



## MEDIA RELEASE

### 1H FY2023 FINANCIAL RESULTS

Bega Cheese Limited (ASX: BGA) released its interim report for the half-year ended 25 December 2022. In a challenging 1H FY2023 profitability in the Dairy and Drinks Branded business was lower than the prior year as the timing of price increases in the Australian market lagged significant farm gate milk price rises and other cost inflation. The result reflected the importance of the diversity of the Group with continued growth and strong performance in the spreads category and bulk dairy ingredients performing well. Group revenue rose by 11%, including 4% volume growth in our Branded segment demonstrating customer loyalty and continued strong demand for our brand portfolio.

Key Measures	1H FY2023	1H FY2022	Change	
	\$m	\$m	\$m	%
<b>Statutory Performance</b>				
Revenue	1,675.1	1,507.2	167.9	11%
EBITDA	71.6	97.2	-25.6	-26%
EBIT	20.0	42.5	-22.5	-53%
PAT	7.3	28.0	-20.7	-74%
EPS (cents per share)	2.4	9.3	-6.9	-74%
<b>Normalised Performance</b>				
EBITDA	74.6	106.4	-31.8	-30%
EBIT	23.0	51.7	-28.7	-56%
PAT	9.4	35.5	-26.1	-74%
EPS (cents per share)	3.1	11.7	-8.6	-74%
Working capital	198.2	250.5	-52.3	-21%
Net debt	321.4	328.6	-7.2	-2%
Leverage ratio (times)	2.7	2.2	0.5	

#### Performance Overview

In 1H FY2023 the Group generated statutory earnings before interest, tax, depreciation and amortisation (EBITDA) of \$71.6 million, a decrease on the prior comparative period of \$25.6 million or 26%. The normalised 1H FY2023 EBITDA of \$74.6 million decreased compared to the normalised prior comparative period by \$31.8 million or 30%. Normalised items in the current period largely include the expenses to complete the development of Software as a Service applications that commenced in FY2022.

The Group's revenue exceeded \$1.6 billion, an increase of 11% on the prior year. Double digit growth in the Branded segment of 13% reflects significant price increases and volume growth. Bega expects that price and mix initiatives will offset cost inflation on a monthly run rate basis by the end of FY2023 and the full benefits of those increases will be realised in FY2024. Revenue in the Bulk Dairy Ingredients business grew 2% benefitting from high dairy commodity prices but limited by lower milk availability. The return from high dairy commodity prices increased Bulk profitability compared to the prior year, although this benefit is expected to moderate in 2H FY2023.

Key priorities and business initiatives for the remainder of FY2023 and beyond include execution of further pricing and margin mix initiatives, continued optimisation of manufacturing and logistics capability, further investment in brands, markets and new product capabilities, progressing sustainability and circularity initiatives and maintaining a strong balance sheet.

### **Milk supply**

The Group has been impacted by significant inflationary cost pressure including elevated prices for farm gate milk reflecting strong global dairy commodity prices in calendar year 2022. In 1H FY2023 these cost pressures exceeded the level of price realisation that could be achieved in the Australian domestic market due to the lagged impact of price increase realisation. Prices in the Australian market now reflect the significant change in farm gate milk pricing that occurred on 1 July 2022.

Despite a historically strong farm gate price, milk supply across Australia declined in the first half of FY2023 by 7%. The industry has been impacted by low labour availability, extensive flooding in some regions, high land prices and the attraction of high prices in other agricultural commodities such as beef. Some of these milk production headwinds are expected to moderate in 2H FY2023 and FY2024.

### **Vitasoy Australia divestiture**

On 13 February 2023, National Foods Holdings Limited (NFHL) a wholly owned subsidiary of Bega Cheese Limited sold its 49% shareholding in Vitasoy Australia Products Pty Ltd (Vitasoy Australia) to Vita International Holdings Limited for \$51 million. The sale occurred following Vita International exercising a call option right in accordance with the Vitasoy Australia Shareholders Agreement. The Group recognises the market importance of plant-based beverages and products and has made good progress on opportunities in the sector following the exit from the joint venture.

### **Capital management and leverage ratio**

The Group had consolidated net debt of \$321.4 million as of 25 December 2022, compared to \$328.6 million at 26 December 2021, a reduction of \$7.2 million. The Group's normalised EBITDA to net debt leverage ratio increased from 2.2 times to 2.7 times largely due to lower normalised EBITDA as well as the higher cost of spring milk receipts in inventory. This ratio remains within the bank leverage ratio covenant of 3.5 times. The leverage ratio is expected to reduce in the full year as seasonal inventory is sold in 2H FY2023.

## **Interim FY2023 dividend – 4.5 cents per share**

The Group announced an interim fully franked dividend of 4.5 cents per share for 1H FY2023. The reduction in the interim dividend reflects reduction in earnings achieved in the first half. The interim dividend will be paid on 23 March 2023. The Dividend Reinvestment Plan will be activated for this dividend.

Ends...

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