



ASX ANNOUNCEMENT

Half Year 2020 Results Highlights Presentation

I enclose the Half Year 2020 Results Highlights Presentation to be discussed on the Half Year Result 2020 Conference Call scheduled for 11:00am today.

2 March 2020

For further information please contact

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1H FY2020 Results Presentation

Barry Irvin – Executive Chairman
Paul van Heerwaarden – CEO
Pete Findlay – CFO

Bega

Key messages

- ▶ Restatement of FY2019 earnings
- ▶ Transforming to become 'The Great Australian Food Company'
- ▶ Revenue growth for branded spreads and dairy categories
- ▶ Importance of diversified dairy infrastructure and food business
- ▶ Significant margin impact in dairy ingredients
(reduced volume/strong competition for milk)
- ▶ Softening of Chinese infant formula demand
- ▶ Koroit lactoferrin facility scheduled for commissioning in April
- ▶ Organisational and process review progressing

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

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.



Performance highlights

- ▶ Revenue increased by 14% to \$741 million
- ▶ Export revenue increased 17.3% to \$230 million
- ▶ Statutory EBITDA decreased 1% to \$39.3 million
- ▶ Normalised* EBITDA decreased by 16% to \$48.5 million
- ▶ Working capital decreased by 53% to \$177.8 million
- ▶ Net debt decreased by 35% to \$303.4 million
- ▶ Production decreased by 10.4% to 154,456 tonnes
- ▶ Direct supply and toll milk processed decreased by 4.6%

*Normalisation from statutory results are non international financial reporting standard related



Revenue analysis

- ▶ Export accounts for 31% of total revenue
- ▶ Pricing growth in ingredients, packaged goods, spreads and other grocery
- ▶ Volume growth across all categories
- ▶ Expanding product portfolio in nutritionals

16%

Spreads and other grocery

8%

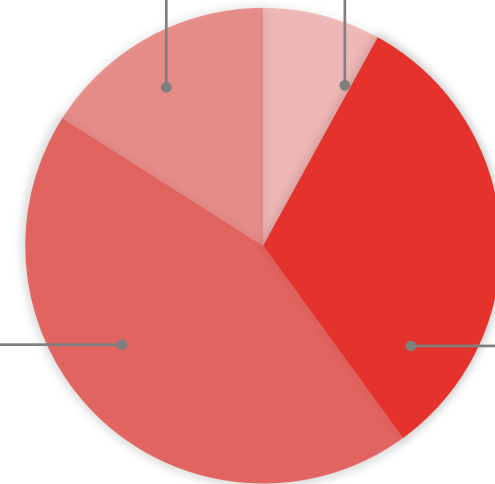
Nutritionals

44%

Dairy consumer packaged goods

32%

Dairy and other ingredients



Key measures

1H FY2020 Key Measures	1H FY2020	1H FY2019	Change	
	\$'000	\$'000	\$'000	%
Statutory performance				
Revenue	741,151	649,164	91,987	14
EBITDA	39,262	39,627	(365)	-1
EBIT	17,688	20,223	(2,535)	-13
PAT	8,545	4,993	3,552	71
EPS (cents per share)	4.0	2.5	1.5	60
Normalised performance				
EBITDA	48,464	57,860	(9,396)	-16
EBIT	26,890	38,456	(11,566)	-30
PAT	14,986	18,924	(3,938)	-21
EPS (cents per share)	7.0	9.5	(2.5)	-26

- ▶ Statutory EBITDA result comparable with Prior Year
- ▶ Koroit purchased 17 August 2018
- ▶ Full impact of Koroit ownership in 1H FY2020
- ▶ Impact from reduced milk volumes in northern Victoria
- ▶ Nutritional volumes reduced due to softening demand for China market

Reconciliation of normalised result

Consolidated Period Ending 29 December 2019	Per Financial Statements \$'000	Legal Costs \$'000	Other Costs \$'000	Normalised Outcome \$'000
Revenue	741,151	-	-	741,151
Cost of sales	(615,312)	-	-	(615,312)
Gross profit	125,839	-	-	125,839
EBITDA	39,262	4,490	4,712	48,464
Depreciation, amortisation and impairment	(21,574)	-	-	(21,574)
EBIT	17,688	4,490	4,712	26,890
Net finance costs	(6,005)	-	-	(6,005)
Profit before income tax	11,683	4,490	4,712	20,885
Income tax expense	(3,138)	(1,347)	(1,414)	(5,899)
Profit for the period	8,545	3,143	3,298	14,986
Basic earnings per share - cents	4.0			7.0

Balance sheet

	1H FY2020 Dec \$m	1H FY2019 Dec \$m	FY2019 Jun \$m
Cash	23.7	40.6	28.8
Trade and other receivables	126.2	282.2	179.9
Inventories	296.3	398.8	272.6
Property, plant and equipment	452.1	443.6	443.3
Intangible assets	536.9	520.8	535.1
Total Assets	1,472.6	1,732.9	1,490.2
Trade and other payables	244.6	301.7	274.9
Borrowings (net of costs)	327.1	508.7	316.1
Total Liabilities	655.7	905.5	671.7
Net Assets	816.9	827.4	818.6
Net (Debt)/Cash	(303.4)	(468.1)	(287.3)

- ▶ Reduction in level of bulk dairy inventory (cheese and powder)
- ▶ Receivable facility implemented in March 2019
- ▶ Banking facilities extended and leverage ratios increased



Cash flow

	1H FY2020 Dec \$m	1H FY2019 Dec \$m	FY2019 Jun \$m
Receipts from customers	867.0	718.3	1,422.1
Payments to suppliers	(814.6)	(824.7)	(1,476.8)
Net proceeds from trade receivables facility	-	-	188.6
Interest and other costs of financing paid	(6.2)	(11.9)	(20.4)
Income tax paid	(8.2)	(10.1)	(13.3)
Operating activities	38.1	(128.3)	100.3
Proceeds from sale of PPE	-	-	0.2
Payment for acquisition of Koroit	-	(251.2)	(251.2)
Payments for shares in unlisted companies	(1.0)	-	(0.7)
Payments for property, plant and equipment	(21.5)	(14.0)	(42.3)
Payments for intangible assets	(10.0)	(10.9)	(20.0)
Investing activities	(32.2)	(284.1)	(322.9)
Financing activities	(11.0)	431.4	229.7
Net increase/(decrease) in cash and cash equivalents	(5.1)	19.0	7.1

- ▶ Capital spend increased due to Koroit lactoferrin plant
- ▶ Intangible payments relates to new ERP system
- ▶ Financing activity in prior year to fund Koroit acquisition

FY2019 Restatement

Consolidated Balance Sheet (extracts)	FY2019 (Restated) \$m	FY2019 (Previous) \$m	Change \$m
Inventories	272.6	274.1	(1.5)
Current tax assets	9.2	6.0	3.2
Trade and other payables	274.9	265.9	9.0
Net Assets	818.6	825.9	(7.4)
Retained earnings	318.2	325.6	(7.4)
Total equity	818.6	825.9	(7.4)

- ▶ Incorrect calculation of cost of sales
- ▶ Understatement of trade and other payables
- ▶ Overstatement of inventory
- ▶ Errors occurred in 2H FY2019
- ▶ No impact on 1H comparative or FY2020 earnings performance
- ▶ Impacted FY2019 retained earnings



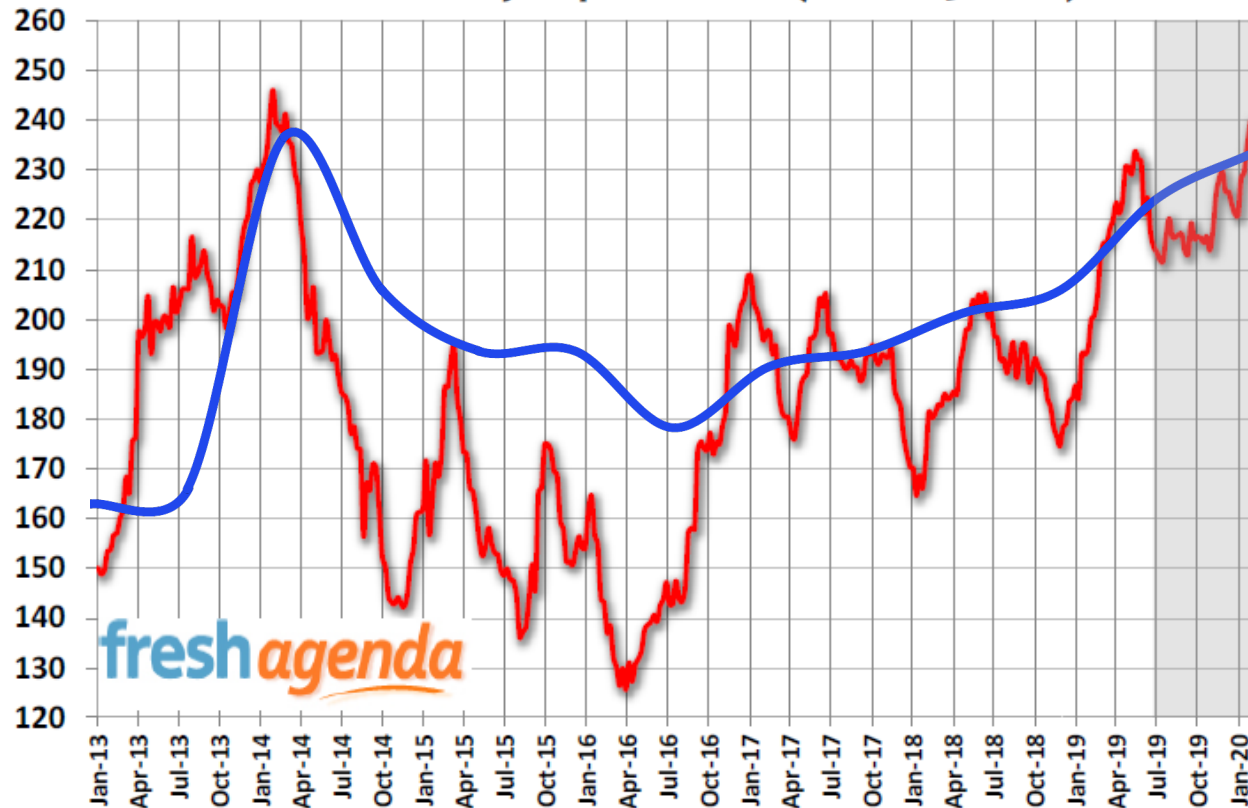
Our consumer brands

- ▶ Successful launch of Farmer's Table butter in 1H
- ▶ Growth of 12.4% in international branded business
- ▶ Modest revenue growth for Vegemite with momentum in 2H
- ▶ Increase market share of the peanut butter category
- ▶ Growth in peanut butter revenue of 6.5% driven by the Bega Simply Nuts innovation



Dairy commodity and farm gate milk prices

Australasian dairy export index (Jan 2013-now)



- ▶ Australian milk production decreased 4.3%
- ▶ Drought impact on water, grain and hay prices
- ▶ High relative milk prices impacting margins
- ▶ Strong recovery in global commodity prices
- ▶ Australian dollar has continued to soften
- ▶ Global supply growth below growth in demand

— Export trend index – global commodity prices and Australian currency impact

Source: freshagenda

— 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

FY2020 opening milk price \$6.75 per kg milk solids

Operations review

- ▶ Total production decreased 10.4% to 154,456 tonne
- ▶ Direct supply and toll milk processed decreased by 4.6%
- ▶ Total direct milk intake reduced by 13%
(Supply impacted by drought conditions, farm closures and competition)
- ▶ Total recordable injury frequency rate increased to 8.6
- ▶ Organisation and process review progressing
- ▶ M3 ERP system implementation completed



Our manufacturing sites



- ▶ Coburg site sold
- ▶ Ongoing rationalisation across dairy sites
- ▶ Ongoing milk toll processing arrangements
- ▶ Review of secondary processing consolidation
- ▶ Commissioned dips line at Port Melbourne
- ▶ Commissioning of lactoferrin facility at Koroit scheduled for April

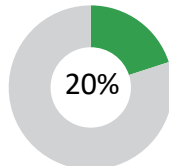
Growing and diversifying our branded business

Pre 2017

Limited investment in brands

Fonterra responsible for Bega brand in Australia
Long established international branded presence via distributors
Minimal direct investment in supporting brands
Reliance on large contract manufacturing relationships

Branded sales

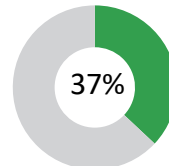


Now

Building brand growth engine

Extension of Bega brand into new categories
Vegemite acquisition
Developing sales and marketing capability
Re-investment in brand portfolio and innovation
Strengthening international presence

Branded sales



Our focus

Increase brand organic growth rate

Improve branded margins

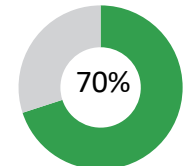
Expand brand portfolio

2023

Strong brand platform for future growth

Strong portfolio of brands
Balanced top and bottom line brand growth
Strong brand capability extended across multiple geographies and categories

Branded sales



Diversifying and value adding our milk pool

Pre 2017

Concentration of milk pool regions

Core dairy infrastructure located at Bega and Tatura

Each region likely to be impacted by drought conditions at the same time

Coburg cheese plant constrained

Nutritional business reliant on small number of high volume customers

Now

Infrastructure diversity and rationalisation

Acquisition of Koroit and divestment of Tatura dryer

Toll processing and capital efficiency

Dairy manufacturing integrated between key sites to maximise value of milk

Expanded nutritional capacity and customer base

Significant global producer of lactoferrin

Our focus

Diversified milk regions

High value dairy ingredients directed to branded consumer goods

Dairy ingredients transformed to nutritional products

2023

Majority of milk destined for value added products

Network of facilities in sustainable milk regions

Dairy products supporting high value brand portfolio

Growth in international branded consumer and food service business

Diversified Australian and international customer base

High value micronutrients

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 1H FY2020

Strong growth of new variety of Simply Nuts Peanut Butter

Diversity, inclusion and equality



Highlights 1H FY2020

Diversity and inclusion workshop for senior leadership and CEO circle established

Greenhouse gases



Highlights 1H FY2020

Energy management capability implemented at manufacturing sites

Packaging sustainability



Highlights 1H FY2020

Progressing launch of Australian Recycling Label in conjunction with APCO and Planet Ark

Water sustainability



Highlights 1H FY2020

Water management capability roadmap under development



Where are we today?

- ▶ Transition progressing well to a diversified branded food company
- ▶ 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

- ▶ Organisation and process review
- ▶ Investment in brands and markets
- ▶ Accelerate new product development
- ▶ 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
- ▶ Continue to monitor potential impact from COVID-19



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