



ASX ANNOUNCEMENT

Half Year 2023 Results Highlights Presentation

I enclose the Half Year 2023 Results Highlights Presentation to be discussed on the Half Year Result 2023 Conference Call scheduled for 11:00am today.

23 February 2023

For further information please contact

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1H FY2023 Results Presentation

23 February 2023

creating great food for a better future

Barry Irvin
Executive Chairman



KEY MESSAGES

- Challenging year with solid foundations in place for FY2024
- 1H FY2023 Net Revenue of \$1.68b is up 11.1% compared to the prior year
 - Majority of pricing taken in 1H with residual price and mix benefits in 2H
 - Price and mix improvements expected to offset cost inflation on monthly run rate by end of FY2023
 - Double-digit price increases did not materially impact consumption in 1H
- Exit Vitasoy JV with \$51m received on Feb 13; will continue to be involved in plant based sector with good progress being made on new opportunities following exit from JV
- Statutory EBITDA of \$71.6m and normalised EBITDA of \$74.6m lower than prior year first half
 - Time of price increasing lagged significant cost increases
 - Spreads category continues to grow and perform well
 - Very strong results from the Bulk Dairy Ingredients segment in 1H
- Consolidation of footprint with transition of Canberra milk processing into Penrith
- Leverage ratio of 2.7, inventory value increase reflecting higher farm gate milk price and spring milk intake
 - Higher interest costs impacting profit after tax in FY2023
- Farm gate milk competition remains elevated with further reduction in supply



PERFORMANCE HIGHLIGHTS

Net revenue

1H FY2023

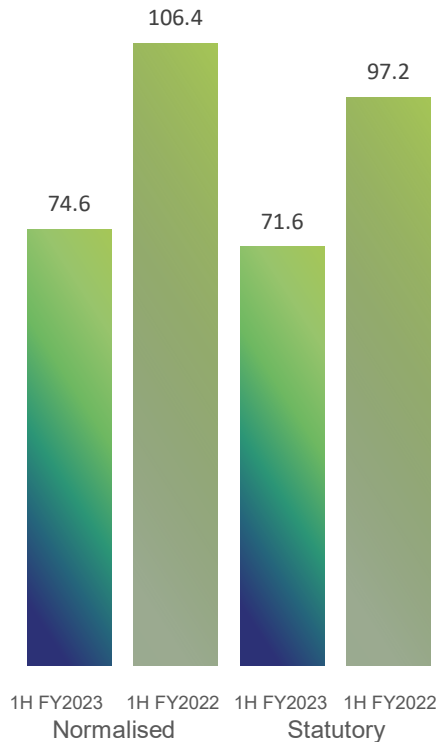
\$1.68 billion

1H FY2022

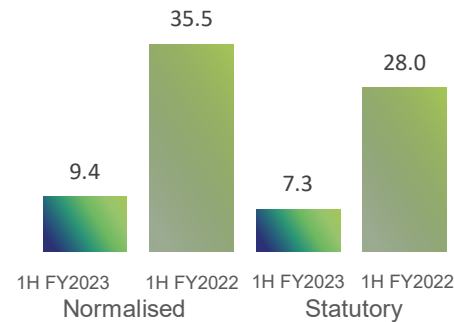
\$1.51 billion

11% Net Revenue growth includes 4% growth in branded volumes compared to the prior year

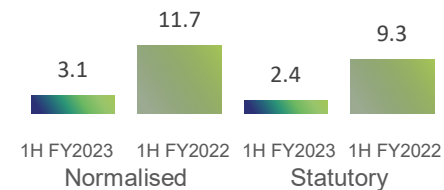
EBITDA (\$ million)



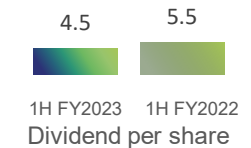
Profit after tax (\$ million)



Basic earnings per share (cents)



Total dividend per share (cents)



OUR PURPOSE



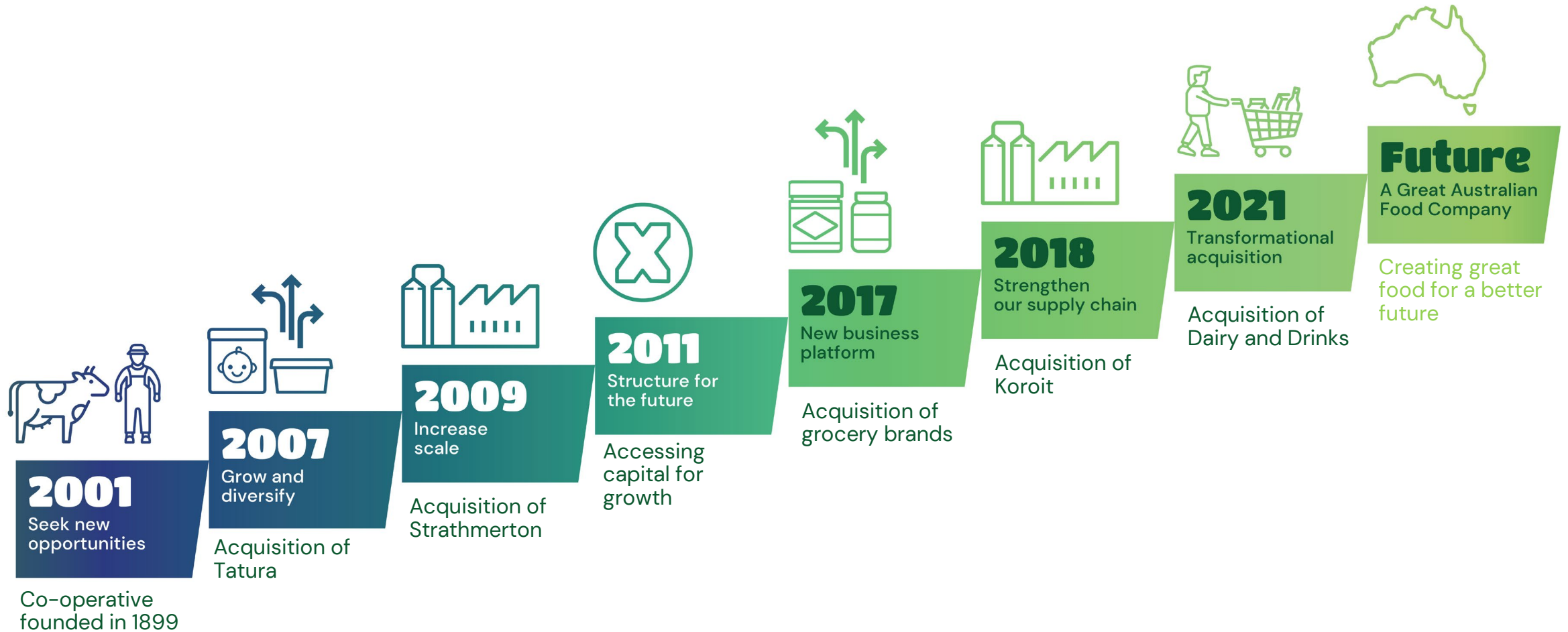
*creating great food
for a better future*

Our purpose helps connect our people, customers, consumers, suppliers and the communities in which we operate. It helps guide strategy and decision-making and informs our values and behaviours.

We are proud of our heritage as an iconic Australian business with strong connections to agriculture and a passion for creating great food.

To deliver on our purpose for consumers we must anticipate consumer needs and food trends. The recent product launches featured in this report showcase how we innovate products to create great food for a better future.

OUR TRANSFORMATION



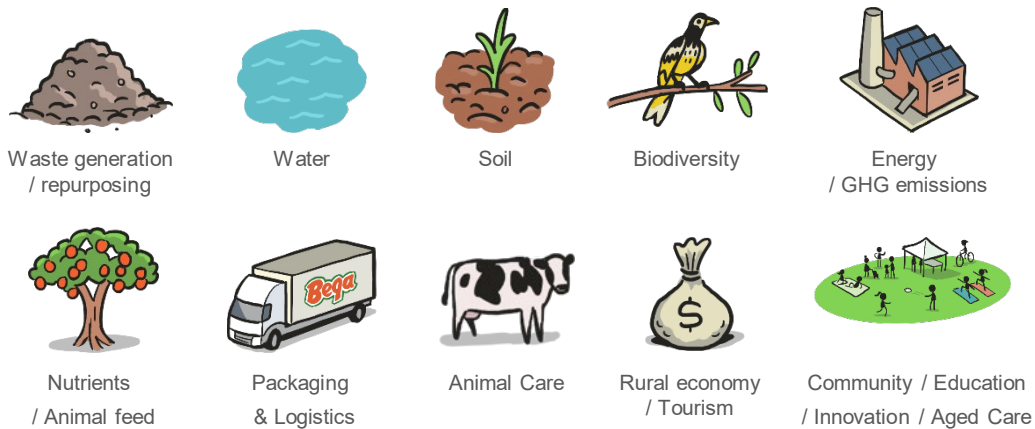
SUSTAINABILITY AND THE CIRCULAR ECONOMY

Bega Cheese carbon target

Scope 1 and 2 emissions targets established in support of Paris Agreement goals:

- 50% reduction in emissions intensity by 2030
- 40% reduction in absolute emissions by 2030
- Net zero emissions by 2050

Circularity in the Bega Valley



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Pete Findlay
CEO

Gunther Burghardt
CFO



INNOVATION AND GROWTH IN CONSUMER BRANDS

Investing behind our core brands






















- Significant price realisation across all brands and categories
- Front weighted marketing investment to support brand equity and volumes
- Accelerated growth in food service
- Progression of brand led sustainability initiatives

Expanding the portfolio in high growth adjacencies

- Continued support of new product offers across lactose free, higher protein, added probiotics, and reduced sugar
- Expansion of the culinary portfolio with Cooking Cream
- Expanding and leveraging the Bega brand with the launch of Bega Cream Cheese
- Increasing opportunities associated with the licencing of Vegemite brand



PORTFOLIO OF LEADING ICONIC BRANDS IN GROWTH CATEGORIES

Category	Category size \$m	Category growth	Bega share	Market Position	Brand portfolio
Fresh white milk ^{1, 2}	2,123	7.0%	13%	3	 PURA [®]  
Yoghurt ¹	1,642	9.3%	24%	2	   
Milk based beverages ^{1, 2}	924	8.1%	49%	1	    
Spreads ³	680	4.8%	32%	1	   
Chilled juice ¹	641	7.6%	22%	2	  
Creams and custards ¹	543	6.4%	9%	4	 PURA [®]
Water ice ¹	56	13.8%	80%	1	 

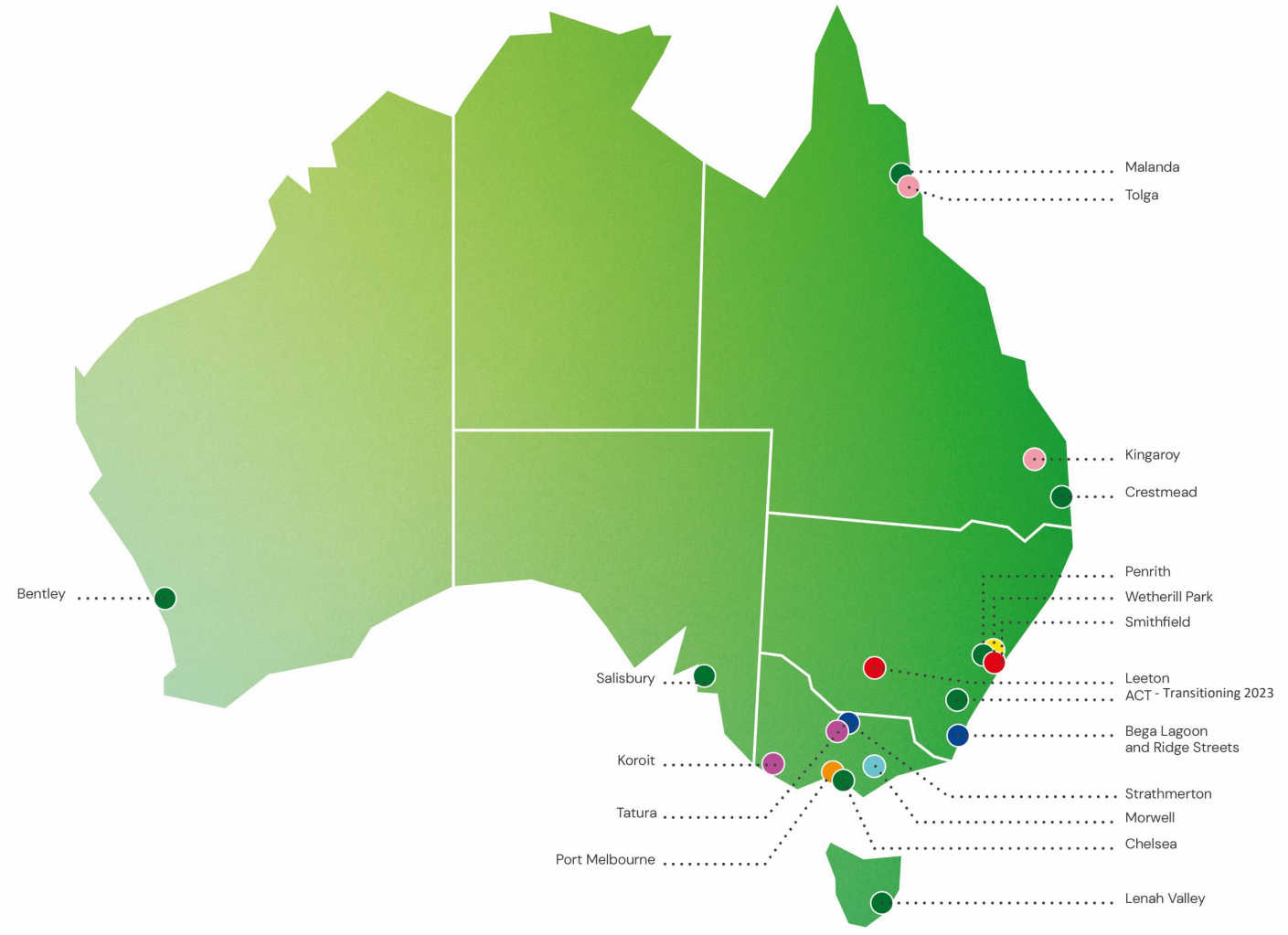
¹ Data extracted from IRI Total Business Scan (AU grocery Unweighted and Structured Convenience) MAT 30 December 2022. (value). Statements in relation to market share data provided by IRI (and Bega's competitive position) are based on outside data sources, assumptions and weightings in combination with management estimates

² Excludes non dairy

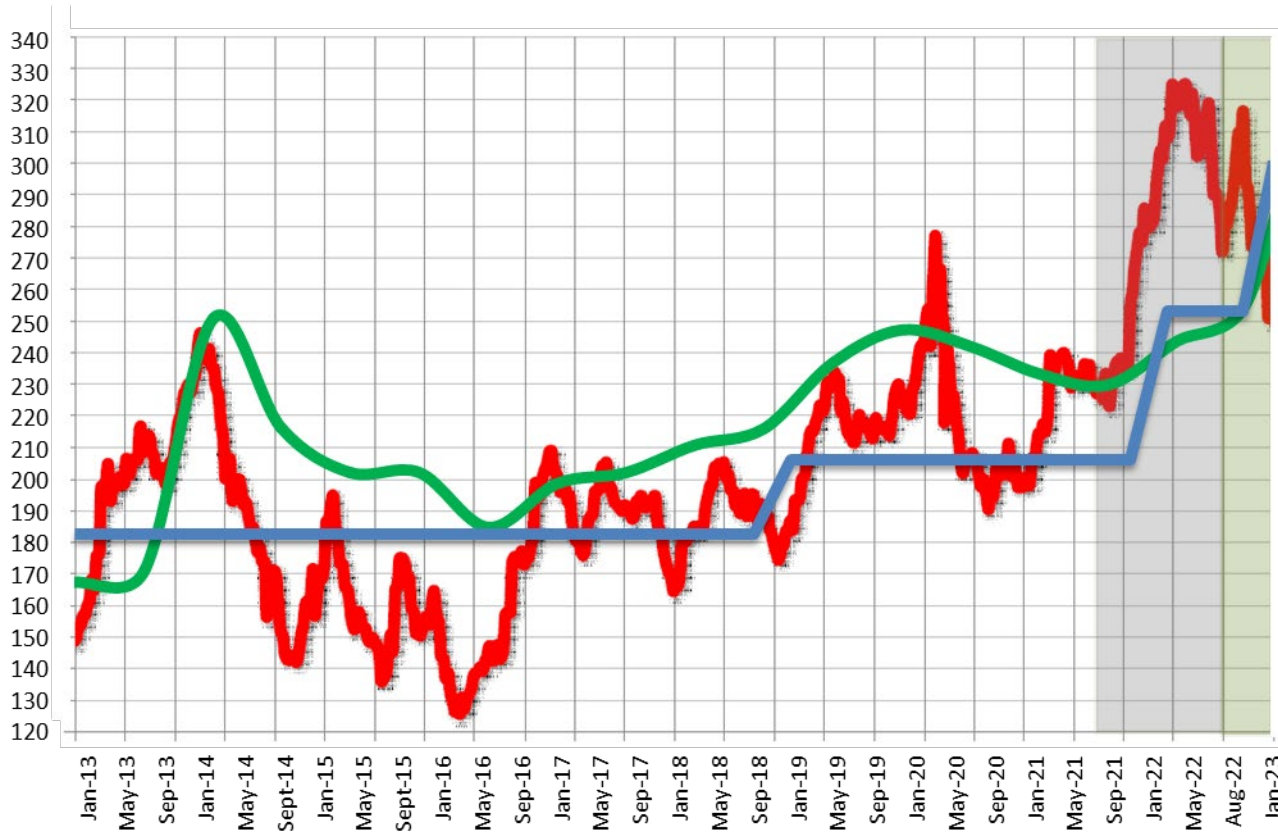
³ Bega calculation based in part on data reported by NielsenIQ through its Scantrack Service for the Spreads category for the 52-week period ending 3 January 2023, for the Total Australia Grocery Channel according to a client defined category and based on value sales. Copyright © 2023, Nielsen Consumer LLC.

MANUFACTURING NETWORK

- 8 White Milk and Milk Based Beverages
- 1 Milk Based Beverages Hub
- 3 Cheese
- 2 Dairy Powder and Fats
- 2 Peanuts
- 2 Juice
- 1 Yoghurt
- 1 Spreads



DAIRY COMMODITY AND FARM GATE MILK PRICES



- Significant increase in global dairy commodity pricing now correcting
- Increases in northern hemisphere milk production in response to historic high prices and a mild European winter
- Global demand impacted by softening demand in Asian markets (lockdowns, affordability)
- Recent reduction in global commodity prices and stability in the Australian domestic market has the potential to improve Bega’s competitive position in farm gate milk pricing in FY2024

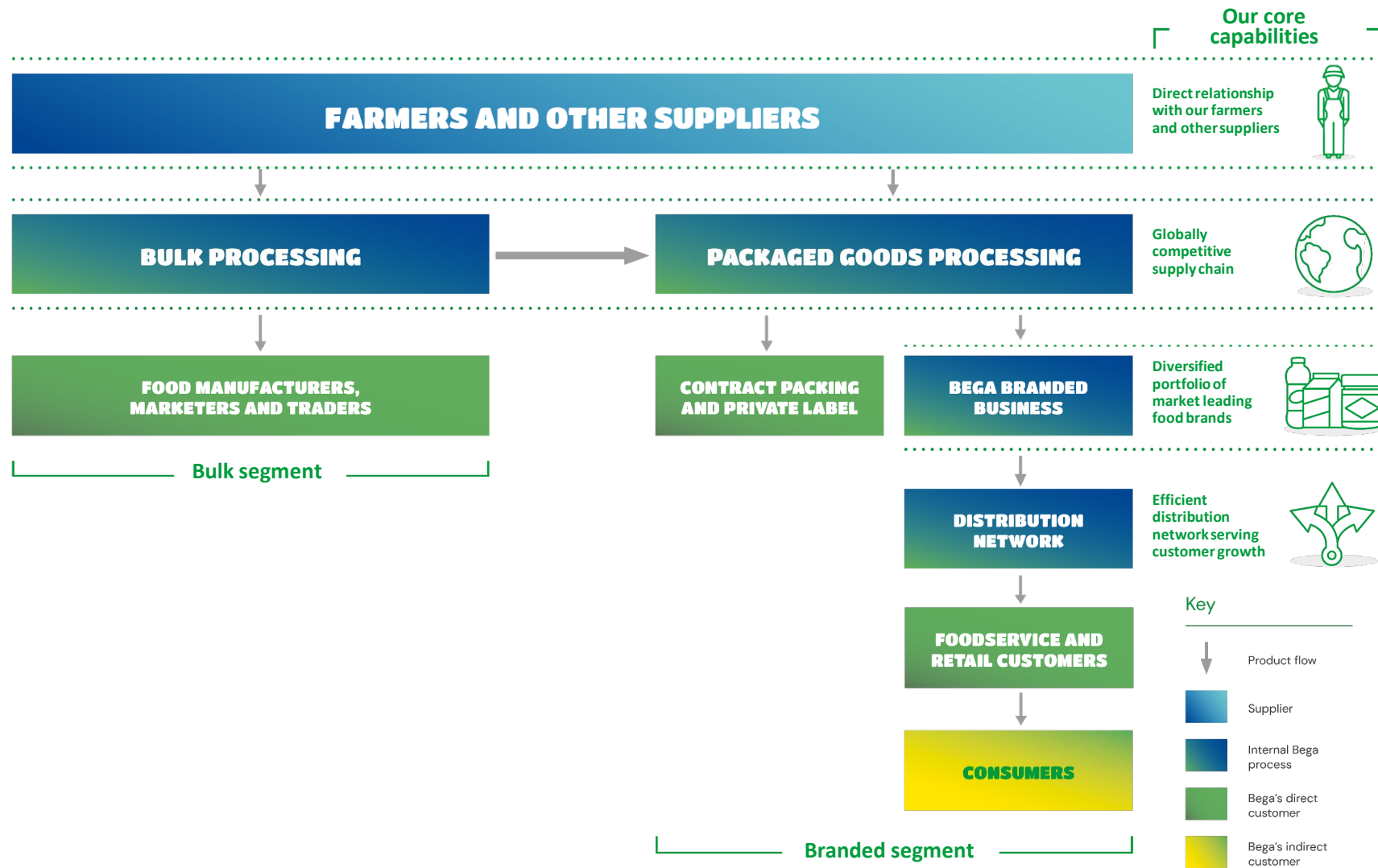
- Export trend index – global commodity prices and Australian currency impact (source: freshagenda)
- Bega Cheese southern farm gate milk price trend
- Major grocers private label milk price index
- FY2022 opening milk price \$7.14 per kg milk solids
- FY2023 opening milk price \$9.55 per kg milk solids

MAJOR INITIATIVES

- Executed unprecedented price changes in the Australian domestic market
- Responded to changes in global dairy commodity and foodservice markets
- Continued capacity rationalisation and processing optimisation
- Maintained CAPEX investments in key sites, efficiency and IT
 - Investments in Wetherill Park sustainable packaging
 - New yoghurt pouch line at Morwell
 - Commencement of new digital sales platform
- Actively assessing footprint opportunities including the Port Melbourne site



OUR BUSINESS MODEL



SEGMENTS

(\$ million)	Branded	Bulk	Unallocated Overheads	Inter-segment elimination	Group Total
Revenue	1,394.2	436.4	-	(155.5)	1,675.1
Growth vs 1H FY2022%	13%	2%	-	-1%	11%
Normalised EBITDA	43.5	49.5	(17.2)	(1.2)	74.6
Increase/(decrease) vs 1H FY2022 EBITDA	(33.7)	13.4	(10.4)	(1.1)	(31.8)

BRANDED

- Sales volume growth across many key categories totalling 4% compared to prior year
- Double digit price increases, albeit lagging cost headwinds impacting short term profitability

BULK

- Lower national milk pool impacting intake and available supply
- Commodity prices and diversity of product portfolio delivered strong profit growth
- Second half impacted by commodity price falls, majority of inventory committed to customers

UNALLOCATED OVERHEADS

- 1H FY2023 increase in overheads relates to investment in IT and digital which will provide benefits in FY2024

RECONCILIATION OF NORMALISED RESULT

Consolidated Period Ending 25 December 2022 (\$ million)	Per Financial Statements	Normalised Items	Normalised Outcome
Revenue	1,675.1	-	1,675.1
Cost of sales	(1,323.4)	-	(1,323.4)
Gross Profit	351.7	-	351.7
EBITDA	71.6	3.0	74.6
Depreciation, amortisation and impairment	(51.6)	-	(51.6)
EBIT	20.0	3.0	23.0
Net finance costs	(9.7)	-	(9.7)
Profit before income tax	10.3	3.0	13.3
Income tax expense	(3.0)	(0.9)	(3.9)
Profit for the period	7.3	2.1	9.4
Basic earning per share - cents	2.4		3.1

- Normalised items largely consist of investment in certain software as a service applications that commenced in FY2022 under a revised accounting policy
- 2H net finance costs expected to be similar to 1H

BALANCE SHEET

	1H FY2023 \$m	FY2022 \$m
Cash	78.6	44.9
Trade and other receivables	316.6	274.7
Inventories	414.5	317.6
Property, plant and equipment	834.8	844.0
Right of use assets	104.4	109.9
Intangible assets	581.4	588.1
Total Assets	2,510.4	2,358.8
Trade and other payables	(532.9)	(449.2)
Borrowing (net of costs)	(398.7)	(308.5)
Lease liabilities	(110.3)	(114.3)
Total Liabilities	(1,257.3)	(1,096.4)
Net Assets	1,253.1	1,264.4
Net Debt	(321.4)	(265.1)

- Trade receivables higher from price increases and key seasonal sales period leading into half year end
- Inventory higher from seasonal inventory build and higher cost of inputs and farm gate milk
- Trade payables higher from cost increases and extension of payment terms
- Net debt higher due to seasonal increased working capital requirements

CASH FLOW

	1H FY2023 Dec \$m	1H FY2022 Dec \$m
Receipts from customers	1,772.4	1,688.1
Payments to suppliers and employees	(1,807.1)	(1,696.2)
Net from Trade Receivables Facility	42.7	46.7
Net interest and other costs of financing paid	(9.7)	(6.0)
Income tax paid	(8.8)	(4.0)
Operating activities	(10.5)	28.6
Investing activities	(20.1)	(24.4)
Net proceeds from borrowings	90.0	(13.0)
Dividends paid to shareholders	(14.4)	(13.2)
Financing activities	64.3	(40.0)
Net increase/(decrease in cash and cash equivalents)	33.7	(35.8)

Operating activities

- Increase in receipts and payments reflect inflationary environment
- Additional utilisation of TRF (Trade Receivables Facility) due to higher milk prices and seasonal inventory build
- Higher interest rates impacting financing costs

OUTLOOK

- The annualised benefits of price and mix initiatives actioned during FY2023, as well as strong efficiency programs, give us confidence that Bega will see an increase in EBITDA in FY2024
- Synergy opportunities as we complete the integration of recent acquisitions will further enhance earnings in FY2024 and beyond
- Maintaining FY2023 earnings guidance at the lower end of the range attributable to timing of price increases relative to cost inflation at the beginning of FY2023 and a reduction in commodity prices in recent months



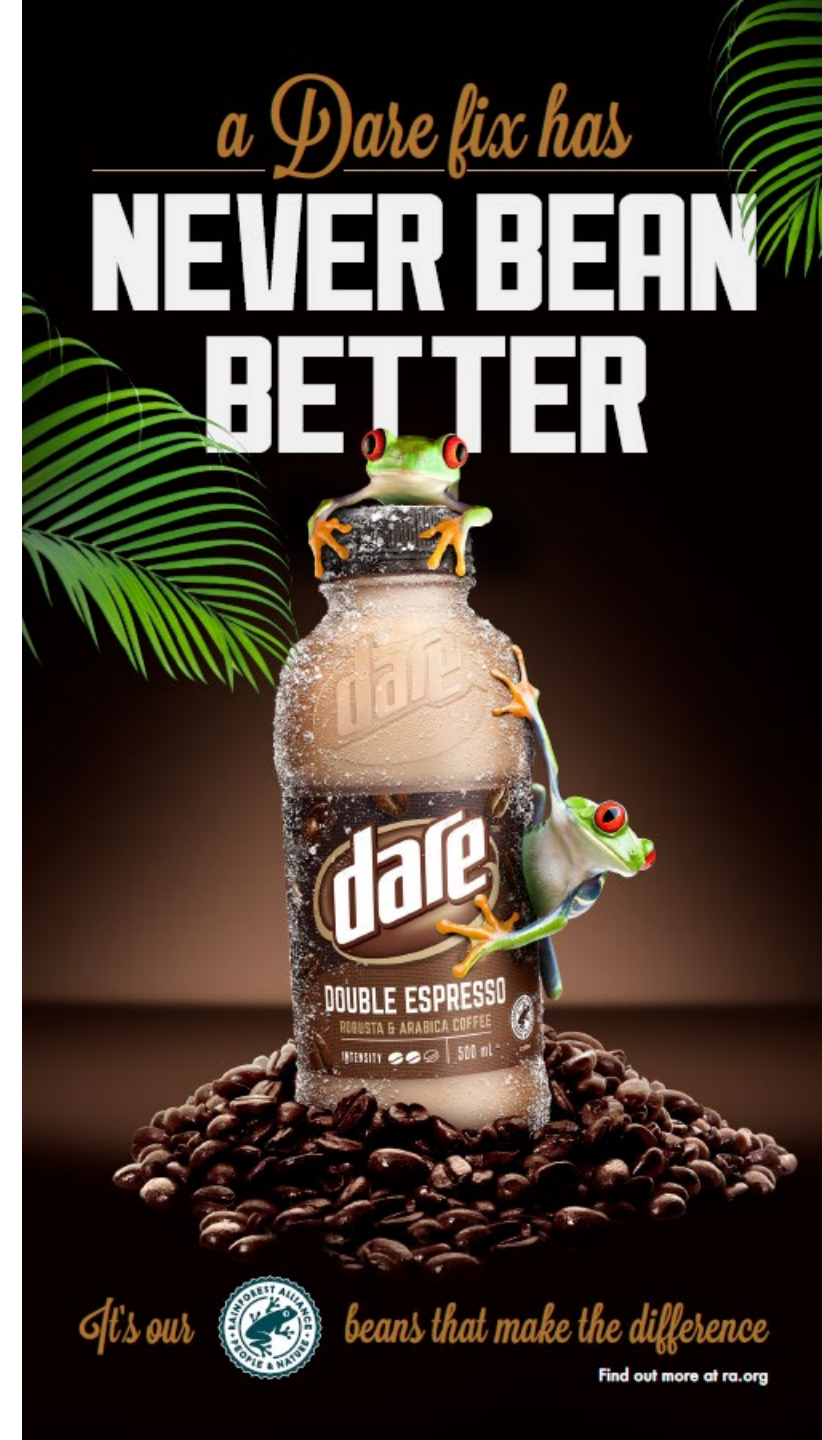
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WHERE ARE WE TODAY

- Strong underlying brand revenue and volume growth
- Step change in Australian domestic dairy pricing
- Significant cost increases late in FY2022 and throughout FY2023 are being appropriately reflected in the Australian market
- Further opportunities in business efficiencies and cost out programs
- Integrated dairy commodity business providing flexibility and risk mitigation
- Continued growth and good performance in spreads category
- Executing sustainability and circularity initiatives
- Industry capacity rationalisation continues with initiatives at Bega and externally
- Opportunities for further industry rationalisation
- Well positioned for improved business performance in FY2024





Questions?

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