



ASX ANNOUNCEMENT

Bega Cheese to acquire one of Australia's most iconic food brands

Bega Cheese Limited (Bega Cheese or the Company) announced today it has agreed to buy most of Mondelez International's Australia and New Zealand grocery and cheese business (MDLZ Grocery Business) and with it some of Australia's most iconic brands.

The MDLZ Grocery Business includes brands such as *Vegemite*, *ZoOSh* and *Bonox* – and other products using the KRAFT brand under licence for products such as peanut butter, nut spreads, processed cheese slices, ambient cheese spread, mayonnaise, parmesan cheese, *KRAFT Easy Mac* and *KRAFT Mac & Cheese*, as well as the Port Melbourne site. Philadelphia is not included in the sale.

The Company will pay \$460 million which will initially be funded by bank debt. Bega Cheese said it has near-term corporate opportunities to pay down debt.

Bega Cheese said that after overlaying its own additional costs to operate the business and adjusting turnover and earnings for its planned brand rationalisation and brand transition strategy, it expects the MDLZ Grocery Business to generate pro-forma net revenues of approximately \$310 million and EBITDA of between \$40 to \$45 million¹ in its first full year of operation which is expected to be strongly EPS accretive¹.

Bega Cheese's Executive Chairman, Mr Barry Irvin said "The wonderful heritage and values that *Vegemite* represents and its importance to Australian culture makes its combination with Bega Cheese truly exciting."

That aside, he said "this acquisition will be value accretive in its own right, strategically important and company making. These iconic brands alongside the *Bega* brand are strong building blocks to enable Bega Cheese to become a great consumer goods business."

Mr. Irvin said "In addition to *Vegemite* and the other brands being undeniably iconic, the people we are taking on are very impressive and will play an important role in growing the merged business." He said "we look forward to welcoming the new employees to Bega Cheese and are excited about the opportunities which will be created by bringing them and the MDLZ Grocery Business together with Bega Cheese."

Bega Cheese was advised by Kidder Williams and Addisons Lawyers.

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For further information please contact:

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¹ Prior to one off transaction costs, implementation costs and any impact arising from a purchase price allocation



The next step for Bega Cheese

*Becoming a leading Australian branded
food company*



Acquisition overview

- Bega Cheese Limited (“Bega Cheese”) has entered into a binding agreement to acquire most of MDLZ International’s Australia and New Zealand grocery and cheese business (“MDLZ Grocery Business”) for \$460 million.
- The MDLZ Grocery Business is a portfolio of iconic food brands and manufacturing capability including *Vegetime*, *KRAFT peanut butter*, *KRAFT cheese*, *ZoOSh* salad dressings and other products with annual pro-forma net revenue of approximately \$310 million and EBITDA of between \$40 to 45 million¹ in its first full year of operation.



- Bega Cheese will acquire the global trademark rights to *Vegetime* and *ZoOSh*; a transitional royalty free trademark licence for several *KRAFT* branded products, including peanut butter and processed cheese until Dec 2017; a licence for the *Dairylea* and *Snackabouts* brands together with inventory, property, plant and equipment and employee entitlements.
- Bega has a brand rationalisation and transition strategy to support the peanut butter, cheese and salad dressings businesses post December 2017.
- The acquisition will deliver:
 - A strong branded consumer food platform and unique scalable production facility
 - Strong sales and marketing, research & development and operations teams
 - Excellent culture and high staff engagement focused on operational best practice, productivity and continuous improvement.
- There are no conditions precedent to completion which is expected to occur in the first half of CY2017 (unless otherwise agreed).

Acquisition rationale

1. Rare opportunity to acquire Vegemite and other well known brands

- Combination of Australia's most iconic food brand with Bega Cheese's product portfolio creates a leading Australian branded consumer goods business
- Significantly enhances Bega Cheese's already strong retailer and food service relationships
- Adds further diversification to Bega Cheese's large B2B dairy foods and nutritional businesses

2. Adds management capability and experience

- The MDLZ Grocery Business brings significant depth and expertise to Bega Cheese's management and complements our operational capability to facilitate future growth:
 - Sales and marketing
 - Research and development
 - Manufacturing and operations

3. Strong financial benefits

- Mix of strong stable cash flow and new growing businesses mirrors Bega Cheese's traditional structure
- Expected to deliver EPS accretion in the first full year¹
- Low capital intensity
- Substantial property holding and world-class manufacturing capability at Port Melbourne, Victoria

Acquisition rationale

4. Opportunity to unlock further profitable growth

- The combined Bega Cheese and MDLZ Grocery Business is expected to energise staff and create new marketing, development and brand opportunities
- Unrivalled position in the spreads category which has seen recent growth lead by the health benefits of nut spreads
- Combined brand, product and manufacturing capabilities should drive marketing efficiencies, unique increased retail presence and consumption opportunities
- Port Melbourne facilities provide significant capacity for organic growth and acquisitions.

Strong strategic alignment

- ✓ Cultural fit – Heritage, community, customers
- ✓ Diversifies Bega Cheese into complementary markets and categories beyond dairy
- ✓ Enhances our skills and capability to continue to evolve
- ✓ Complements our significant knowledge of lean and innovative food manufacturing processes
- ✓ Acquisition facilitates growth and extends our capabilities.



MDLZ Grocery Business overview

Leading grocery and cheese products with 66% of revenue derived from products with #1 positions¹

Vegemite, an iconic Australian brand recognised as 'Australia's Favourite Breakfast Food' and found in over 90% of Australian pantries

Leadership in spreads category with a strong combination of *Vegemite*, peanut butter, other nut and cheese spreads

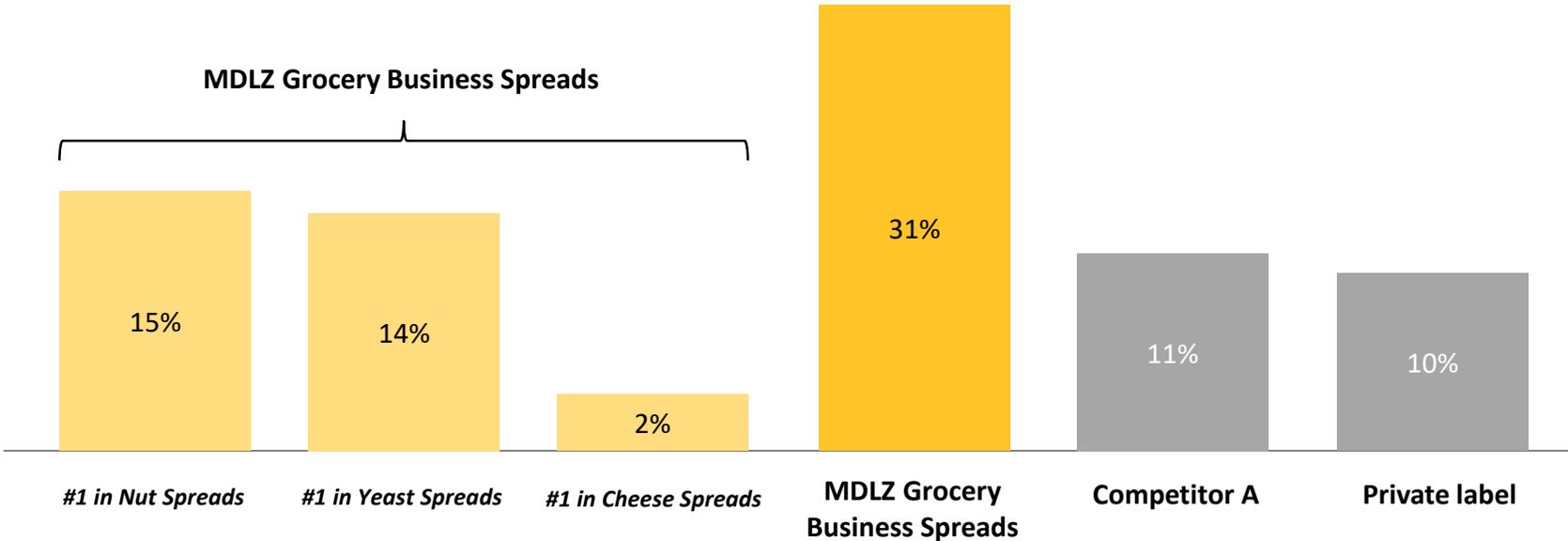
6.3ha of land and buildings comprising a unique and scalable production facility at Port Melbourne, Victoria

Pro forma net revenue of \$310m and EBITDA of between \$40m to \$45m²

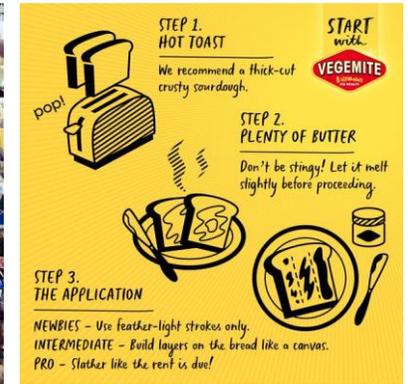


Leading player in the spreads business

- The MDLZ Grocery Business has 31% of the \$550 million spreads category in Australia
- *Vegemite* is the leading yeast spread brand, with 14% share of the overall spreads category and 89% share of the yeast sub-segment
- The spreads category has grown at a 5% CAGR since 2013 and is forecast to be driven by consumer interest in 'healthier' nut spreads and honey
- Sales of jams, preserves and yeast spreads have remained robust.



Strong marketing properties and brand building expertise



Innovation capabilities provide a platform to develop exciting new products for our customers

- Innovation team lead by Australia’s top food scientists and technologists
- Sophisticated and state of the art manufacturing
- Reactive to consumer and retailer needs
- Well established NPD pipeline focussed on market innovation.



Port Melbourne facility

- Well-situated site with room for expansion
 - Site footprint of 6.3Ha and extensive infrastructure provides space for volume expansion
 - 5 highly automated production lines
 - Substantial land value, close to Melbourne CBD
- Highly engaged staff
- Exceptional safety record.



Business overview: Vegemite

Australia's most loved iconic food brand

- Iconic Australian brand with over 90 years of Australian heritage
- Over 1.1 billion jars manufactured since 1923
- Over 300,000 jars are produced each day
- Found in over 9 out of 10 homes in Australia. On average, one jar is sold to every Australian adult each year
- Strong consumer demand means *Vegemite* is sold in every leading Australian retailer
- High quality business with strong competitive position
- Strong cash flow generation from a category leader.

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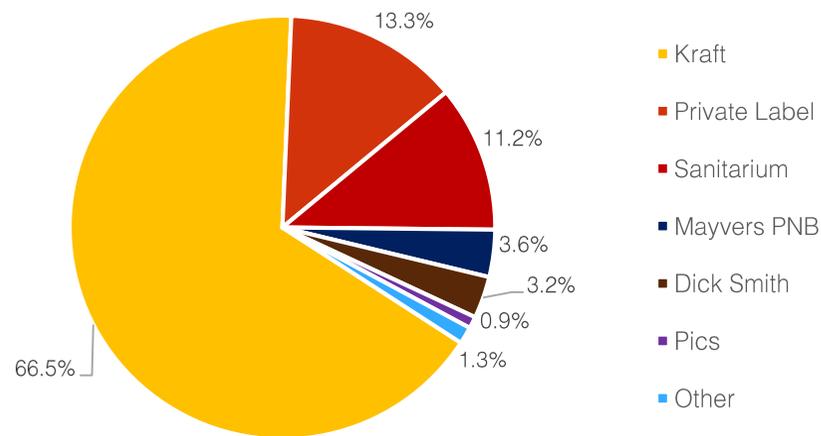


Business overview: Peanut butter

A significant business with growth linked to health and wellness

- Australia's leading portfolio of nut spreads including peanut butter, alternative nuts and portion control products
- Strong consumer recognition for taste consistency and quality
- Strong market share in a growing nut spreads category aligned with health and wellness
- KRAFT brand licence ends December 2017. Bega Cheese has a number of brand transition options.

Peanut butter market share by volume



Source: Nielsen Market Share Tracker Data as of July 2016

Business overview: Cheese

Aligned with Bega Cheese's core skills

- Bega Cheese has produced KRAFT branded cheese products since its acquisition of the Strathmerton facility in 2009
- The KRAFT trademark licensed portfolio includes *KRAFT Singles*, *KRAFT Natural*, *KRAFT Parmesan*, *KRAFT Cheese Snacking* and *KRAFT Slices* in Australia and New Zealand
- Further strengthens Bega Cheese's Australian and international cheese manufacturing profile
- Bega Cheese is considering a number of brand transition options.

Business overview: Other brands

- Other brands are smaller but profitable in aggregate
- The most significant is *ZoOSh*, launched in 2013 and already the #2 brand in salad dressings
- Other brands include *Bonox* and certain licensed KRAFT brands which will transition throughout 2017 (Macaroni and Cheese, mayo, salad dressing). *Bonox* will be retained as an owned brand.



Summary of key financials

Purchase price and funding

- The acquisition price of \$460 million will be fully funded from a \$500m facility from Bega Cheese's existing lenders
- Bega Cheese intends to maintain a strong balance sheet and has near-term corporate opportunities underway to reduce debt. In the event these are unsuccessful a capital raising may be considered at a later date.

Earnings

- Bega Cheese expects the MDLZ Grocery Business to generate pro-forma EBITDA of between \$40 to 45 million¹ in its first full year of operation
 - This EBITDA range includes additional costs estimated by Bega Cheese to reflect the post transaction operation of the MDLZ Grocery Business (which is part of the Meals category in Mondelez International). This includes additional sales and marketing resources, investment in IT and other back office support systems, and additional distribution and other costs.
- This EBITDA range also reflects reduced contribution from trademarks reverting to The Kraft Heinz Company at the end of December 2017 and conservative assumptions regarding the brand transition strategies which will be implemented throughout 2017.

Balance sheet

- The acquisition includes approximately \$90 million² of inventory and property, plant and equipment, plus trademarks, other intellectual property and employee entitlements for transferring employees.

¹ Prior to one off transaction costs, implementation costs and any impact arising from a purchase price allocation

² Current Net Book Value of property, plant and equipment, before any fair value adjustment on acquisition