ASX ANNOUNCEMENT

FY2021 FINANCIAL RESULTS

STRONG PERFORMANCE FOLLOWING TRANSFORMATIONAL ACQUISITION

FY2021 Full Year Result

Bega Cheese Limited (ASX: BGA) has announced its full year audited results for the financial year ended 30 June 2021, a year in which it completed a transformational acquisition which expanded its branded foods portfolio, increased its exposure to and gained market share in growth categories and added significantly to its consumer goods supply chain and organisational capability.

Bega Cheese generated normalised earnings before interest, depreciation and tax (EBITDA) of $141.7 million in FY2021, 38% higher than the prior year and sales revenue of $2.07 billion, with a net debt of $324.9 million and an adjusted net debt/normalised EBITDA leverage ratio of 2.25.

Key Measures	FY2021	FY2020	Change	
	$m	$m	$m	%
Statutory Performance				
Revenue	2,073.4	1,493.2	580.2	39%
EBITDA	182.7	87.8	94.9	108%
EBIT	107.7	42.0	65.7	156%
PAT	72.2	21.3	50.9	239%
EPS (cents per share)	27.3	9.9	17.4	176%
Normalised Performance				
EBITDA	141.7	103.0	38.7	38%
EBIT	68.8	57.2	11.6	20%
PAT	39.6	31.9	7.7	24%
EPS (cents per share)	15.0	14.9	0.1	1%
Working capital	217.5	93.6	123.9	132%
Net debt	324.9	231.2	93.7	41%
Leverage ratio (times)	2.25	2.35	-0.10	-4%

Reflecting on the result, Executive Chairman Barry Irvin said “The importance of consistent strategy and strong values is never more evident than in times of uncertainty. Our capacity to be agile and change, while remaining confident in the core direction and strategy was again tested and on display in FY2021 as we executed the acquisition of Lion Dairy and Drinks. We continue to adapt our business to operate in a COVID-19 safe manner and respond to changing customer and supplier requirements.”

The $528 million acquisition of Lion Dairy and Drinks, mostly funded by a $393 million net capital raise, saw Bega Cheese more than double in size in terms of both annualised revenue to approximately $3.0 billion, and employees to over 4,000, expand its cold chain distribution network to now be one of the largest in the country, and significantly increase its proportion of sales from branded products from 59% to in excess of 80%.

Strong farm gate relationships along with the flexibility of a globally competitive supply chain helped navigate fluctuations in demand for product and a competitive market for milk supply.

"Our people have, over the past year, continued to respond with agility, passion and dedication to the needs of customers, the community and the business, developing innovative solutions to new challenges and ensuring that our much-loved iconic branded products continued to reach both supermarket shelves and the hands of consumers - despite the challenges of the COVID-19 pandemic" Mr Irvin said.

In addition to the acquisition of Lion Dairy and Drinks Bega Cheese completed and implemented the recommendations of an operational review, successfully concluded two long-running legal disputes, responded to the termination of service and access arrangements at the nutritional powder and canning facility in Derrimut and expanded its branded product offering in growth categories with new product launches.

Bega Cheese experienced a softening in demand for infant formula during the year due to changes in the Chinese market created by shifts in customer preferences and a weakened Diagou channel. This drop in demand was recognised by the business and mitigating initiatives have been implemented to reduce the financial impact whilst still retaining the capability to service customers in the future.

Capital management and reduction in leverage ratio

Bega Cheese had consolidated debt of $325 million as of 30 June 2021, compared to $231 million at 30 June 2020, an increase of $94 million. The movement in net debt arose mainly from $125 million of net proceeds from borrowings to partially fund the acquisition of Lion Dairy and Drinks, capital and software investment. The increase was offset by operating cash inflows of $111.4 million.

Bega Cheese reduced its normalised EBITDA to net debt leverage ratio from 2.35 times to 2.25 times, well within year end bank covenants of 3.0 times, and expects its leverage ratio to continue to trend favourably throughout FY2022.

Final FY2021 dividend – 5.0 cents per share

Bega Cheese announced a final fully franked dividend of 5.0 cents per share for FY2021, taking the total dividend for the year to 10.0 cents per share amounting to $30.2 million which compares to 10.0 cents per share and $21.4 million for FY2020. The record date for the dividend is 2 September 2021. The final dividend will be paid on 24 September 2021. The dividend reinvestment plan will be activated for this dividend with the pricing period commencing 2 September 2021, ending on 8 September 2021.

Bega Cheese will continue to focus on cash management throughout FY2021 having regard to its planned capital expenditure program and objective of further debt reduction.

Unlocking value and investing for the future

Following a year of transformational change in FY2021, Bega Cheese will continue to focus on unlocking value through growth of the combined complementary portfolios of branded products in domestic and export markets, by achieving costs synergy benefits from the Lion Dairy and Drinks acquisition in the year ahead, and carefully manage the supply of milk which is set to remain competitive through FY2022.

While COVID-19 continues to impact employees and communities both in Australia and internationally, Bega Cheese constantly looks for better ways to ensure the wellbeing of its people and the availability of its much-loved brands to consumers and reports that capital investment in the year ahead will focus on capacity, product innovation, safety, and further efficiency.

CEO Paul van Heerwaarden said “Strategic acquisition, product innovation and disciplined capital management have over the past year accelerated our progress towards the goal of becoming the Great Australian Food Company. Investment in our people, products, processes, communities and supplier relationships will bring us even closer to achieving that vision as we continue to develop a business for the future, whilst navigating the challenges of today.”

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