



## ASX ANNOUNCEMENT

### FY2020 FINANCIAL RESULTS

#### STABLE FINANCIAL PERFORMANCE AND DEBT REDUCTION CONTINUING TO INVEST IN OUR FUTURE

##### Full year result at upper end of earnings guidance

Bega Cheese Limited (ASX: BGA) announced its full year audited results for the financial year ended 30 June 2020. The results demonstrate the value of consistent strategy and the capacity to manage unpredictability across the supply chain.

Bega Cheese generated normalised earnings before interest, depreciation and tax (EBITDA) of \$103.0 million in FY2020. Strong growth in the Australian and international branded business did not entirely offset the impact of reduced margins in Bega Cheese's bulk dairy ingredients and nutritionals business with normalised EBITDA 2% lower than the prior year. The result was at the upper end of the guidance provided to the market on 29 October 2019.

Bega Cheese statutory EBITDA of \$87.8 million was 11% higher than the prior year.

Costs totalling \$15.2 million for legal fees and costs associated with the information systems upgrade activities have been normalised in the result for the period. This was less than the \$26.0 million incurred for these activities in FY2019.

Key Measures	FY2020	FY2019	Change	
	\$m	\$m	\$m	%
Working capital	121.4	177.7	-56.3	-32%
Net debt	236.4	288.2	-51.8	-18%
Leverage ratio	2.35	2.75		-15%
<b>Statutory Performance</b>				
Revenue	1,493	1,420	73	5%
EBITDA	87.8	78.9	8.9	11%
EBIT	42.0	28.3	13.7	48%
PAT	21.3	4.4	16.9	384%
EPS (cents per share)	9.9	2.1	7.8	371%
<b>Normalised Performance</b>				
EBITDA	103.0	104.9	-1.9	-2%
EBIT	57.2	64.5	-7.3	-11%
PAT	31.9	30.9	1.0	3%
EPS (cents per share)	14.9	14.9	-	-

Executive Chairman of Bega Cheese Barry Irvin commented “It has been a year like no other, we began the year in the grips of drought which contributed to a very competitive milk procurement environment and then managed never before seen bushfires. While still managing the impacts of those difficult circumstances COVID-19 was upon us, resulting in a major correction in global dairy commodity prices, a collapse in Australian and international food service demand and an increase in Australian retail demand”.

Bega Cheese’s diversified dairy and food business and regional milk procurement model proved to be key to managing through the drought, devastating bushfires (particularly in the Bega and Gippsland regions) and the rapid changes in markets.

Barry Irvin went on to say “I am particularly proud of this year’s business performance given the circumstances we faced, our values and culture always come to the fore in challenging times. Our people always come together to support one another and our communities. As the business faced a difficult trading environment, frightening fires and then the realities of COVID-19 our teams proved themselves to be able to work together to look after one another and adapt and change the business no matter what the challenge”.

Bega Cheese reported strong growth in its export business, continued growth in the domestic grocery business particularly across the core spreads category along with the launch of a number of new products including a honey range. The company continues to make progress of its organisational process review and capacity rationalisation and has successfully completed the commissioning of the \$38 million lactoferrin facility at Koroit.

#### **Strong capital and cash management resulting in a reduction in net debt**

The statutory net cash inflow from operating activities was \$137.7 million in FY2020, compared to net cash inflows of \$100.3 million in FY2019. Net working capital was \$121.4 million for FY2020, a decrease of \$56.3 million from FY2019. This has been achieved through an increased focus on accounts receivable and inventory management.

Bega Cheese has continued to make progress reducing net debt throughout FY2020. Net debt fell year on year by \$51.8 million to \$236.4 million. The normalised EBITDA to net debt leverage ratio has reduced from 2.75 times to 2.35 times. Bega Cheese is well within year end bank covenants of 3.75 times. Bega Cheese expects its leverage ratio to continue to reduce throughout FY2021 and is in a strong position to meet covenant requirements in the future.

#### **Final FY2020 dividend – 5.0 cents per share**

Bega Cheese also announced a final fully franked dividend of 5.0 cents per share for FY2020. This takes FY2020 total dividends to 10.0 cents per share, which is less than the prior year recognising the potential uncertainty in the economy as it adjusts to a post COVID-19 environment. Bega Cheese will maintain its focus on cash management in the coming year with the goal of further debt reduction.

The final dividend will be paid on 7 October 2020. The dividend reinvestment plan will be activated for this dividend.

### **Positioning the company for future growth**

Bega Cheese reported that it continues to manage COVID-19 across its entire supply chain with the highest priority being the safety of all involved with the company and the communities it operates in. Seasonal conditions in dairy are much improved compared to recent years with industry supply expected to increase in FY2021.

Continued growth will be underpinned by ongoing innovation in our product range and branded foods portfolio. With the completion of the new lactoferrin plant at Koroit, the execution of the organisational review in 1H FY2021 and the continued optimisation planned for our secondary processing plants, Bega Cheese is well placed for EBITDA growth in FY2021.

CEO Paul van Heerwaarden said “It has been important to ensure we remain focused on both managing the challenges of the current year and in addition we continue to build the business for future success. The strong cash generation and associated debt reduction combined with a successful process improvement program positions us well. We have continued to invest in new products, markets, technology, infrastructure and our people all of which will contribute to the success of the business in future years”.

*ends*

27 August 2020

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