



ASX ANNOUNCEMENT

Peanut Company of Australia to wind down operations following strategic review

Following a 12-month strategic review, Bega Group (ASX:BGA) has made the decision to wind down and close its peanut processing business, Peanut Company of Australia Pty Ltd (PCA). This will mean a phased shutdown of its facilities at Kingaroy and Tolga in Queensland over the next 18 months.

PCA had been under sustained financial pressure for several years prior to its acquisition by Bega Group in 2017. Despite ongoing investments made by Bega Group into PCA's operations, including significant upgrades to site safety and initiatives aimed at supporting local growers to boost production, Bega Group has not been able to establish a sustainable business model. Continued financial losses and industry challenges led to the need for the review and ultimately the conclusion that the business would be better served by a change to more local and focused ownership or in the absence of that being achieved, unfortunately a closure.

Bega Group Chief Executive Officer, Pete Findlay, said: "We announced the strategic review over 12 months ago and we have pursued several options to sell the business. Unfortunately, we've been unable to secure a buyer that could sustain a long-term future for employees and growers."

The peanut industry in Australia is facing a combination of headwinds including increased competition from imports, stronger returns for growers from other crops, high input costs and declining production.

PCA has been incurring operating losses of \$5-10 million per annum and following a shutdown these losses will cease. One off cash shutdown costs, predominately relating to redundancies, are expected to be \$5-10 million and limited impairments are anticipated.

Bega Group notified both employees and growers of the strategic review in June last year and, in August, also advised growers the company could make no commitments beyond the current season's crop.

Pete Findlay went on to say, "We understand the impact this decision will have, and we will work closely with growers and the approximately 150 employees at the Kingaroy and Tolga facilities to support them through this period. Employees will be offered redundancies,

support services and redeployment incentives and opportunities where possible. Some employees will also be able to continue in their roles until closure.”

Bega Group continues to have a strong presence in Queensland, retaining two processing facilities in Crestmead and Malanda, as well as its distribution network.

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