

# Bega Cheese Annual General Meeting

Barry Irvin – Executive Chairman  
Paul van Heerwaarden – CEO



# Agenda

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- 2018 Annual Report
  - Executive Chairman's Report
  - Chief Executive Officer's Report
- Questions
- Approval of Remuneration Report
- Election of Directors
- Approval of the issue of shares under the September 2018 Institutional placement
- Provision of financial assistance by Peanut Company of Australia



# Welcome

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- Shareholders
- Suppliers
- PricewaterhouseCoopers
- Addisons Lawyers
- Link Market Services
- Bega Cheese Staff
  
- Apologies



# 2018 Annual Report Executive Chairman's Report

Barry Irvin – Executive Chairman



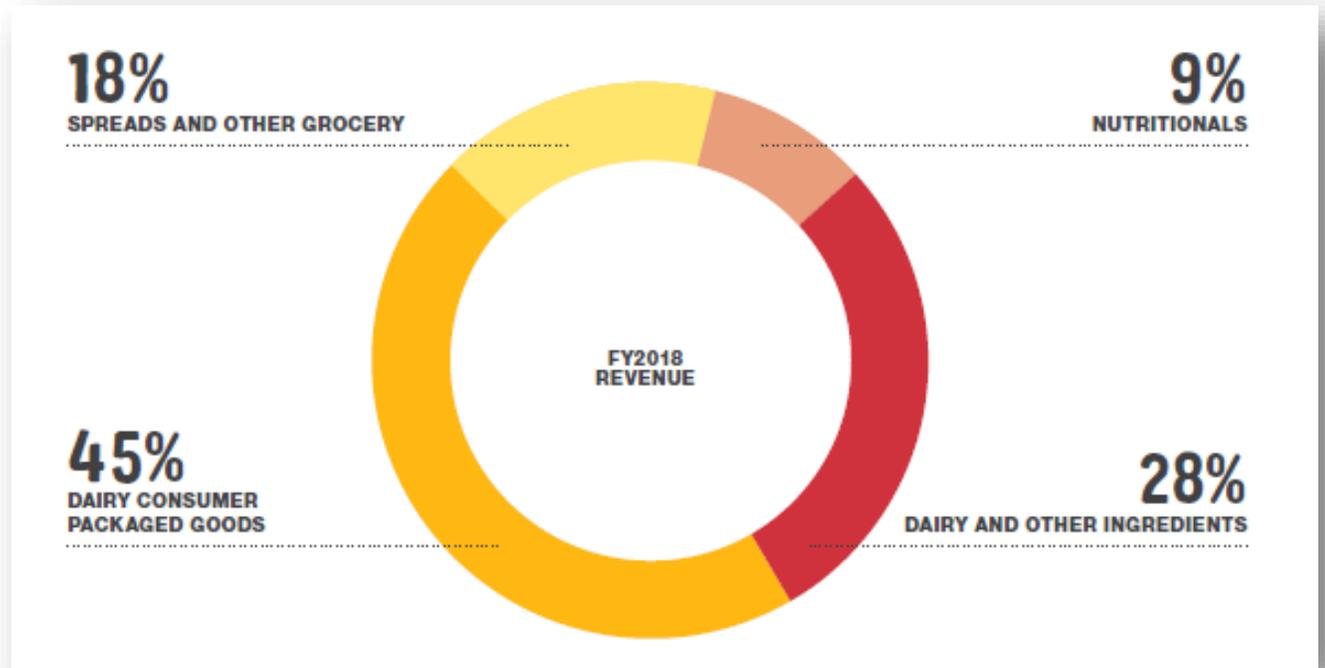
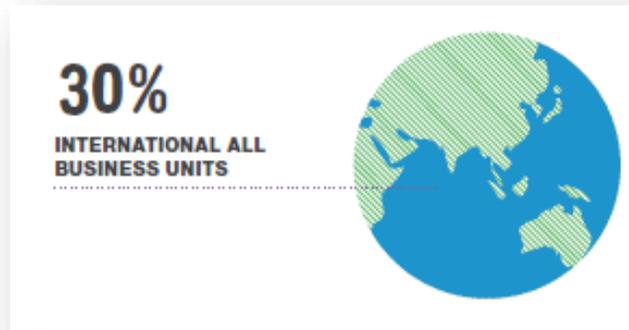
# Key Messages

- Creating the “Great Australian Food Company”
- Bega Foods integration complete
- Peanut Company of Australia integration complete
- Financial performance at expectation
- Increased milk supply
- Continued growth in international business
- Cheese packaging and processing remains highly competitive
- Koroit acquisition completed post year end
- Strong positive response from dairy farmers



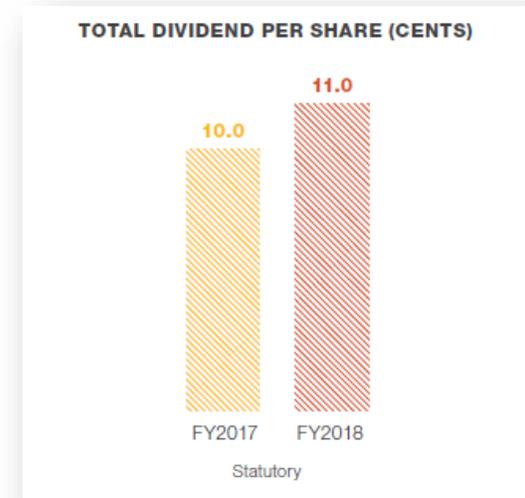
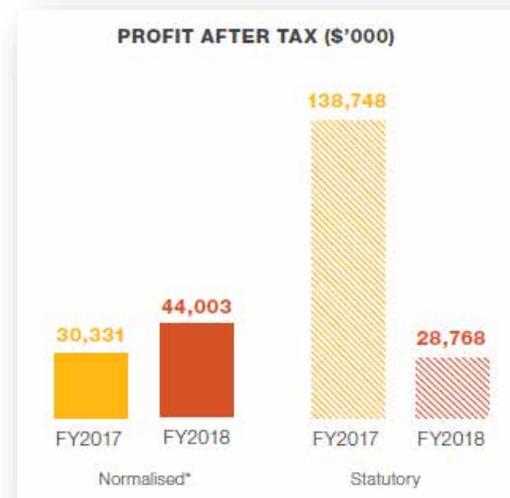
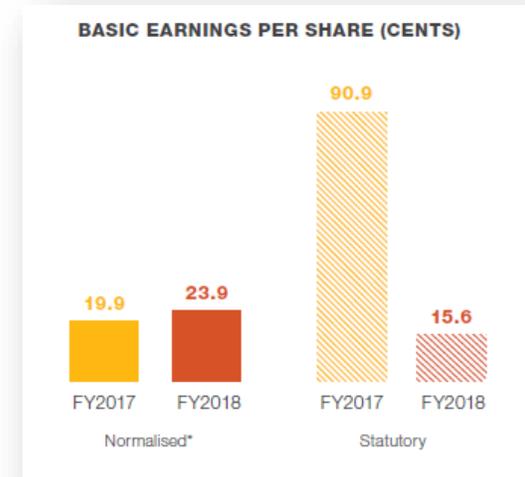
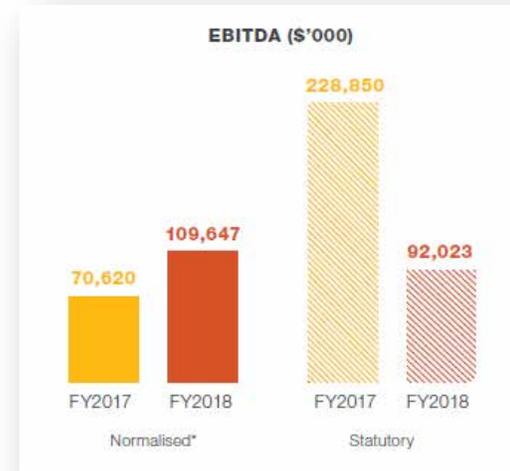
# Revenue Highlights

- Revenue \$1.44 billion up 17%
- Export sales \$0.43 billion up 29%



# Financial Performance

- Statutory EBITDA \$92.0 million
- Normalised EBITDA \$109.6 million
- Normalised net profit after tax \$44.0 million
- Statutory net profit after tax \$28.8 million (impacted by higher effective tax rate due to corporate activity)
- Normalised earnings per share 23.9 cents
- Statutory earnings per share 15.6 cents
- FY2018 dividend 11 cents per share



\*Normalised results exclude the impact of significant events occurring during the year.



# Bega Foods

- Integration completed quickly and seamlessly
- International branded and Food Service business added
- Consumers increasingly concerned about where their food comes from
- Peanut Company of Australia now part of Bega Foods
- Goal to significantly increase peanut crop grown in Australia
- Significant competition in peanut butter impacted Bega Foods business
- Court determination on Kraft legal dispute expected first half 2019



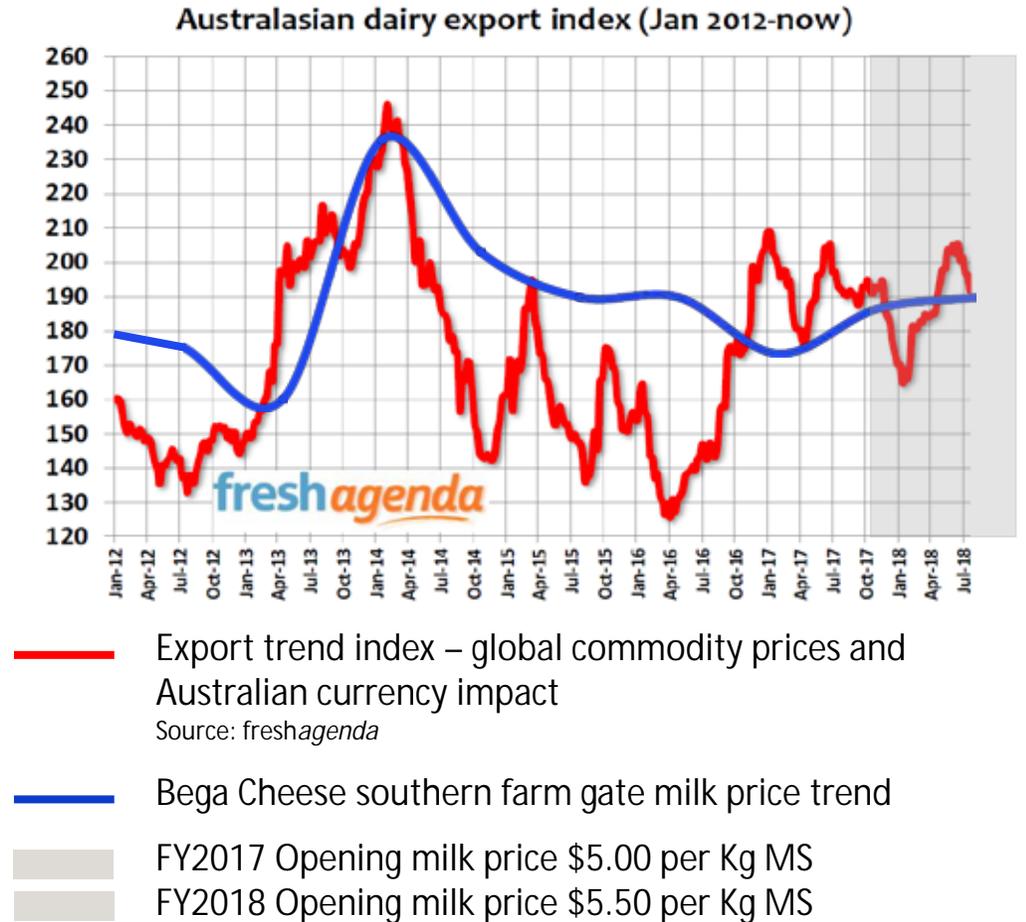
# Koroit Facility

- Acquisition of Koroit 17 August 2018
- Excellent facility added to our dairy manufacturing footprint
- Pleased with the response from stakeholders
- Rapid business transition (5 days)
- Transition services agreement with Saputo Dairy Australia
- Transferring customers, recruiting milk, building inventory, integrating the business
- FY2019 transition year expected to be fully integrated in FY2020
- Institutional share placement
- Balance sheet strengthened



# Dairy Commodity Price and Farm Gate Milk Price

- FY2018 total direct milk supply 750 million litres
- FY2018 direct milk intake increased 97 million litres
- Commodity price volatility remains
- Global dairy commodity price softening in the past few months
- Koroit provides further growth opportunity
- Drought impacting overall dairy industry supply





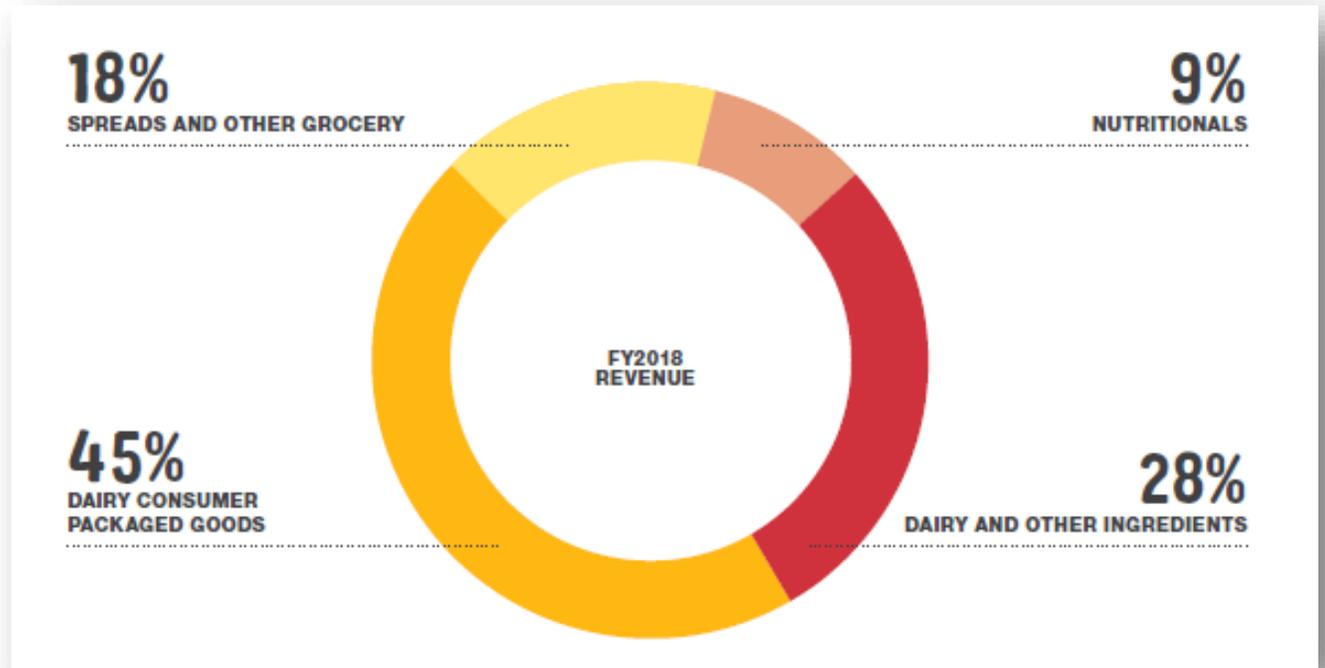
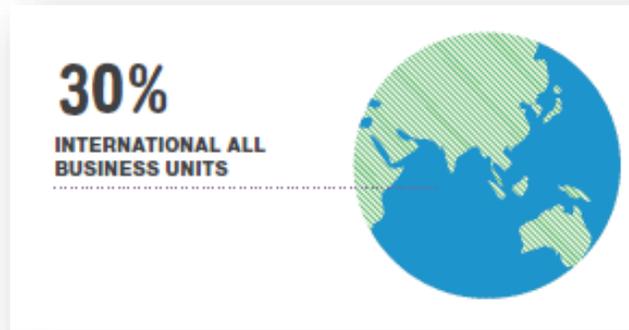
# 2018 Annual Report Chief Executive Officer's Report

Paul van Heerwaarden – CEO



# Revenue Highlights

- Revenue \$1.44 billion up 17%
- Export sales \$0.43 billion up 29%



# Reconciliation of Statutory Normalised Result

Consolidated Period Ending 30 June 2018	Per Financial Statements \$'000	Bega Foods Acquisition Costs and Fair Value Adj \$'000	PCA Acquisition Costs \$'000	PCA Bargain Purchase \$'000	Koroit Acquisition Costs \$'000	Other Costs \$'000	Normalised Outcome \$'000
Revenue	1,438,281						1,438,281
Cost of sales	(1,166,329)	3,733					(1,162,596)
<b>Gross profit</b>	<b>271,952</b>	<b>3,733</b>					<b>275,685</b>
EBITDA	92,023	16,602	3,142	(4,426)	800	1,506	109,647
Deprec, amortisation and impairment	(31,317)					528	(30,789)
EBIT	60,706	16,602	3,142	(4,426)	800	2,034	78,858
Net finance costs	(9,822)						(9,822)
<b>Profit before income tax</b>	<b>50,884</b>	<b>16,602</b>	<b>3,142</b>	<b>(4,426)</b>	<b>800</b>	<b>2,034</b>	<b>69,036</b>
Income tax expense	(22,116)	(1,780)	(445)	-	(240)	(452)	(25,033)
<b>Profit for the year</b>	<b>28,768</b>	<b>14,822</b>	<b>2,697</b>	<b>(4,426)</b>	<b>560</b>	<b>1,582</b>	<b>44,003</b>
Basic earnings per share - cents	15.6						23.9



# Balance Sheet

	FY2018 \$m	FY2017 \$m
Cash	21.7	475.5
Trade and other receivables	200.6	168.5
Inventories	232.1	167.9
Property, plant & equipment	323.6	196.8
Intangible assets	411.5	22.7
<b>Total Assets</b>	<b>1,215.8</b>	<b>1,056.3</b>
Trade and other payables	225.9	169.3
Borrowings (net of costs)	267.1	215.3
<b>Total Liabilities</b>	<b>583.8</b>	<b>483.6</b>
<b>Net Assets</b>	<b>632.0</b>	<b>572.7</b>
<b>Net (Debt) / Cash</b>	<b>(245.4)</b>	<b>260.2</b>



# Cash Flow

	FY2018 \$m	FY2017 \$m
Receipts from customers	1,499.9	1,274.9
Payments to suppliers	(1,404.9)	(1,190.7)
Interest and other costs of financing paid	(10.7)	(3.2)
Income tax paid	(25.8)	(10.7)
<b>Operating activities</b>	<b>58.6</b>	<b>70.2</b>
Proceeds from sale of PPE	10.0	188.9
Tax on sale of infant nutritional assets	(53.4)	-
Acquisition of Bega Foods	(452.7)	-
Acquisition of PCA	(11.7)	-
<b>Investing activities</b>	<b>(564.8)</b>	<b>138.1</b>
<b>Financing activities</b>	<b>52.4</b>	<b>257.5</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(453.9)</b>	<b>465.9</b>



# Operations Review

- Total production 259,235 tonnes increased by 9% to previous year
- Total capital expenditure of \$46 million including business improvement (\$21m), ERP (\$17m) and compliance (\$8m)
- Key projects upgrading cream cheese, processed block line capacity/capability
- Stage 1 and 2 of ERP implementation completed
- Continuous improvement program across all sites
- Total reportable injury frequency rate of 6.8
- 12% decrease per tonne of potable water usage
- Energy road maps completed for all sites



# Group Sales



# Our Sites

## Four new sites

- Port Melbourne
- Kingaroy
- Tolga
- Koroit

**KOROIT**  
41 Commercial Road  
Koroit VIC 3282 Australia

**TATURA**  
236 Hogan Street  
Tatura VIC 3616 Australia

**PORT MELBOURNE**  
1 Vegemite Way  
Port Melbourne VIC 3207 Australia

**STRATHMERTON**  
Murray Valley Highway  
Strathmerton VIC 3841 Australia

**COBURG**  
10-16 Allenby Street  
Coburg VIC 3058 Australia

**PORT MELBOURNE**  
664 Lorimer Street  
Port Melbourne VIC 3207 Australia

**TOLGA**  
12 Tostevin Street  
Tolga QLD 4882 Australia

**KINGAROY**  
133 Haly Street  
Kingaroy QLD 4610 Australia

**BEGA CHEESE MANUFACTURE**  
11-13 Lagoon Street  
Bega NSW 2550 Australia

**BEGA HEAD OFFICE AND PROCESSING & PACKAGING PLANT**  
23-45 Ridge Street  
Bega NSW 2550 Australia



# Koroit Acquisition

- Dairy facility in western Victoria purchased for \$250 million
- Milk powder, nutritional dryers and butter manufacturing capacity
- Retail packaging capacities in butter and powder
- Milk supply guarantee 300 million litres until 30 June 2020
- Plant capacity 800 million litres  
(targeting 420 – 450 million litres in FY2019)
- Complements existing Bega dairy infrastructure



# Investing in People

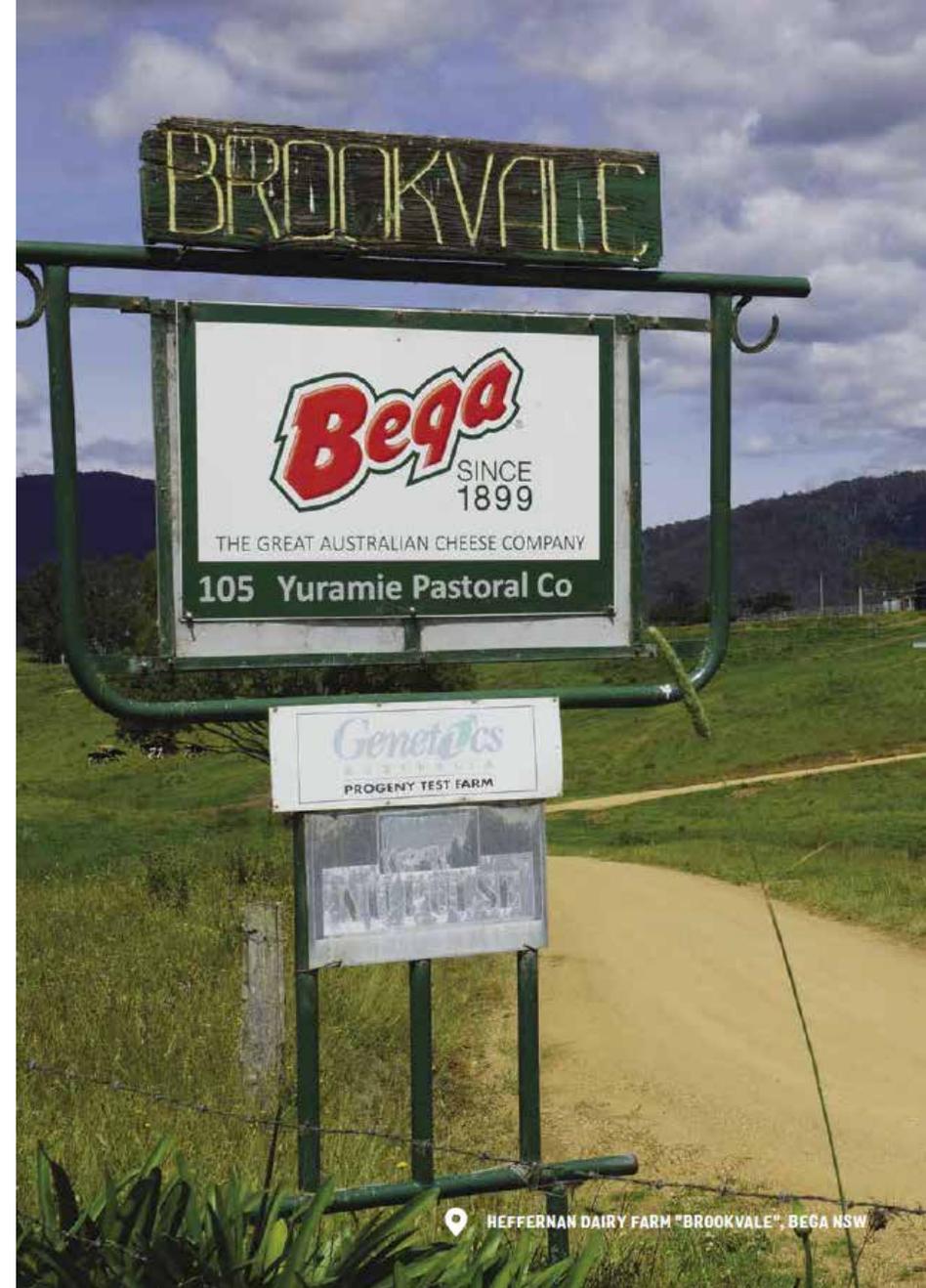
- Development focus on safety behaviours, continuous improvement and innovation
- Seamless integration of staff from Mondelez, PCA and Koroit acquisitions
- Implemented the Aspire Leadership Program for developing young leaders of the future





# Where are we Today?

- Integrated Australian dairy industry and food company exporting to over 40 countries
- Significant new capacity added in dairy with the acquisition of Koroit
- Successful milk procurement program
- Strong international business growth
- Stabilised dairy nutritionals and improving grocery business
- Strong growth in dairy ingredients and micro nutrients
- Highly competitive contract cheese processing and packaging environment
- Legal cases progressing with resolution expected in 2H FY2019



# Our Priorities

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- Continue to grow branded retail and food service business
- Increase production volumes at Koroit facility
- Integrate Koroit into our production network
- New milk pricing option for dairy farmers to encourage lower farm production costs
- Increase peanut crop size with improved grower package and support
- Increase our customer reach with new products and channel expansion
- Improve financial performance through product development, continuous improvement and plant efficiencies





# 2018 Annual Report Formalities and Voting

Barry Irvin – Executive Chairman



# Voting Procedure

- A poll is being held for all resolutions
- Share registrar, Ms Julie Stokes, of Link Market Services Limited, will act as Returning Officer in relation to the polls
- If leaving early please place voting cards in ballot boxes
- Results available on ASX after the meeting



# Resolutions

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- *Adopt remuneration report for the year ended 30 June 2018*
- *Election of Directors*
- *Approval of the issue of Shares under the September 2018 Institutional Placement*
- *Provision of financial assistance by Peanut Company of Australia*



# Remuneration Report

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- Pages 22 – 29 of the 2018 Annual Report
- Board, Executive Chairman, CEO and other key management personnel
- Market data and external advisors



# Remuneration Report Proxies

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- Total Votes – 108,320,564 (50.90%)
- For – 105,610,744 (97.50%)
- Open – 2,175,000 (2.01%)
- Against – 534,820 (0.49%)



# Election of Directors

- Barry Irvin
- Raelene Murphy
- Rick Cross
- Jeff Odgers



# Barry Irvin

- Total Votes – 108,458,766 (50.96%)
- For – 97,378,800 (89.78%)
- Open – 2,150,539 (1.98%)
- Against – 8,929,427 (8.23%)



# Jeff Odgers

- Total Votes – 108,457,487 (50.96%)
- For – 72,564,165 (66.91%)
- Open – 2,155,906 (1.99%)
- Against – 33,737,416 (31.11%)



# Raelene Murphy

- Total Votes – 108,458,158 (50.96%)
- For – 105,957,373 (97.69%)
- Open – 2,156,469 (1.99%)
- Against – 344,316 (0.32%)



# Richard Cross

- Total Votes – 108,452,698 (50.96%)
- For – 71,971,966 (66.36%)
- Open – 2,216,075 (2.04%)
- Against – 34,264,657 (31.59%)



# Share Placement Proxies

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- Total Votes – 5,259,814 (2.47%)
- For – 2,872,428 (54.61%)
- Open – 2,239,036 (42.57%)
- Against – 148,350 (2.82%)



# Provision of Financial Assistance Proxies

- Total Votes – 108,349,281 (50.91%)
- For – 106,056,869 (97.88%)
- Open – 2,219,770 (2.05%)
- Against – 72,642 (0.07%)



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