



ASX ANNOUNCEMENT

Half Year 2024 Results Highlights Presentation

I enclose the Half Year 2024 Results Highlights Presentation for the Bega Group (ASX:BGA) to be discussed on the Half Year Result 2024 Conference Call scheduled for 11:00am today.

22 February 2024

For further information please contact Brett Kelly
Company Secretary
Bega Cheese Limited
02 6491 7777
www.begagroup.com.au



1H FY2024 Results Presentation

22 February 2024



Barry Irvin
Executive Chairman

Welcome

OUR PURPOSE IS...

CREATING GREAT FOOD FOR A BETTER FUTURE

OUR VISION IS...

TO BECOME THE GREAT AUSTRALIAN FOOD COMPANY

OUR VALUES



GROW
our people



PASSION
for the customer and consumer



INVEST
in our future



SUPPORT
each other

OUR BEHAVIOURS ARE OUR VALUES IN ACTION

BE CARING
"We look out for each other"

BE INCLUSIVE
"We all belong"

BE OPEN
"We embrace change"

BE COURAGEOUS
"We think big and back ourselves"

BE COLLABORATIVE
"We achieve greater outcomes together"

BE COMMITTED
"We own it and deliver it"

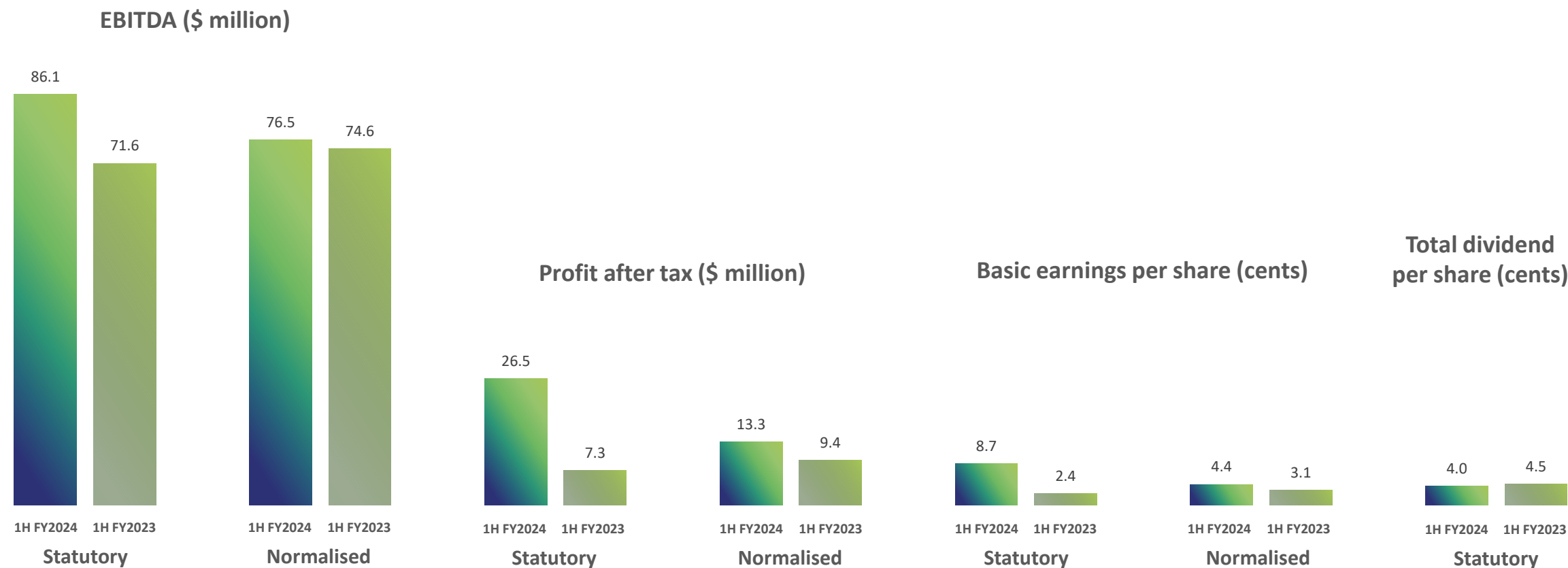


Key messages

- Strong Branded performance in 1H FY2024
- Bulk business significantly impacted by farm gate milk price disconnect to global dairy commodity prices
- More stable milk supply conditions
- Business and organisational restructure successfully implemented
- Continued refinement of Branded assets and footprint
- Financial performance
 - Revenue growth of 3.2% to \$1.73b
 - Group 1H FY2024 normalised EBITDA of \$76.5m improved +\$1.9m compared to 1H FY2023
 - Statutory NPAT of \$26.5m, normalised NPAT of \$13.3m
 - Leverage ratio improves to 1.9x from 2.7x in 1H FY2023



Performance highlights



creating great food for a better future

Pete Findlay
CEO

Gunther Burghardt
CFO





VISION: To become 'The Great Australian Food Company'

PURPOSE: *creating great food for a better future*

5 YEAR HORIZON: Focus & Simplify

Secure solids

Grow and diversify the supply of milk solids to support Branded growth and plant efficiency.

Protect and grow the core

Grow our core domestic grocery business.

Win on the street

Improve our competitiveness at a regional, local and national level outside key grocery by leveraging our distribution and product capability.

Streamline our sites

Optimise our footprint and maximise consolidation opportunities.

Sustainability

Meet our commitments to environment, social and governance (ESG).

International opportunity

Focus and grow our international business.

VALUES:

GROW
our people

PASSION
for the customer
& consumer

INVEST
in our future

SUPPORT
each other

Execution of strategy – focus and simplification

- **Strong Branded performance in 1H FY2024**
 - Focus on innovation and expansion of core growth categories
 - Brand loyalty has remained strong despite inflationary environment
 - Pipeline of efficiency and optimisation projects in place
- **Bulk business performance behind previous year but above expectation**
 - Disconnect between farmgate milk and global dairy commodity prices impacting Bulk business
 - Global dairy commodities improving in Q2 after reaching lows in Q1
 - Strong focus on cost and agility in our Bulk operations
- **Business and organisational restructure successfully implemented**
 - Savings being realised from November
 - Capability and focus aligned with strategic plan
- **Continued refinement of Branded assets and footprint**
 - Acquisition of Betta Milk business and consolidation of capacity to Hobart
 - Sale of Canberra site and consolidation of volumes to Penrith



Execution of strategy – focus and simplification

- **Brand growth and innovation**
 - Kids snacking in yoghurt
 - Milk based beverage extensions
 - Building share in lactose free white milk
 - Vegemite 100th birthday celebrations
- **Optimisation of chilled distribution network**
 - Implementing digital sales platform
 - Commenced distribution centre automation
 - Commenced substantial review of customer service proposition and cost to serve
- **Bulk segment agility**
 - Cost reduction projects in Bulk business underway whilst still retaining product capability
 - Strategies in place to optimise value from protein surplus generated by Branded business
 - Third party manufacturing opportunities for dairy and non-dairy being expanded
 - Global supply restrained leading to improvement in commodity markets



Macro consumer trends

Demographics are changing



Food needs are changing



What is important is changing



Lifestyles are changing



Great categories

In growing categories bought by all Australian families

- **Everyday** categories
- **Defensive characteristics** with resilience through economic cycle
- **Growth opportunities** even with high penetration
- Focused on **higher return, higher growth** categories
- **Positive** on white milk category

Grocery and Convenience category	Retail Sales Value \$m	Category Growth annual value	Total Household Penetration
Milk Based Beverages	\$979	10.8%	54.3%
Yoghurt	\$1,831	11.5%	90.7%
Spreads	\$724	5.6%	93.5%
Fresh White Milk	\$2,218	7.7%	87.1%
Chilled Juice & Drinks	\$665	3.7%	59.2%
Creams & Custards	\$636	16.6%	88.3%
Water Ice	\$67	19.5%	29.1%

Source: Circana scan data to 14/01/2024; Circana IHP date to w/e 08/10/23

Note: this shows grocery and convenience information only. It does not include independent sales, food service customers, or international sales.

Our power brands



- Founded in 1900, the Dairy Farmers brand is our largest trademark with over \$700m RSV, playing across white milk, yoghurt and culinary.
- Providing ultimate mental clarity, Dare is almost a half a billion-dollar RSV brand holding 47.6% value share of Iced Coffee in Grocery and 55.8% value share in Convenience.
- Providing positive nutrition, PURA is a trusted brand with more than 80 years of milk expertise. A leading brand in VIC and SA, with presence in TAS. Mainstream appeal, weighted to older consumers.
- An icon of SA with 52% market share of Iced Coffee in Grocery and the #1 selling SKU in total Yoghurt. Farmers Union is a \$213m RSV brand across the market.
- Australia's #1 selling yoghurt, and in more Aussie households than any other yoghurt brand. Yoplait was the first branded offer in Australia launching in 1982 and is now valued at \$172m RSV.
- The Bega brand turns 125 this year and is Australia's largest cheese and peanut butter brand. Bega Peanut Butter is Australia's favourite traditional peanut butter with a 76.4% market share.
- VEGEMITE is one of Australia's most iconic brands and is 100 years young with the brand celebrating its centenary this year. VEGEMITE is #1 in the yeast spreads category, with 91.2% share and \$81.6M RSV.
- Daily Juice is Bega's key mainstream juice brand with \$69.5m in RSV and holding 11.7% share of the total chilled juice Grocery market.

























Our **top 8 brands** contribute 72% of branded revenue



Market leading brands

- **Iconic Australian brands** with enduring appeal
- **Strong market positions**
- Covering **essential consumer items** to discretionary purchases
- **Widely available and accessible** for most Australians

Source: Circana scan grocery data MAT to 14 January 2024
 Note: this shows grocery information only – Coles, Woolworths, IGA. It does not include independent sales, food service customers, or international sales.

Grocery Category	Bega Market Share (value)	Bega Market Position	Bega Brands
Milk Based Beverages	51%	1	    
Yoghurt	25%	1	  
Spreads	30%	1	   
Fresh White Milk	11%	3	   
Chilled Juice & Drinks	21%	2	  
Creams & Custards	9%	4	  
Water Ice	84%	1	 

Multichannel strategy

Grocery



Supermarkets

coles

Woolworths 



COSTCO

Non-Grocery



Convenience



FOODWORKS
Supermarket



coles
express



Foodservice and Local Trade



THE
COFFEE
CLUB®


Ramsay
Health Care

BOOST

 Cabrine

 SPOTLESS

Win on the Street

Market leading distribution network



Scale – ~3,200 truck loads per week and ~850 mil Bega litres annually



Network – Unparalleled connectivity between metropolitan, satellite and regional Australia with 133 chilled depots and distribution centres



Reach – Capability to serve majority of Australia's population via large road/rail vehicles through to small route trucks and coastal freight.



Unmatched Service & Quality Capability – Live temperature and vehicle location tracking data for customers and central control being progressively rolled out across all facilities and fleet



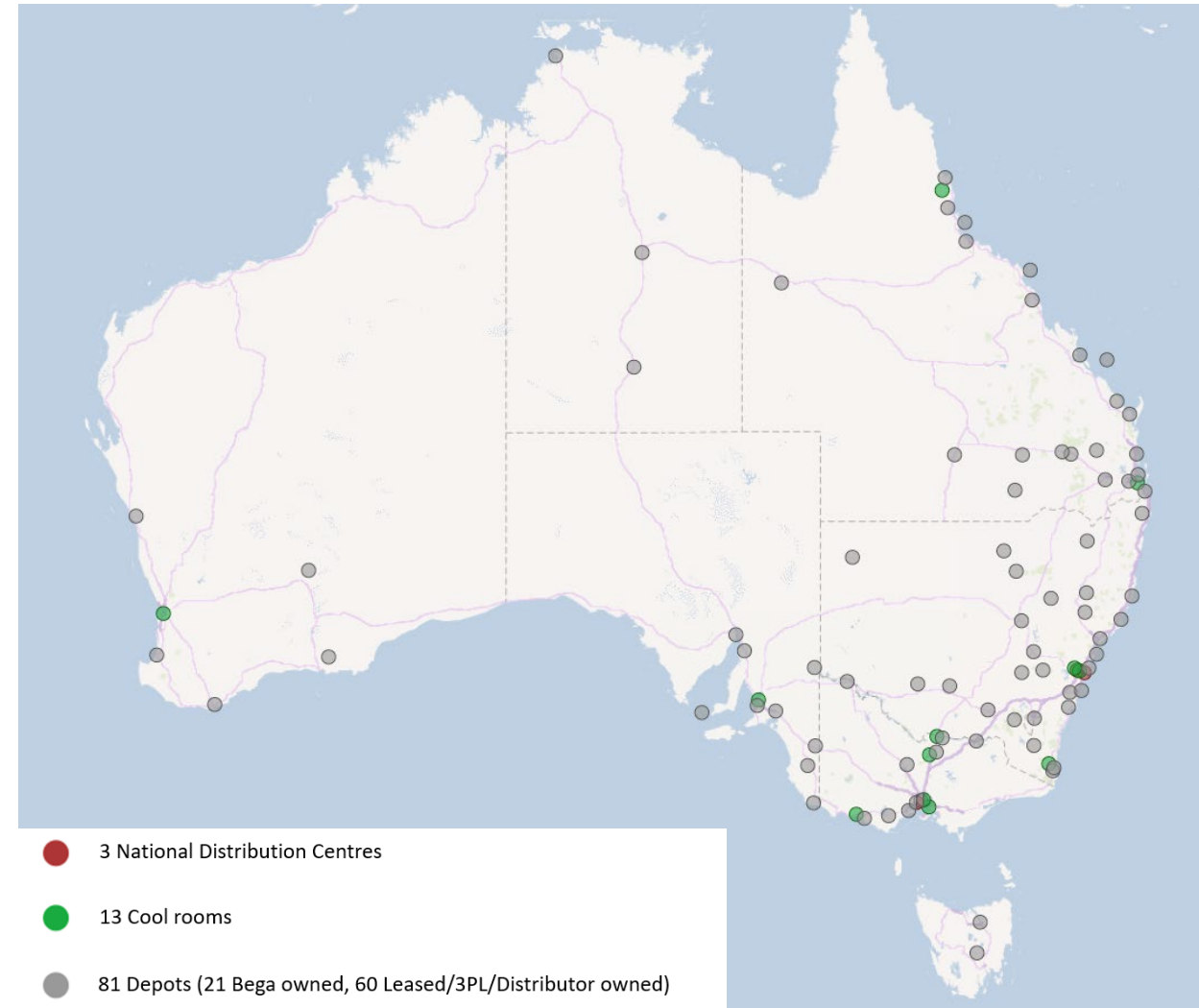
Team – Talented team of logistics professionals that are experts in chilled distribution, relentlessly drive safety & that are empowered to make a difference



Costs – Increasingly competitive cost base with ongoing optimisation that is underpinned by structured transformation program



Further opportunities – National provider in a fragmented industry, becoming a logistics service provider in its own right



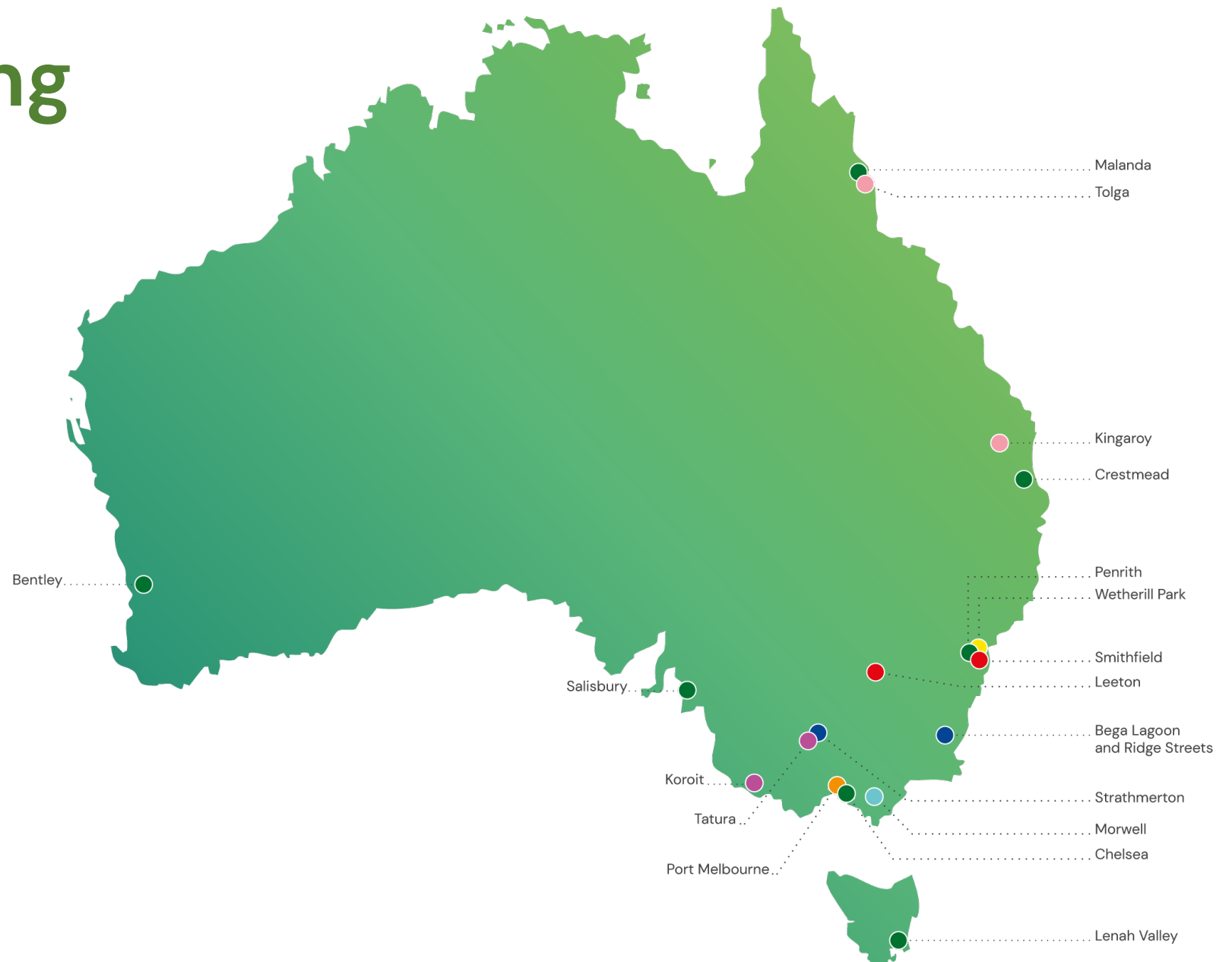
Win on the street

- Currently 79,000 Foodservice outlets in Australia
- Australia's propensity to eat out is amongst the highest in the western world with the breakfast being the highest day part spend
- The Foodservice channel is valued almost on par with 2019 prior to lockdowns
- Dairy is ranked 2nd in volume and 3rd in value
- The Foodservice focus in FY2024 and beyond is in core competencies
- Bega Group's extensive portfolio of brands and products represent a competitive advantage
- Bega Group has over 9,000 fridges in the route and Foodservice channels
- Significant refinement opportunity in our route network with a particular focus on improved customer experience and lower cost to serve

Manufacturing Network

Manufacturing facilities

- 7 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



Farm gate milk price and commodity returns trend

- Global dairy commodities rebounding from Aug 2023 lows in response to contraction in global Supply
- Australian milk supply stable
- Capacity better aligned to current Australian milk supply
- Good seasonal conditions have seen opportunity milk purchases benefit the business
- Optimising Bulk footprint for cost and agility
- New season milk recruitment will be targeted to particular regions according to needs



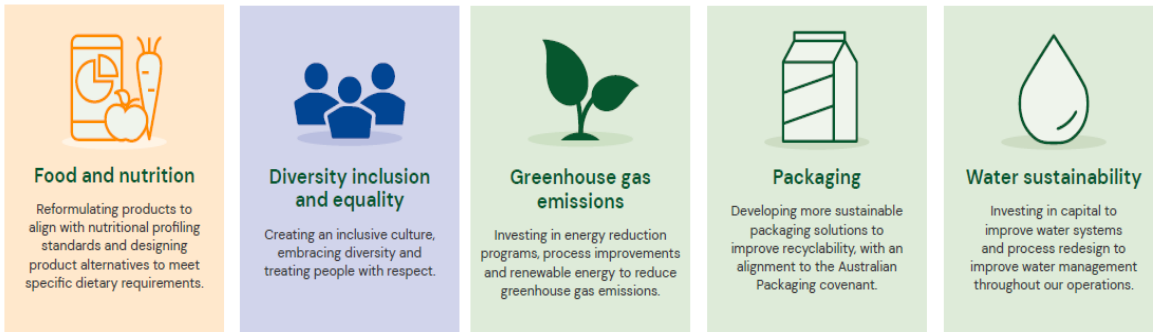
Source: Fresh Agenda

- Export trend index – global commodity prices and Australian currency impact (source: freshagenda)
- Bega Cheese southern farm gate milk price

Sustainability

Our Approach: Greater Good

The Bega Group *Greater Good* strategy is aligned to the United Nations Sustainable Development Goals with a focus on addressing the impacts of our business and where we can contribute to sustainable development – our products, our people and communities and our planet.

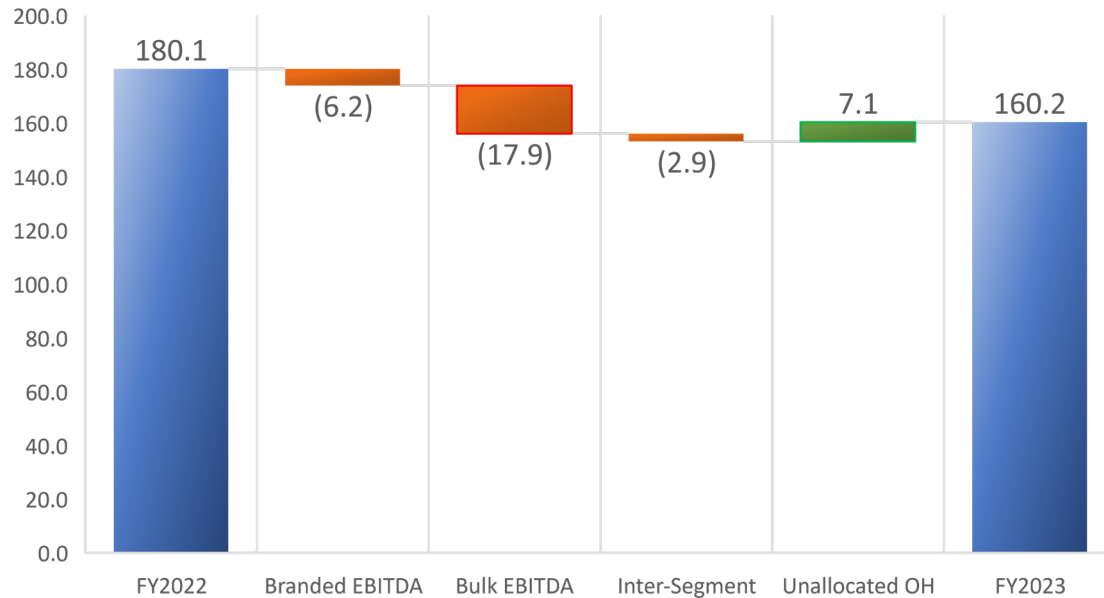


Financial key messages

- Branded business growth strategies implemented in current and prior year delivering revenue and product mix improvement with milk-based beverage and yoghurt performing well
 - Revenue growth of 8% driven by volume and value growth in key categories
- Global dairy commodity prices recovering in Q2 FY2024 after lows in Aug/Sept 2023
 - Bulk segment EBITDA down \$55 million in 1H FY2024 compared to prior year
 - Focus on higher value Bulk products, cost out and agility of Bulk footprint
- Organisation realignment complete in Nov/Dec 2023 supporting 5-Year strategy
 - On track to deliver >\$20 million of annualised cost savings
- Strong focus on inventory optimisation leading to a 1.9x leverage ratio at Dec 2023

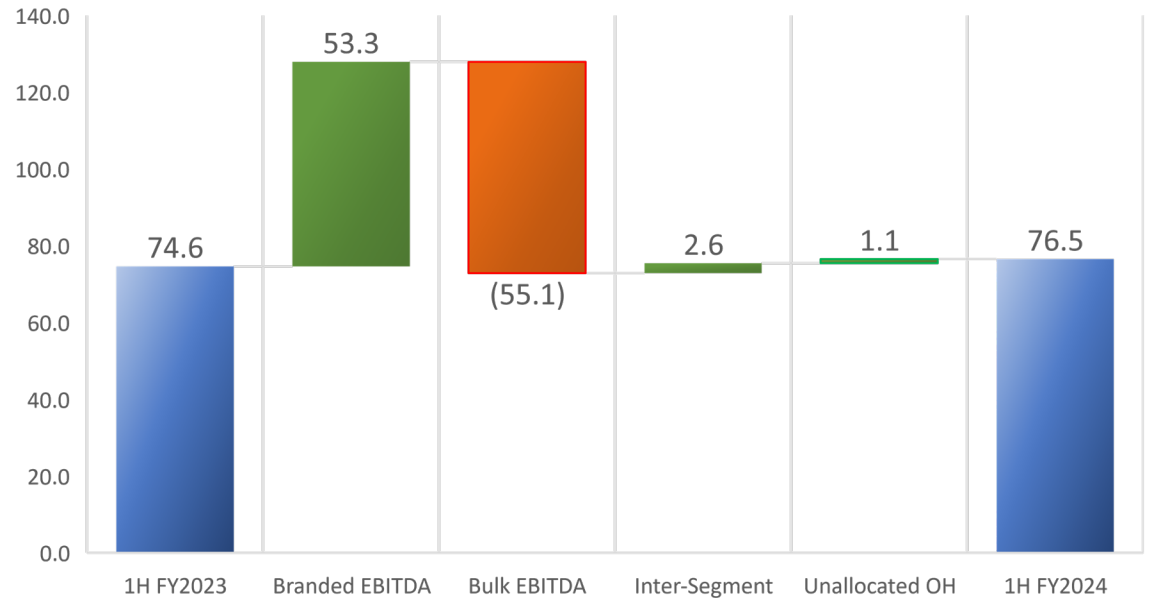
Branded results in 1H FY2024 offset Bulk segment

Normalised EBITDA (\$ millions) waterfall FY2022 to FY2023



- Branded segment working to recover \$290 million of cost inflation, but with a time lag impacting results
- Strong Bulk profitability in 1H FY2023 followed by 2H decline in global dairy commodity prices

Normalised EBITDA (\$ millions) waterfall 1H FY2023 to 1H FY2024



- Branded segment growth strategies, value creation and cost out initiatives implemented in both FY2023 and 1H FY2024 delivered strong, sustainable results
- 1H FY2024 global dairy commodity prices substantially below prior year, but recovering in Q2

Segments

(\$ million)	Branded	Bulk	Unallocated Overheads	Inter-segment elimination	Group Total
Revenue	1,508.3	366.4	-	(146.7)	1,728.0
Growth vs 1H FY2023 %	8%	(16%)	-	6%	3%
Normalised EBITDA	96.8	(5.6)	(16.1)	1.4	76.5
Increase/(decrease) vs 1H FY2023 EBITDA	53.3	(55.1)	1.1	2.6	1.9

Branded

- Revenue growth in our Branded business exceeded 8% with both volume and pricing growth
- Price increases taken from July reflect inflationary environment

Bulk

- Dairy commodity prices further soften during Q1 with some pricing recovery occurring in Q2
- National milk pool grew in 1H with favourable weather conditions

Unallocated overheads

- 1H FY2024 organisation realigned to new 5-year strategy and operating in new teams
- Cost initiatives already leading to improved results

Reconciliation of normalised result

Consolidated Period Ending 24 December 2023 (\$ million)	Per Financial Statements	Canberra sale and restructuring	Betta Milk acquisition	Tax adjustments	Normalised outcome
Revenue	1,728.0	-	-	-	1,728.0
Cost of sales	(1,378.8)	-	-	-	(1,378.8)
Gross Profit	349.2	-	-	-	349.2
EBITDA	86.1	(11.2)	1.6	-	76.5
Depreciation, amortisation and impairment	(42.9)	-	-	-	(42.9)
EBIT	43.2	(11.2)	1.6	-	33.6
Net finance costs	(16.5)	-	-	-	(16.5)
Profit before income tax	26.7	(11.2)	1.6	-	17.1
Income tax expense	(0.2)	3.4	(0.5)	(6.5)	(3.8)
Profit for the period	26.5	(7.8)	1.1	(6.5)	13.3
Basic earning per share - cents	8.7				4.4

- Canberra sale profit removed for normalised trading results
- Betta Milk start of integration costs recognised in 1H FY2024 with remaining integration costs to come in 2H FY2024
- Tax adjustment primarily relate to transition to consolidated tax group

Balance sheet

	1H FY2024 \$m	2H FY2023 \$m
Cash	69.1	66.4
Trade and other receivables	355.1	306.1
Inventories	434.8	428.7
Property, plant and equipment	681.7	687.2
Right of use assets	157.9	161.4
Intangible assets	474.7	464.5
Total Assets	2,232.9	2,153.1
Trade and other payables	526.1	510.0
Borrowing (net of costs)	319.0	269.0
Lease liabilities	197.3	198.1
Total Liabilities	1,212.3	1,149.4
Net Assets	1,020.6	1,003.7
Net Debt	250.9	203.6

- Net debt of \$251m leverage ratio of 1.9x, compared to 2.7x in 1H FY2023
- Strong December sales in both segments of the business
- Focus on spring peak inventory management with reductions in cheese inventory
- Increase in Trade Receivables is consistent with revenue growth

Cash flow

	1H FY2024 Dec \$m	1H FY2023 Dec \$m
Receipts from customers	1,798.5	1,772.4
Payments to suppliers and employees	(1,785.5)	(1,807.1)
Net proceeds from Trade Receivables Facility	6.3	42.7
Net interest and other costs of financing paid	(16.5)	(9.7)
Income tax paid	(5.8)	(8.8)
Operating activities	(3.0)	(10.5)
Payments for capital expenditure	(40.3)	(22.1)
Payment for business combinations	(11.1)	-
Proceeds from sale of property, plant and equipment	26.2	1.1
Investing activities	(25.2)	(20.1)
Net proceeds from borrowings	50.0	90.0
Dividends paid to shareholders	(8.3)	(14.4)
Financing activities	30.9	64.3
Net increase in cash and cash equivalents	2.7	33.7

Operating activities

- Focused operating cash flow management has minimised impact of seasonal inventory build
- Capital expenditure of \$40 million includes new yoghurt capacity, recycled PET bottle capability and new digital sales portal
- Betta Milk acquisition and sale of Canberra site both occurred in 1H FY2024

OUTLOOK

- Maintaining momentum in the Branded business with further opportunity in innovation and market share
- Cost out and efficiency programs continue
- Improving industry environment for Bulk business
- Organisational structure designed for channel growth
- 1H benefited by strong pre-Christmas sales in Branded segment and the benefit of third-party milk purchases in the Bulk segment
- Australian economic circumstances expected to moderate local trade
- Maintain previous normalised EBITDA guidance for FY2024 of \$160 to \$170 million

When your
COFFEE NEEDS
A COFFEE



A DARE FIX'LL FIX IT.

creating great food for a better future

Barry Irvin
Executive Chairman





Questions?

DISCLAIMER

This presentation contains a summary of information about Bega Cheese Limited ACN 008 358 503 (BGA) and its subsidiaries (Bega Group). The information does not purport to be complete and should be read in conjunction with other BGA ASX announcements.

The presentation may contain statements relating to future events or circumstances, including future performance, earnings, costs, returns, prices, potential business growth, industry growth or other trend projections. Such forward looking statements are based on assumptions and involve risks and uncertainties that are outside the control of or unknown to Bega Group, its officers or employees. Actual results, performance or achievement may vary materially from that anticipated in forward looking statements.

Aspects of the presentation may also assume the success of Bega Group's business strategies. The success of the strategies is subject to uncertainties and contingencies beyond Bega Group's control, and no assurance can be given that the anticipated benefits from the strategies will be realised.

Bega Group undertakes no obligation to update any forward looking statements included in this presentation, whether as a result of new information, future events or otherwise, except as required by applicable law or any relevant regulatory authority.

The release, publication or distribution of the Information in jurisdictions outside of Australia may be restricted by law and any such restrictions should be observed. The Information does not constitute investment, legal, accounting regulatory, taxation or other advice and does not take account of individual circumstances or investment objectives. Individuals should form their own opinions and conclusions on such matters and seek their own investment, legal and taxation advice.