



The Great Australian Food Company

Great Food
Great People
Great Aspirations
Greater Good



FY2020 Annual General Meeting

Barry Irvin – Executive Chairman
Paul van Heerwaarden – CEO

- ▶ FY2020 Annual Report
 - ▶ Chairman's report
 - ▶ Chief Executive Officer's report
- ▶ Questions
- ▶ Approval of remuneration report
- ▶ Election of Directors

- ▶ Shareholders
 - ▶ Suppliers
 - ▶ PricewaterhouseCoopers
 - ▶ Addisons Lawyers
 - ▶ Link Market Services
 - ▶ Bega Cheese staff
-
- ▶ Apologies



FY2020 Annual Report

Barry Irvin – Executive Chairman

BEGA CHEESE LIMITED
2020 Annual Report



Key message

- ▶ Resilient business – successfully managing drought, flood, fire, COVID-19 etc.
- ▶ Continued revenue growth
- ▶ Significant cash generation/debt reduction
- ▶ Successful commissioning of Koroit lactoferrin facility
- ▶ Implementation of organisation and process review
- ▶ Rationalisation of processed cheese capacities
- ▶ Stabilised dairy environment

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

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.




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.



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

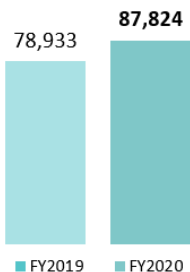


Performance highlights

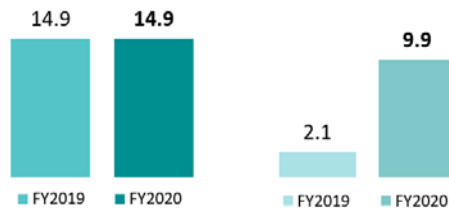
- ▶ Revenue increased by 5% to \$1.5 billion
- ▶ Operating cash flow increased 37% to \$138 million
- ▶ Net debt reduced by \$52 million to \$236 million
- ▶ Export sales increased 15% to \$523 million
- ▶ Normalised EBITDA decreased by 2% to \$103.0 million



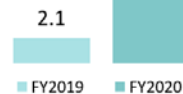
EBITDA (\$'000)



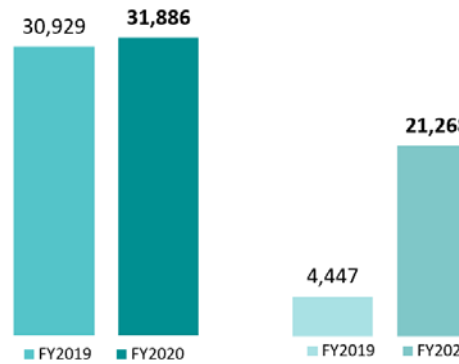
Statutory



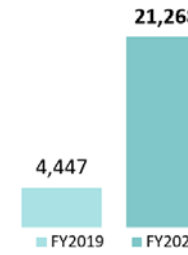
Basic earnings per share (cents)



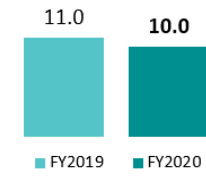
Statutory



Profit after tax (\$'000)



Statutory



Total dividend per share (cents)



FY2020 Annual Report

Paul van Heerwaarden – Chief Executive Officer

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Reconciliation of normalised result

Consolidated Period Ending 30 June 2020	Per Financial Statements \$'000	Legal Costs \$'000	ERP Costs \$'000	Koroit Acquisition \$'000	Normalised Outcome \$'000
Revenue	1,493,219	-	-	-	1,493,219
Cost of sales	(1,204,171)	-	-	-	(1,204,171)
Gross profit	298,048	-	-	-	289,048
EBITDA	87,824	9,650	5,265	253	102,992
Depreciation, amortisation and impairment	(45,808)	-	-	-	(45,808)
EBIT	42,016	9,650	5,265	253	57,184
Net finance costs	(10,971)	-	-	-	(10,971)
Profit before income tax	31,045	9,650	5,265	253	46,213
Income tax expense	(9,777)	(2,895)	(1,579)	(76)	(14,327)
Profit for the year	21,268	6,755	3,686	177	31,886
Basic earnings per share - cents	9.9				14.9

Balance sheet

	FY2020 \$m	*FY2019 \$m
Cash	22.9	28.8
Trade and other receivables	117.4	179.9
Inventories	257.4	272.6
Property, plant and equipment	454.7	443.3
Intangible assets	548.1	546.1
Total Assets	1,423.4	1,501.2
Trade and other payables	253.4	274.9
Borrowings (net of costs)	258.5	316.1
Total Liabilities	609.4	686.2
Net Assets	814.0	815.0
Net (Debt)/Cash	(236.4)	(288.2)

* See note 32 (Annual Report) for details about restatements.



Cash flow

	FY2020 \$m	FY2019 \$m
Receipts from customers	1,691.6	1,422.1
Payments to suppliers	(1,494.9)	(1,476.8)
Net proceeds from trade receivables facility	(35.4)	188.6
Interest and other costs of financing paid	(11.3)	(20.4)
Income tax paid	(12.3)	(13.3)
Operating activities	137.7	100.3
Proceeds from sale of PPE	5.0	0.2
Payment for acquisition of Koroit	-	(251.2)
Investing activities	(52.6)	(322.9)
Financing activities	(71.5)	248.8
Dividends paid	(19.5)	(19.1)
Net (decrease)/increase in cash and cash equivalents	(5.9)	7.1



Dairy ingredients (bulk)

- ▶ Milk processing
- ▶ Business to business dairy ingredient sales (Australian and international)
- ▶ Dairy nutritionals

Consumer packaged goods (branded)

- ▶ Secondary processing
- ▶ Retail and food service brands
- ▶ Retail packaged goods (including private label and third party packaging)

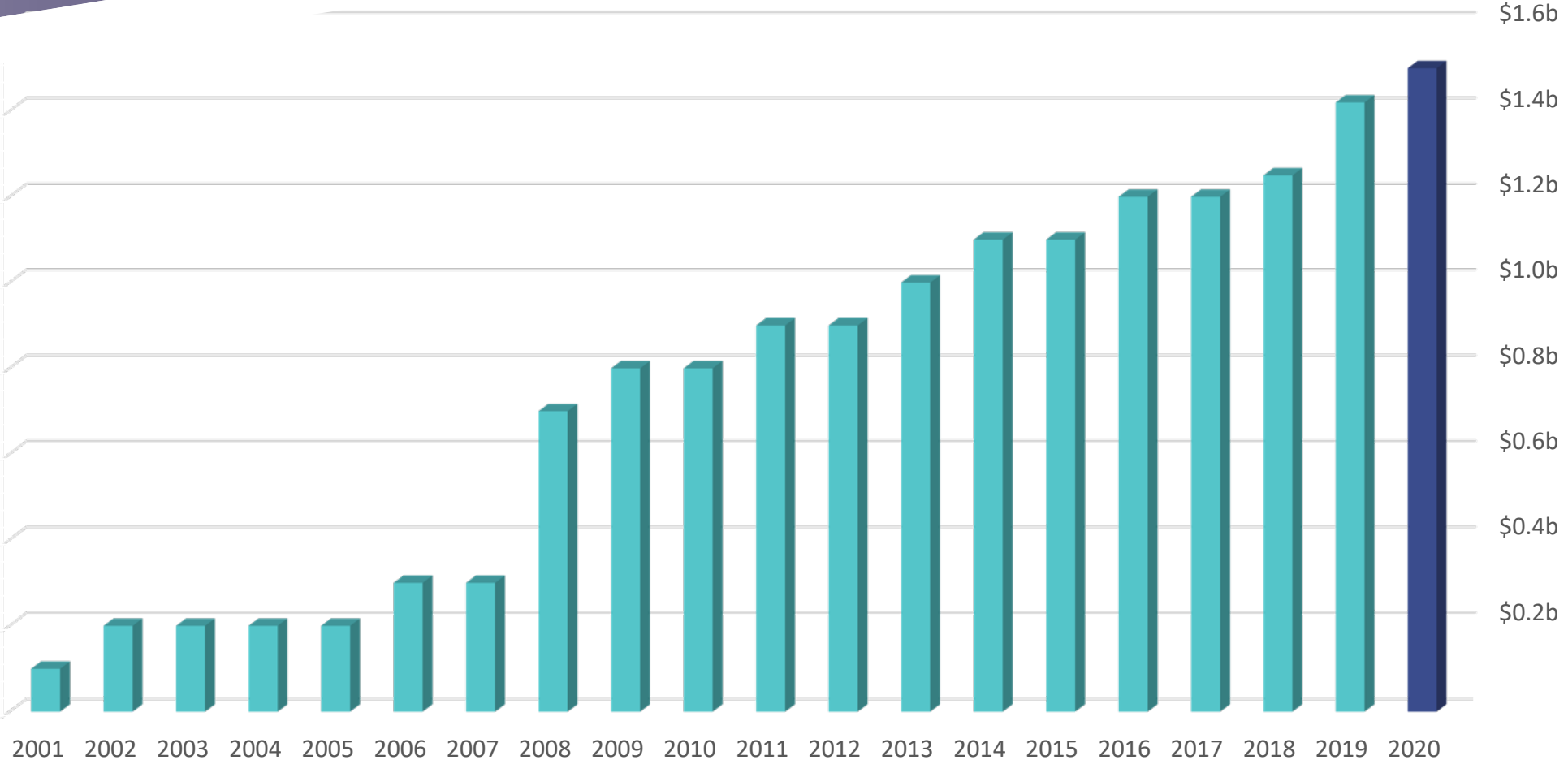


New segment reporting

	FY2020 \$'000	*FY2019 \$'000
Sales to external customers in Australia		
Branded	649,842	612,944
Bulk	319,900	352,303
Total Sales to external customers in Australia	969,742	965,247
Sales to external customers in other countries		
Branded	228,726	209,189
Bulk	294,751	245,516
Total sales to external customer in other countries	523,477	454,705
Total sales to external customers	1,493,219	1,419,952

* See note 32 (Annual Report) for details about restatements.

Group sales



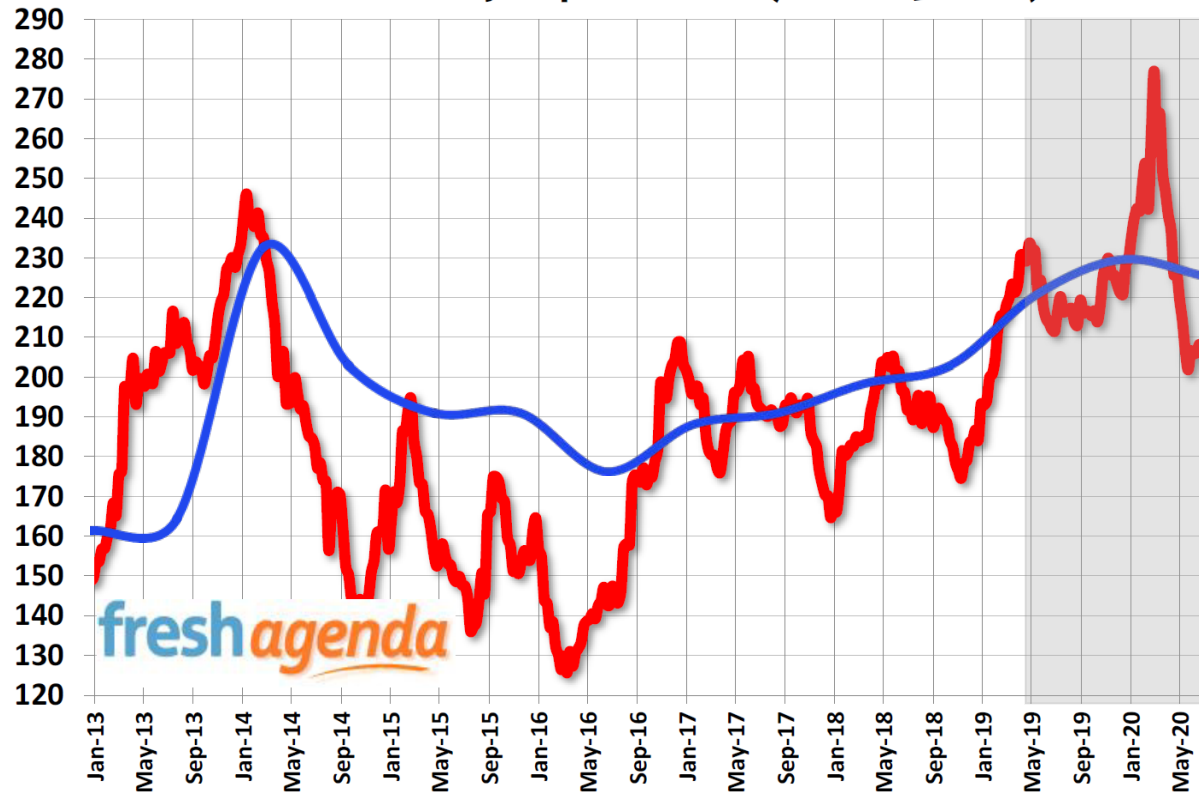
Strong revenue growth with launch of new brands and products

- ▶ Domestic retail grocery market grew by 10.5% in FY2020
- ▶ Spreads category growth of 9.8% (5.8% volume growth)
- ▶ Cheese category growth of 11.7% (4.2% volume growth)
- ▶ Stronger in last four months due to impact from COVID-19 (pantry filling and reduced promotional spend)
- ▶ Launched new brands and products including B honey and Happi baby and kids nutraceutical range
- ▶ Strong export growth particularly in South East Asian markets
- ▶ Daigou channel impacted following COVID-19
- ▶ Commenced supply of lactoferrin from the Koroit facility



Dairy commodity and farm gate milk prices

Australasian dairy export index (Jan 2013-now)



- ▶ Improved seasonal conditions in 2H FY2020
- ▶ Milk supply outlook positive
- ▶ Successful implementation of new dairy code of conduct
- ▶ Highly competitive milk procurement environment

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

Source: freshagenda

— Bega Cheese southern farm gate milk price trend

FY2019 opening milk price \$5.85 per kg milk solids

FY2020 opening milk price \$6.75 per kg milk solids



Operations review

- Organisation and process review
- Secondary manufacturing footprint
- Factory optimisation
- Logistics network consolidation
- Common ERP platform













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  	Diversity, inclusion and equality  	Greenhouse gases  	Packaging sustainability  	Water sustainability  
Highlights FY2020	Highlights FY2020	Highlights FY2020	Highlights FY2020	Highlights FY2020
Commenced implementation of our new Nutrient Profiling Standard	27% of women in management positions	Continued implementation of our Energy Roadmap with 80% of energy submetering completed	Early adoption of the Australasian Recycling Label	Re-using 39% of water from manufacturing operations for irrigation on farms
Launched 40% Less Salt Vegemite	Dedicated diversity training of 60 members of Bega's leadership team	\$822,000 of capital works projects dedicated to energy efficiency improvements	Adoption of a revised Packaging Sustainability Policy	Commenced development of a Water Management Capability program
Vegemite fully certified by Vegan Australia	Established a Diversity Roundtable led by the CEO	Greenhouse gas emissions maintained at FY2019 levels through the purchase of Australian Carbon Credit Units generated through storage in soils on dairy farms	Reduced waste intensity from 9.69 kg/t to 8.48 kg/t	Saved 613,000 litres of water per annum in Vegemite production
Released our Company Action Plan under the Responsible Children's Marketing Initiative	Developed a Diversity and Inclusion Blueprint for the business	Saved 14,000 gigajoules of energy per annum at our Tatura site	On track for 20% of cheese slice clamshell packaging to 100% recycled plastic by the end of 2020 calendar year	Saved 20 million litres of town water per annum from our plant in Koroit



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Where are we today?

- ▶ Transition to diversified value added food company well progressed
- ▶ COVID-19 varying impact on market channels
- ▶ Supply chain and operational issues due to COVID-19 under control
- ▶ Global uncertainty related to dairy demand
- ▶ Stabilised milk procurement environment
- ▶ Business improvement initiatives well progressed
- ▶ Awaiting the outcome of legal cases with Fonterra and Kraft



Our priorities

- ▶ Continue investment in brands and capability
- ▶ Expanding our international footprint
- ▶ Focus on cash generation and costs
- ▶ Leveraging and rationalising existing assets and product capacities
- ▶ Protect and diversify current milk supply
- ▶ Phase 2 of operational process review optimising new ERP system
- ▶ Remain open to further dairy industry consolidation opportunities







FY2020 Annual General Meeting

Formalities and voting

Barry Irvin – Executive Chairman

BEGA CHEESE LIMITED
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Voting procedure

- ▶ A poll is being held for all resolutions
- ▶ Share registrar Ms Julie Stokes of Link Market Services Limited will act as Returning Officer in relation to the polls
- ▶ Login to the portal (<https://agmlive.link/BGA20>) and follow the prompts to vote
- ▶ Results available on ASX after the meeting

Resolutions

- ▶ Adopt remuneration report for the year ended 30 June 2020
- ▶ Election of Directors
 - ▶ Terry O'Brien
 - ▶ Peter Margin
- ▶ Retiring Directors
 - ▶ Richard Parbery
 - ▶ Jeff Odgers

Remuneration report

- ▶ Pages 17 to 26 of the 2020 Annual Report
- ▶ Board, Executive Chairman, CEO and other key management personnel
- ▶ Market data and external advisors
 - ▶ Total Votes – 104,018,889 (48.35%)
 - ▶ For– 101,134,131 (97.23%)
 - ▶ Open– 2,247,186 (2.16%)
 - ▶ Against– 637,572 (0.61%)

Election of Directors

- ▶ Terry O'Brien
- ▶ Peter Margin

Terry O'Brien

- ▶ Total Votes – 106,775,720 (49.63%)
- ▶ For– 103,688,162 (97.11%)
- ▶ Open– 2,250,599 (2.11%)
- ▶ Against– 836,959 (0.78%)



Peter Margin

- ▶ Total Votes – 106,765,666 (49.62%)
- ▶ For– 104,213,081 (97.6%)
- ▶ Open– 2,255,935 (2.11%)
- ▶ Against– 296,650 (0.28%)



Retiring Directors



Richard Parbery



Jeff Odgers



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