and nutritional volumes from Koroit acquisitions
- ▶ Expanding customer base in infant formula and bionutrients
- ▶ Launched new branded dairy and spreads products

16%

Spreads and other grocery

9%

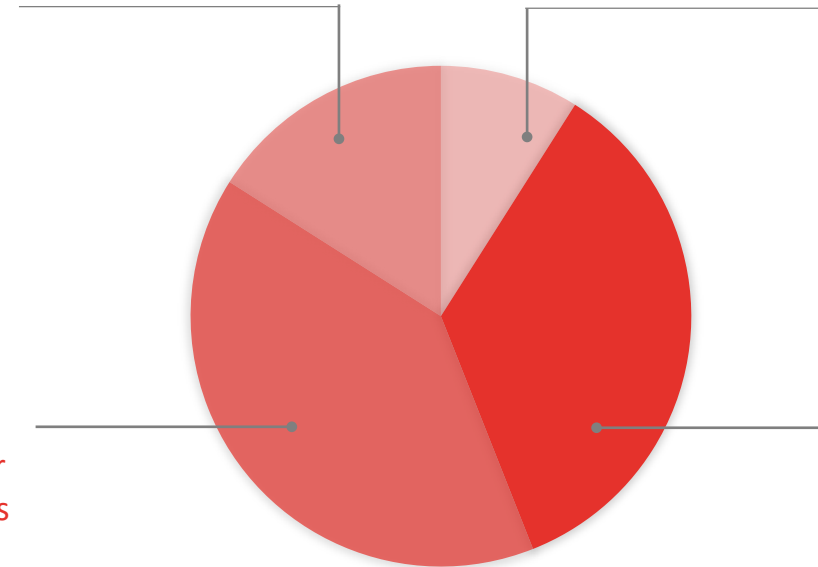
Nutritionals

40%

Dairy consumer packaged goods

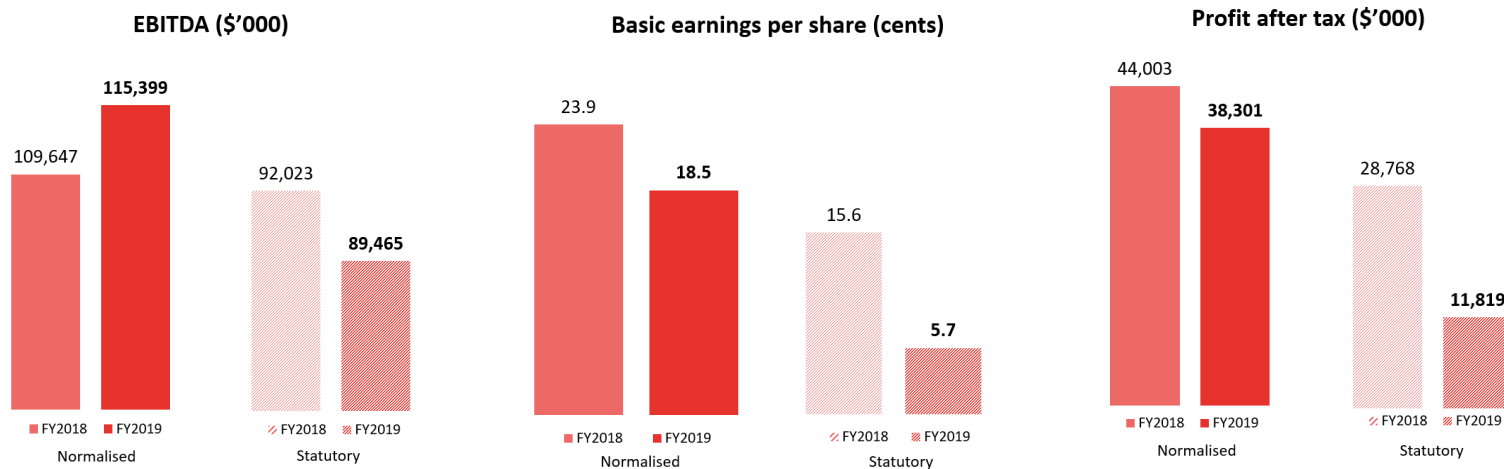
35%

Dairy and other ingredients



# Performance highlights

- ▶ Revenue increased by 13% to \$1.42 billion
- ▶ Export sales increased 4% to \$442 million
- ▶ Increased production by 8% to 280,405 tonnes
- ▶ Increased milk intake by 41% to 1.06 billion litres
- ▶ Normalised EBITDA increased by 5% to \$115.4 million



# Reconciliation of normalised result

<b>Consolidated Period Ending 30 June 2019</b>	<b>Per Financial Statements \$'000</b>	<b>Koroit Acquisition Costs \$'000</b>	<b>Koroit Fair Value Adjustments \$'000</b>	<b>Coburg Site Closure Costs \$'000</b>	<b>Legal Costs \$'000</b>	<b>Other Costs \$'000</b>	<b>Normalised Outcome \$'000</b>
Revenue	1,419,952	-	-	-	-	-	1,419,952
Cost of sales	(1,129,674)	-	2,648	-	-	-	(1,127,026)
<b>Gross profit</b>	<b>290,278</b>	<b>-</b>	<b>2,648</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>292,926</b>
EBITDA	89,465	11,019	2,648	4,942	3,783	3,542	115,399
Depreciation, amortisation and impairment	(50,602)	-	-	10,229	-	-	(40,373)
EBIT	38,863	11,019	2,648	15,171	3,783	3,542	75,026
Net finance costs	(19,952)	357	-	-	-	-	(19,595)
<b>Profit before income tax</b>	<b>18,911</b>	<b>11,376</b>	<b>2,648</b>	<b>15,171</b>	<b>3,783</b>	<b>3,542</b>	<b>55,431</b>
Income tax expense	(7,092)	(2,495)	(794)	(4,551)	(1,135)	(1,063)	(17,130)
<b>Profit for the year</b>	<b>11,819</b>	<b>8,881</b>	<b>1,854</b>	<b>10,620</b>	<b>2,648</b>	<b>2,479</b>	<b>38,301</b>
Basic earnings per share - cents	5.7						18.5



# Balance sheet

	FY2019 \$m	FY2018 \$m*
Cash	28.8	21.7
Trade and other receivables	179.9	221.4
Inventories	274.1	211.2
Property, plant and equipment	443.3	323.6
Intangible assets	535.1	411.5
<b>Total Assets</b>	<b>1,488.6</b>	<b>1,215.8</b>
Trade and other payables	265.9	225.9
Borrowings (net of costs)	316.1	267.1
<b>Total Liabilities</b>	<b>662.6</b>	<b>583.8</b>
<b>Net Assets</b>	<b>825.9</b>	<b>632.0</b>
<b>Net (Debt)/Cash</b>	<b>(288.2)</b>	<b>(245.4)</b>

\*FY2018 figures have been restated due to accounting practices



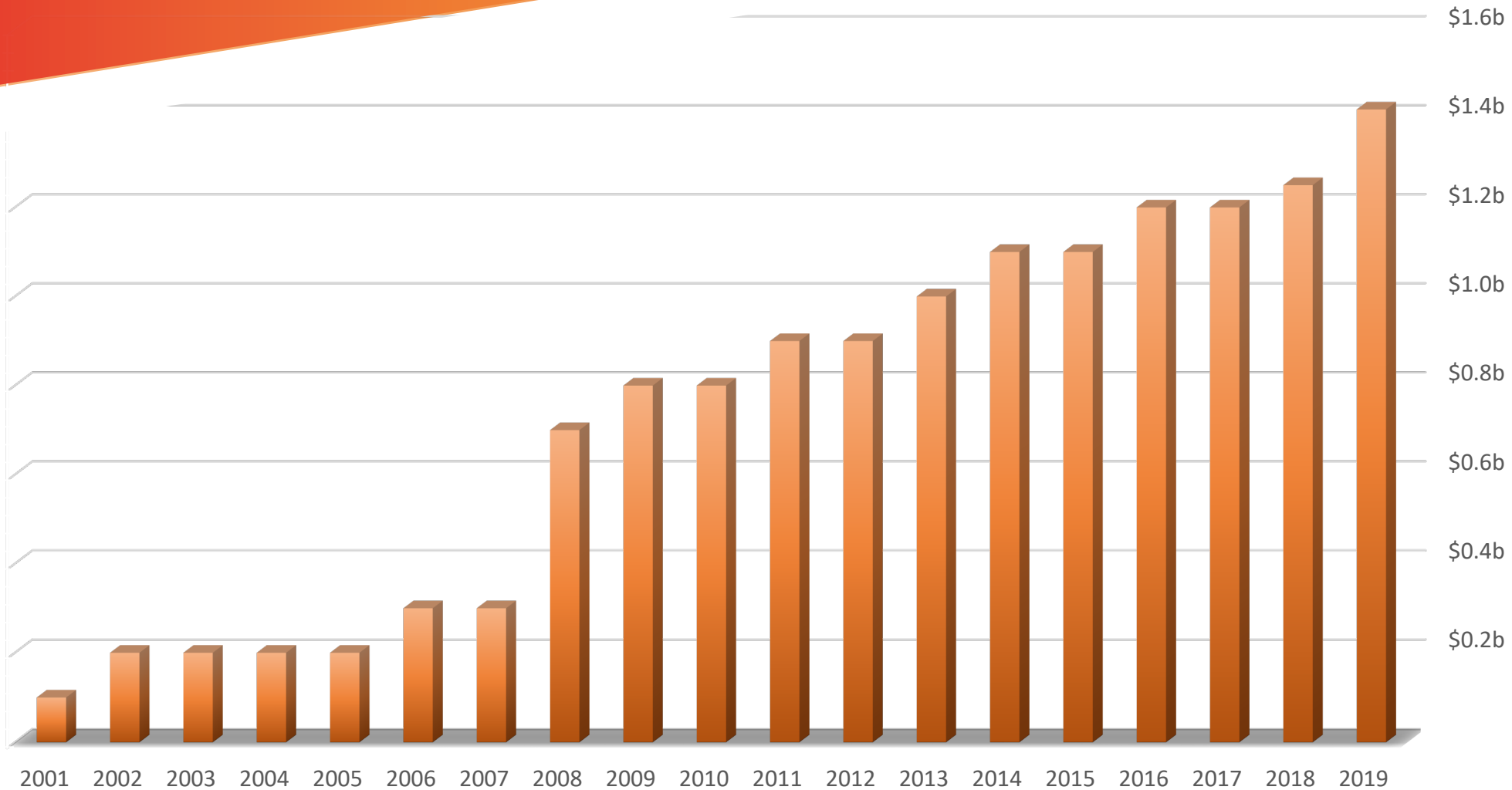
# Cash flow

	FY2019 \$m	FY2018 \$m*
Receipts from customers	1,422.1	1,313.7
Payments to suppliers	(1,476.8)	(1,218.7)
Net proceeds from trade receivables facility	188.6	-
Interest and other costs of financing paid	(20.4)	(10.7)
Income tax paid	(13.3)	(25.8)
<b>Operating activities</b>	<b>100.3</b>	<b>58.6</b>
Proceeds from sale of PPE	0.2	10.0
Payment for acquisition of Koroit	(251.2)	-
Tax on sale of infant nutritional assets	-	(53.4)
Acquisition of Bega Foods	-	(452.7)
Acquisition of PCA	-	(11.7)
<b>Investing activities</b>	<b>(322.9)</b>	<b>(564.8)</b>
<b>Financing activities</b>	<b>229.7</b>	<b>52.4</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7.1</b>	<b>(453.9)</b>

\*FY2018 figures have been restated due to accounting practices



# Group sales



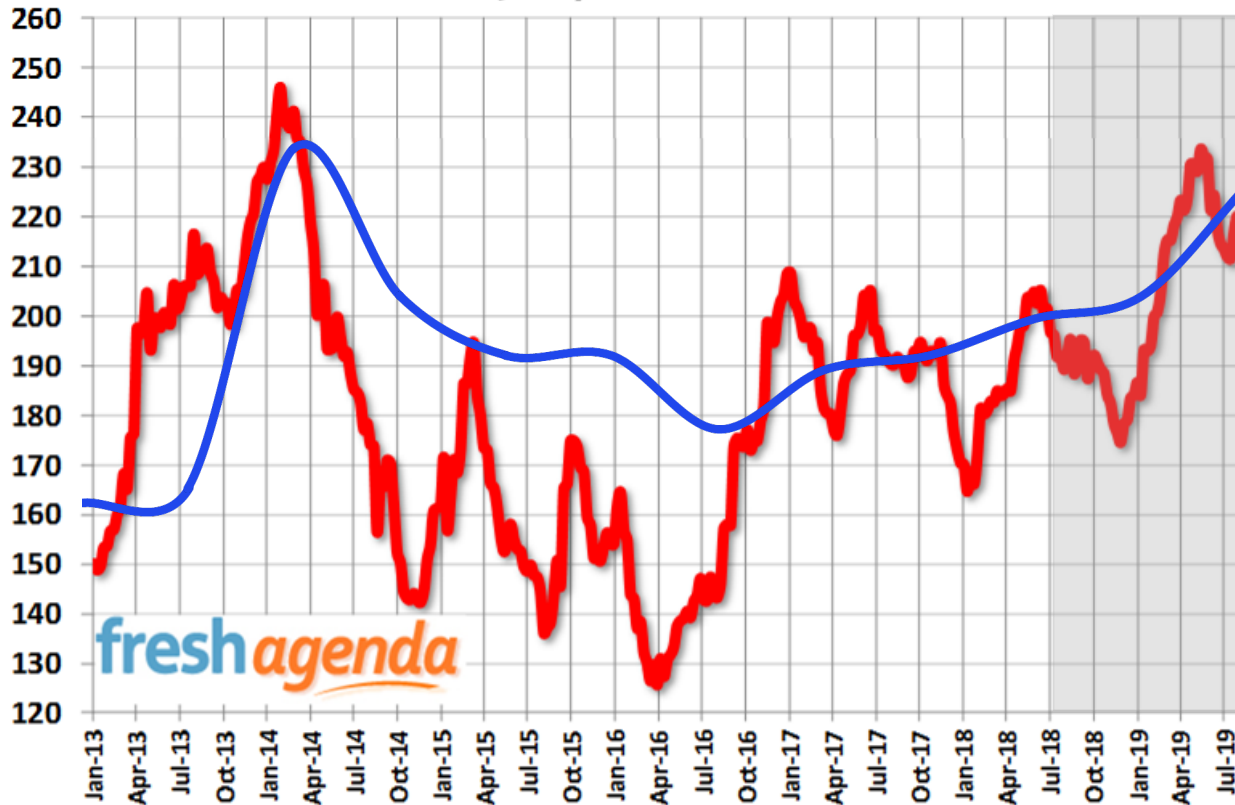
# Our consumer brands

- ▶ Launched 41 new products including Gluten Free Vegemite
- ▶ Launched Farmer's Table and Simply Nuts brands
- ▶ Increased licencing including successful launch of Arnott's Vegemite Shapes
- ▶ Court has confirmed Bega Cheese ownership rights to peanut butter trade dress now subject to appeal by Kraft
- ▶ Relunched Dairymont brand driving significant growth in food service



# Dairy commodity and farm gate milk prices

Australasian dairy export index



- ▶ Significant decrease in Australian milk production
- ▶ Drought impact on water, grain and hay prices
- ▶ Record milk intake for Bega of 1.06 billion litres
- ▶ Strong recovery in global commodities
- ▶ Downward pressure on margins due to increased competition for milk

- Export trend index – global commodity prices and Australian currency impact
- Bega Cheese southern farm gate milk price trend
- FY2018 opening milk price \$5.50 per kg milk solids
- FY2019 opening milk price \$5.85 per kg milk solids

Source: freshagenda

# Operations review

- ▶ Total recordable injury frequency rate improved by 15%
- ▶ Total production increased to 280,405 tonnes
- ▶ Significant efficiency gains in processing plants including closure of Coburg site and toll processing arrangement
- ▶ Rationalisation of milk supply network with the integration of Koroit
- ▶ Commenced construction of lactoferrin plant at Koroit
- ▶ ERP system implementation in final stages



# Our manufacturing sites



- ▶ Quality assets in key locations
- ▶ Focused capex program to maintain and enhance capabilities
- ▶ Koroit acquisition expands geographic reach in key milk region
- ▶ Expanding lactoferrin capacity
- ▶ Rationalised Coburg and entered into mozzarella toll processing arrangement

# Approach to Corporate Social Responsibility

our focus is on the five areas where we can have the greatest impact



Aligned with the United Nations Global Compact

## Food nutrition



### Highlights FY2019

Launched both Vegemite Gluten Free and Simply Nuts Peanut Butter

## Diversity, inclusion and equality



### Highlights FY2019

Women represent 46% of salaried staff in professional roles

## Greenhouse gases



### Highlights FY2019

Energy roadmap established delivering a 20% reduction in energy use over four years

## Packaging sustainability



### Highlights FY2019

As a member of the Australia Packaging Covenant we achieved 'Leadership' level for post-consumer recovery and waste diversion

## Water sustainability



### Highlights FY2019

38% of water in our manufacturing operations was reused



# Where are we today?

- ▶ Transition to diversified brand food company well progressed
- ▶ Competitive supply chain broadly aligned with market demand
- ▶ Volatile dairy industry facing ongoing structural change and cyclical challenges
- ▶ Intense competition for milk and excess domestic processing capacity
- ▶ Bega Cheese is well positioned to navigate these challenges
- ▶ Stable balance sheet following significant period of corporate activity



# Our priorities

- ▶ Continue investment in brands and markets
- ▶ Accelerate new product development
- ▶ Focused capital program to further rationalise supply chain and manufacturing footprint
- ▶ Remain open to further dairy industry consolidation opportunities
- ▶ Protect and diversify current milk supply
- ▶ Commission lactoferrin plant at Koroit
- ▶ Actively protect our intellectual property rights, including matters currently before the courts





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