ASX ANNOUNCEMENT

FY2023 Financial Results

Brand Strategy Delivers in a Challenging Year

Bega Cheese Limited (ASX: BGA) has announced its full year audited results for the financial year ended 30 June 2023.

The strategic decisions over the past five years to transform into a predominantly branded business played a pivotal role in FY2023 as the Bega Group navigated difficult and rapidly changing conditions while continuing to position the business for future growth.

The Bega Group's iconic brands demonstrated their value, building market share and margin momentum in the second half of the financial year following significant farm gate milk price rises and other cost increases in the first quarter of FY2023. The execution of price increases, cost out programs and a pipeline of new product development strongly contributed to the Branded segment's financial performance particularly in the second half.

The continued decline of milk production in Australia and excess milk manufacturing capacity has created a highly competitive milk procurement environment and a disconnection between returns received from internationally traded commodity markets and Australian farm gate milk price. These circumstances are expected to continue for some time and have resulted in a non-cash impairment and a strategic decision to right size some of the Bega Group's commodity assets.

The Group achieved revenue of $3.4 billion for the year, up 12% on the prior year, closing the year with net debt of $203.6 million, a reduction of 23% on FY2022, and a reduced leverage ratio of 1.6 times.

The Bega Group's statutory EBITDA was $144.1 million with a loss after tax of $229.9 million which was significantly impacted by non-cash after tax asset impairment of $230 million. The Bega Group's normalised EBITDA was $160.2 million with a profit after tax of $28.5 million.

Key Measures	FY2023	FY2022	Change	
	$m	$m	$m	%
Statutory Performance				
Revenue	3,376.0	3,009.9	366.1	12%
EBITDA	144.1	149.9	(5.8)	-4%
EBIT	(233.7)	46.2	(279.9)	-606%
PAT	(229.9)	24.2	(254.1)	-
EPS (cents per share)	(75.6)	8.0	(83.6)	-
Normalised Performance				
EBITDA	160.2	180.1	(19.9)	-11%
EBIT	58.3	76.4	(18.1)	-24%
PAT	28.5	46.3	(17.8)	-38%
EPS (cents per share)	9.4	15.2	(5.8)	-38%
Working capital	224.8	143.1	81.7	57%
Net debt	203.6	265.1	(61.5)	-23%
Leverage ratio (times)	1.6	1.8	(0.2)	-11%

Reflecting on the result, Executive Chairman Barry Irvin said “The non-cash impairment of our bulk commodity assets is reflective of industry circumstances and reinforces the importance of our strategy to transform to a predominantly branded business. The right sizing of our commodity assets and their further integration with our branded business creates a great platform for the support and growth of our brands while maintaining the capability to respond to changing market circumstances.”

Outlook

In late June the Bega Group announced a restructure and simplification program to accelerate the final phase of its transition to an integrated, predominantly branded business.

The Bega Group is confident of continued momentum in the branded business with the majority of profit for FY2024 being derived from the Branded segment. The Bulk segment of the business continues to be challenged with Australian farm gate milk prices remaining disconnected from dairy commodity returns. The Bega Group expects financial performance to be relatively flat in FY2024 with an expected normalised EBITDA range of $160 to $170 million and a more positive outlook in the medium term.

CEO Pete Findlay said, “The Bega Group’s combination of leading iconic brands, strategically located milk processing and more flexible manufacturing capacities supported by an extensive cold chain distribution network remains a significant strength of the business. Over the next five years our strategy will deliver great opportunities for business growth, improved financial performance and value creation for our shareholders with the ambition of a $250+ million normalised EBITDA outcome and a ROFE of 10%+ within that timeframe.”

Capital management and reduction in leverage ratio

The Bega Group had consolidated net debt of $203.6 million as of 30 June 2023, compared to $265.1 million at 30 June 2022, a reduction of $61.5 million. The significant reduction in net debt arose from cash inflows from the sale of 1 Vegemite Way, Port Melbourne and the sale of the company's interest in the Vitasoy Joint Venture. Bega further reduced its normalised EBITDA to net debt leverage ratio from 1.8 to 1.6 times.

Final FY2023 dividend – 3.0 cents per share

The Bega Group announced a final fully franked dividend of 3.0 cents per share for FY2023, taking the total dividend for the year to 7.5 cents per share, or $22.8 million. The final dividend will be paid on 21 September 2023. The dividend reinvestment plan will be activated for this dividend.

Ends…

24 August 2023

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