BELL POTTER

4 October 2021

Analyst
Jonathan Snape 613 9235 1601

Authorisation
Sam Haddad 612 8224 2819

Bega Cheese Ltd (BGA)

Better buy Bega...Back

Recommendation
Buy (unchanged)
Price
$5.32
Target (12 months)
$6.35 (unchanged)

GICS Sector

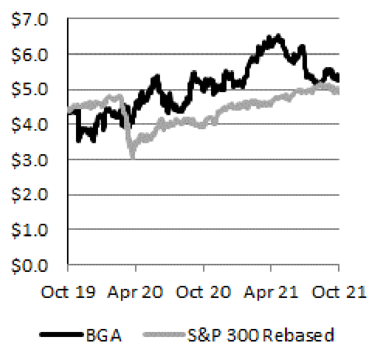
Food Beverage and Tobacco

Expected Return	
Capital growth	**19.4%**
Dividend yield	**2.6%**
Total expected return	**22.0%**
Company Data & Ratios	
Enterprise value	**$2,021m**
Market cap	**$1,612m**
Issued capital	**303.0m**
Free float	**100%**
Avg. daily val. (52wk)	**$6.2m**
12 month price range	**$4.85-6.60**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	5.54	6.15	5.09
Absolute (%)	-4.33	-13.82	4.03
Rel market (%)	-0.40	-12.63	-17.54

Absolute Price



SOURCE: IRESS

Could Bega pass up buying back Bega?

Fonterra (FSF) recently highlighted a desire to focus on its NZ milk business, with a decision to be made on the ownership structure of the Australian business. In this note we explore a potential acquisition of Fonterra Australia (Fonterra) by Bega.

Fonterra background: In FY21 Fonterra Australia generated revenues of ~A$1.8Bn, EBIT of ~A$69m and estimated EBITDA of ~A$97m. The business collected 1.4BnL of milk, primarily in VIC & TAS, with milk supply having fallen ~30% since FY18.

Synergies could be material: We estimate potential synergies of $35-45m in putting the two businesses together. Synergies would be expected in the area of: removal of duplicate corporate support and markting functions; consolidation of cut, wrap and shred operations; and consolidation of cold chain distribution.

Bega brand ownership: Fonterra licenses the Bega trademark for use in various cheese products from BGA in Australia and pays an annual royalty for this. The initial 25yr term concludes in 2026, although Fonterra has renewal rights. The potential presence of change in control provisions around the licensing agreement, may present an issue for any potential bidder outside of BGA.

ACCC issues: Two assets stand out as having the potential to draw a review, being Stanhope and Cobden. Our analysis of the competitive landscape in both catchments suggests Cobden is likely more of an issue, but not central to a BGA acquisition case.

EPS Accretion/dilution: Assuming BGA acquired Fonterra at a multiple comparable to past transactions (13-15x EBITDA) and extracted the midpoint of our synergy range, then we estimate such a transaction has the scope to be double digit EPS accretive.

Investment view: Buy rating unchanged

Bega has a strategy to own iconic brands and the opportunity to repatriate the Bega brand, while adding Western Star would have to be compelling. New equity would be required to fund such a move, however, the recent removal of BGA's 15% shareholder cap paves the way for FSF to retain a cornerstone stake, potentially reducing external capital needs. Our Buy rating and $6.35ps target price are unchanged.

Earnings Forecast

Year end June	2021	2022e	2023e	2024e
Sales (A$m)	2073.4	3093.3	3141.9	3199.4
EBITDA (A$m)	141.7	220.9	231.9	244.7
NPAT (reported) (A$m)	72.2	76.4	85.8	96.2
NPAT (adjusted) (A$m)	39.6	76.4	85.8	96.2
EPS (adjusted) (cps)	14.9	25.2	28.3	31.8
EPS growth (%)	0.0	69.3	12.3	12.2
PER (x)	35.7	21.1	18.8	16.8
FCF Yield (%)	2.9	6.1	4.3	4.5
EV/EBITDA (x)	14.3	9.2	8.7	8.3
Dividend (¢ps)	10.0	14.0	16.0	17.0
Franking (%)	100.0	100.0	100.0	100.0
Yield (%)	1.9	2.6	3.0	3.2
ROE (%)	3.8	6.0	6.5	7.1

SOURCE: BELL POTTER SECURITIES ESTIMATES

BELL POTTER SECURITIES LIMITED
ABN 25 006 390 772
AFSL 243480

Could Bega come back in house?

Fonterra recently announced an intention to refocus on its NZ business, highlighting the ownership structure of its Australian assets including a potential IPO (in which it could retain a material stake) would be considered. In this note we explore a potential sale of the business to Bega, which would allow FSF to fast track debt pay down (targeting ~NZ$0.9Bn reduction by FY24e) and to fund its step change in capex (from NZ$600m pa to NZ$980m pa by FY24e).

POTENTIAL DOUBLE DIGIT EPS ACCRETION

We have looked at a range of outcomes and concluded there is the scope for double digit EPS accretion in a Bega acquisition of Fonterra Australia, assuming synergy extraction of $35-45m and an acquisition multiple of 13-15 x EBITDA. A summary table and basis for our major assumptions is detailed below.

Figure 1 - ProForma FY22e EPS accretion at 13-15x EBITDA

	At 13x EBITDA					At 15x EBITDA				
	BGA	FSF	Synergies		Merged	BGA	FSF	Synergies		Merged
			Low	High	Mid			Low	High	Mid
EBITDA	221	97	35	45	358	221	97	35	45	358
Depreciation & amortisation	(102)	(29)			(131)	(102)	(29)			(131)
EBIT	119	69			228	119	69			228
Net Interest	(10)		(14)	(14)	(24)	(10)		(14)	(14)	(24)
Profit Before tax	**109**	**69**	**20**	**31**	**203**	109	**69**	**20**	**31**	**203**
Tax expense	(33)				(61)	(33)				(61)
NPAT	**76**				**142**	76				**142**
EPS (CPS)	**25.2**				**30.7**	25				**28.4**
Accretion					**21.7%**					**12.8%**
Net Debt	305	411			716	305	411			716
...Net interest rate	3.3%	3.5%				3.3%	3.5%			
Net Debt/EBITDA	**1.38**	**4.23**			**2.00**	**1.38**	**4.23**			**2.00**
Share price		5.32					5.32			
Shares out	303	161			464	303	197			500
Mkt cap	1,612	854			2466	1,612	1,049			2661
Adj. enterprise value	**1,917**	**1,266**			**3182**	**1,917**	**1,460**			**3377**
EV/EBITDA (x)	**8.7**	**13.0**			**8.9**	**8.7**	**15.0**			**9.4**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Fonterra earnings: In FY21 Fonterra Australia generated revenues of ~A$1.8Bn, EBIT of ~A$69m and estimated EBITDA of ~A$97m. The table below details report FY20-21 Fonterra Australia results restated to AUD at average AUDNZD cross rates. We have estimated depreciation having apportioned it based on non-current assets in the region.

Figure 2 – Fonterra Australia financials (NZD and AUD basis)

	NZD		AUD	
	2020	2021	2020	2021
Milk collection (KgMS)	108	106	108	106
Milk collection (mL)	1393	1362	1393	1362
Farmagte price ($/KgMS)	6.90	6.53	6.90	6.53
Sales Volume ('000t)	406	373		
Revenue	**2036**	**1953**	**1930**	**1811**
Milk costs			745	692
Processing costs			957	893
...processing costs per litre ($)			0.69	0.66
Total costs	**1795**	**1710**	**1702**	**1585**
Gross profit	**241**	**243**	**229**	**225**
Opex	156	138	148	128
EBITDA	**85**	**105**	**81**	**97**
Depreciation & amortisation	31	31	29	29
EBIT	**54**	**74**	**51**	**69**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

The business collected 1.4BnL of milk, primarily in VIC & TAS. In FY20 ~13% of gross profit was generated in the Ingredients business, with the majority of earnings in branded and Foodservice businesses, through brands such as Western Star, Bega and Perfect Italiano.

Fonterra Australia value range: Some press reports have cited value for Fonterra Australia of $1-2Bn. In our view the upper bound looks excessive for a business that has seen a ~30% contraction in milk supply the past four years and only generated ~A$69m in EBIT in FY21 and an estimated A$97m in EBITDA. This would in effect put Fonterra Australia at a material premium to other listed dairy assets such as BGA and SM1, with a likely lower growth trajectory.

In determining an acquisition price, we have looked at historical transaction multiples, noting that recent deals in the dairy sector in Australia have occurred in a range of 13-15x EBITDA. This would look a reasonable basis for assessing a likely acquisition price and implies a price range of $1.2-1.5Bn under a control premium scenario.

Figure 3 - Transaction in Australian dairy

Year	Target	Acquirer	Price ($m)	EV/EBITDA (x)
1998	Pauls	Parmalat	503.3	8.8
2002	King Island Dairy	National Foods	89.9	10.5
2002	NZDF	Rank Group	274.4	8.1
2004	National Foods	San Miguel Corp	1940.0	11.7
2005	NZDF	Goodman Fielder	693.8	11.5
2005	Bonland Foods	Fonterra	170.0	n.a.
2008	Dairy Farmers	Kirin	910.0	12.8
2009	Burra Foods (45% acquired)	ITOCHU	75.0	6.5
2011	Tatura (30% minorities)	Bega	153.0	6.6
2013	WCB (88% stake)	Saputo	527.0	21.9
2015	Lion Everyday Cheese	WCB	138.0	15.3
2016	Burra Foods (79% stake)	Mengnui	300.0	13.5
2017	WCB (12% stake)	Saputo	682.0	19.7
2018	MGC	Saputo	1310.0	13.1
2018	Koroit	Bega	279.0	13.4
2019	Lion Specialty Cheese	Saputo	280.0	n.a.
2020	Lion Dairy and Drinks	Bega	764.0	13.6
Average				**12.5**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Debt and equity funding: In this exercise we have assumed that BGA seeks a target Net Debt/EBITDA ratio of ~2x on a ProForma post synergy basis. Any difference in the price is assumed to be equity funded and issued at the current share price level of BGA. We have assumed debt funding costs of 3.5%, which compare to the FY21 average interest rate for BGA of 3.0%.

On face value the required equity component would look material at $850-1,050m. However, the removal of the 15% shareholder cap at BGA in Aug'21 and the desire by FSF to retain a stake in the Australian business has the potential to materially reduce the need for external equity. For example, if FSF were to retain a 20% interest in the merged entity the external capital requirement would fall to ~$350-520m, which compares to the A$516m raised to fund LDD in 2020.

Synergies: We estimate the potential synergies of merging the two business has the scope to be in the region of $35-45m based on three areas of overlap detailed below. We note this compares to LDD targeted synergies of $41m. Main areas of synergies include:

1. Duplicate corporate and marketing costs: The removal of duplicate cost structures is likely to be a material opportunity. In determining a range we have considered: (1) the ~$15m in savings identified in the BGA-WCB takeover approach in 2013; and (2) The $41m target in the BGA-LDD acquisition in 2020. Excluding distribution, we estimate a compressible cost structure in Fonterra of ~$35-40m. Given a likely "free ride" on some shared services within FSF, we have estimated the most material opportunity is likely in marketing (1.5-2.0% of sales within BGA) and so have estimated an opportunity to remove $10-15m from shared corporate and marketing functions.

2. **Cut, wrap and shred operations.** In late 2020, Fonterra acquired the assets of Dairy Country (from RFG), a cut, wrap and shred operation with capacity to process ~73,000t of product. We would see the potential to consolidate the operations of Dairy Country within the underutilised operations of Bega at Strathmerton and Lagoon St. We estimate the annual site overheads of the Dairy Country assets are ~$15-20m and could see a material element of this being removed. In addition to the costs of Dairy country we have considered the $5m synergies identified in 2013 when BGA pursued WCB through consolidating cut and wrap operations. Given the scale of the overlap in this instance is larger than in the WCB case metrics, we estimate a $10-15m saving could be achieved from consolidating cut, wrap and shred operations.

3. **Cold chain distribution site consolidation**. One of the opportunities highlighted with the LDD acquisition was the ability to better utilise the material cold chain distribution assets and 136 distribution centres of LDD. As Fonterra also operates a material cold chain distribution network in Australia, there would look for the scope for material synergy extraction from merging the distribution capabilities. In FY19-20 BGA's distribution costs were in the region of $85-87m and this lifted to ~$157m in FY21, with ~5 months ownership of LDD. It is reasonable to assume the majority of this uplift resulted from the LDD consolidation, suggesting an annual cost base of ~$160m. If distribution costs for Fonterra are running at ~5% of sales (FY21 5.1% in BGA), then the total addressable distribution cost base could be ~$250m. A 5% reduction in this number could be worth $10-15m in annual savings.

ACCC CONSIDERATIONS

We would see two areas likely to be reviewed and cover off on them below.

Brand consolidation: The largest driver of revenue and earnings inside of the Fonterra Australia business are the Foodservice and retail business, with the business driven by the Western Star butter and the Bega and Pefect Italiano cheese brands. Given BGA does not have a particularly large presence in branded butter or cheese, we would not see this as a material issue.

Competition for milk: We see limited operational overlap in the Gippsland and Tasmania footprint of Fonterra and BGA, which would account for ~700-750mL of annual milk intake for Fonterra. Areas that are likely to require some further investigation are the Stanhope and Cobden facilities, with the latter likely to draw the most interest as outlined below:

Figure 4 - Murray and Western VIC processors

Northern VIC			Western VIC		
Processor	**Facility**	**Capacity**	**Processor**	**Facility**	**Capacity**
Fonterra Australia	Stanhope	850	Fonterra Australia	Cobden	400
Bega Cheese Ltd	Tatura	350	Bega Cheese Ltd	Koroit	850
Saputo	Cobram	850	Saputo	Allansford	1000
Freedom Foods	Shepparton	500	Union Dairy Company	Penola (SA)	300
ACM	Girgarre	200	Bulla	Colac	n.a.
Installed capacity (mL)		**2,750**	**Installed capacity (mL)**		**2,550**
ADFC	Trader	108	ADFC	Trader	178
Proxy demand (mL)		**2,858**	**Proxy demand (mL)**		**2,728**
Murray milk collection 2021		**2,176**	**Murray milk collection 2021**		**2,176**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Stanhope. This is the flagship operation for Fonterra housing the cheese operations and capacity to produce ~80,000t annually. It competes directly with BGA's Tatura facility for milk supply which will make in asset of interest. Our analysis of the region suggests there has been materially investment in new capacity in recent years by Freedom Foods and ACM and when considered in the context of the Saputo's Cobram facility there would appear material competition for milk. By our calculations there is an installed capacity base of ~2.75BnL and demand including identified third party traders of ~2.9BnL, this compare to annual milk production of ~2.2BnL. As such on face vale there would look ample competition at the farmgate in the Murray dairy catchments even if BGA and Fonterra were a single entity.

Cobden: This is the asset most likely to attract attention, largely because when MGC was acquired by Saputo the Koroit facility was required to be divested and subsequently acquired by Bega. On face value the industry landscape hasn't changed materially since the 2018 acquisition by Bega and as such it is reasonable to assume that a divestiture of Cobden may be required. We would not see a requirement to dispose of Cobden site as particularly burdensome.

BEGA BRAND TRADEMARK

In our view, one key appeal of a potential acquisition of Fonterra Australia is the ability of BGA to take back control of the Bega trademark in cheese and butter products. In 2001, BGA granted a long term sole and exclusive trade mark licence to Fonterra Australia to use the Bega trade marks on natural and processed cheddar cheese, string cheese and butter products sold in Australia. The material disclosed terms of the agreement are:

1. An initial term of 25 years, commencing 8 May 2001. Fonterra has the option to renew the licence for successive periods of 25 years as long as it is not in breach of any material terms d the agreement.
2. Fonterra is required to pay a royalty for the use of the Bega trademarks based on retail sales achieved by Bega branded cheese products in Australia; and
3. Fonterra is required to manage the Bega brand in accordance with defined marketing principles, including recognition of the heritage of the brand and the premium status of products sold under it.

There is no mention of change in control provisions in the public domain. We would have suggested that if there are change of control provisions then it could make it difficult for other bidders to make a full offer for Fonterra Australia.

BGA company overview

COMPANY DESCRIPTION

Bega Cheese Limited (BGA) is engaged in: (1) the processing, manufacturing and distribution of dairy and associated products to both Australian and international markets: and (2) the processing and manufacturing of spreads and condiments for consumer markets. BGA operates processing facilities across Australia with the capacity to process ~1.6-1.7BnL of milk annually.

VALUATION

Our $6.35ps target price for BGA is derived from a combination of: **(1) Underlying ROIC based approach:** which is based on 8.2-9.3% ROIC when earnings are reflective of normal seasonal conditions and annualised LDD synergies. This derives an EV/EBITDA multiple of 7.7-9.6x; and **(2) Value for surplus land assets and franking credits:** We have incorporated a value for the Port Melbourne land acquired in the MLDZ acquisition and a value for expected surplus franking credit.

RISKS

Risks facing BGA include but are not limited to:

COVID-19: The substantial impact of COVID-19 on the global and domestic economies together with the Saudi Arabia-Russia oil price war is creating enormous volatility and uncertainty in global share markets. The forecasts in the report may be subject to significant changes if this situation continues for an extended period of time.

AUD commodity prices: With ~20-25% of revenues exposed to commodity markets and a further 15-20% exposed to export FMCG or Nutritionals based revenue streams, BGA is exposed to both movements in the AUD and global dairy commodity prices. While the impact is insulated via the groups domestic FMCG and cut & pack operations, sharp movements up or down can have a meaningful impact on profitability, particularly in the Tatura business;

Seasonal risk factors: BGA is exposed to the impact of weather conditions such as droughts and other factors that may reduce the level of milk produced in the catchment area;

Milk supply and costs: BGA purchases milk from dairy farmers on annual basis, seasonal factors or competitive response may limit supply or result in changes to farmgate milk pricing assumptions greater than we have allowed;

Change in long-term relationships: BGA distributes its branded and other cheese products through long term cost plus contracts with companies including Fonterra, Kraft, Woolworths and Aldi Any loss of a material cheese contract could hamper returns in the business**;** and

Execution risk on LDD acquisition: Failure of BGA to execute on integrating the LDD acquisition and achieving stated synergy targets may result in BGA failing to achieve our earnings estimates or target price.

Customer and supplier relationships: There is a risk that as a result of acquiring MDLZ grocery business and competing in the markets some of its products, contractual relationships with customers may result in decreased sales volumes and increased costs which could affect the financial performance of BGA.

Brand, product and reputation risk: Earnings could be impacted by failing to meet customer expectations of quality; contamination or recall; adverse media coverage or other factors outside of the control of BGA.

Industry risk: There are a number of industry factors outside the control of the company, including regulatory, compliance and variations in legislation and government policies.

Failure to retain key customers: Given BGA's reliance on several key customers, a failure to maintain these relationships could adversely impact the financial performance of BGA.

Bega Cheese Ltd
as at 4 October 2021

Recommendation	Buy
Price	$5.32
Target (12 months)	$6.35

Table 1 - Financial summary

June year end	2018	2019	2020	2021	2022e	2023e	2024e
Profit & Loss (A$m)							
Sales revenue	1252.0	1420.0	1493.2	2073.4	3093.3	3141.9	3199.4
. . . Change	2.1%	13.4%	5.2%	38.9%	49.2%	1.6%	1.8%
EBITDA	109.6	104.9	103.0	141.7	220.9	231.9	244.7
Deprec. & amort.	(31.3)	(40.4)	(45.8)	(72.9)	(101.8)	(101.8)	(101.8)
EBIT	78.3	64.5	57.2	68.8	119.1	130.0	142.9
Interest expense	(9.8)	(19.6)	(11.0)	(8.7)	(10.0)	(7.5)	(5.4)
Pre-tax profit	68.5	44.9	46.2	60.1	109.1	122.5	137.4
Tax expense	(25.0)	(14.0)	(14.3)	(20.5)	(32.7)	(36.8)	(41.2)
. . . tax rate	37%	31%	31%	34%	30%	30%	30%
Minorities	-	-	-	-	-	-	-
Net Profit	**43.5**	**30.9**	**31.9**	**39.6**	**76.4**	**85.8**	**96.2**
Abs. & extras.	(15.2)	(26.5)	(10.6)	32.6	-	-	-
Reported Profit	**28.2**	**4.4**	**21.3**	**72.2**	**76.4**	**85.8**	**96.2**
Cashflow (A$m)							
EBITDA	109.6	104.9	103.0	141.7	220.9	231.9	244.7
Tax Paid	(79.2)	(13.3)	(12.3)	(0.7)	(29.7)	(35.7)	(40.1)
Net Interest Expense	(9.8)	(20.4)	(11.0)	(10.4)	(9.3)	(8.8)	(6.5)
Change in Wkg Capital	(39.6)	29.1	56.3	(95.1)	(0.0)	(3.4)	(4.0)
Other	25.0	(0.1)	(0.7)	66.6	41.6	-	-
Operating Cash Flow	**6.0**	**100.3**	**135.3**	**102.1**	**223.5**	**184.0**	**194.1**
Capex	(46.6)	(62.3)	(61.8)	(32.2)	(95.0)	(70.0)	(70.0)
Div Paid (gross of DRP)	(19.4)	(19.1)	(19.5)	(23.3)	(30.3)	(45.4)	(51.5)
Free Cash Flow	**(60.0)**	**18.8**	**54.0**	**46.6**	**98.2**	**68.5**	**72.6**
Acquisitions	(478.3)	(262.2)	(1.0)	(514.5)	-	-	-
Disposals	12.7	1.4	5.3	-	-	-	-
Share Issues (incl DRP)	50.0	199.9	-	390.2	-	-	-
Other	(30.0)	0.3	7.7	(5.6)	-	-	-
(Inc.) /dec. in net debt	**(505.6)**	**(41.9)**	**65.9**	**(83.3)**	**98.2**	**68.5**	**72.6**
Balance Sheet (A$m)							
Cash & near cash	21.7	28.8	22.9	87.2	87.2	87.2	87.2
Receivables	200.6	179.9	117.4	348.9	348.9	354.4	360.9
Inventories	232.1	272.6	257.4	345.0	345.0	350.4	356.8
Other	14.7	9.9	12.0	52.3	52.3	52.3	52.3
Current assets	**469.0**	**491.2**	**409.7**	**833.4**	**833.4**	**844.3**	**857.2**
Fixed assets	323.6	443.3	445.9	908.5	901.7	869.8	838.0
Intangibles	411.5	535.1	548.1	589.5	589.5	589.5	589.5
Other	11.7	20.5	19.7	154.7	154.7	154.7	154.7
Non current assets	**746.8**	**999.0**	**1,013.7**	**1,652.7**	**1,645.9**	**1,614.0**	**1,582.2**
Total assets	**1,215.8**	**1,490.2**	**1,423.4**	**2,486.1**	**2,479.3**	**2,458.4**	**2,439.4**
Creditors	225.9	274.9	253.4	477.4	477.4	484.9	493.8
Borrowings	0.1	0.0	-	-	-	-	-
Other	52.3	49.2	52.6	207.5	264.9	267.7	267.8
Current liabilities	**278.2**	**324.1**	**306.0**	**684.9**	**742.4**	**752.7**	**761.6**
Borrowings	267.0	316.1	244.3	391.9	293.7	225.2	152.6
Other	38.7	31.5	59.2	148.6	148.6	148.6	148.6
Non current liabilities	**305.6**	**347.6**	**303.4**	**540.5**	**442.3**	**373.8**	**301.2**
Total liabilities	**583.8**	**671.7**	**609.4**	**1,225.4**	**1,184.7**	**1,126.4**	**1,062.8**
Net assets	**632.0**	**818.6**	**814.0**	**1,260.7**	**1,294.6**	**1,331.9**	**1,376.6**
Share capital	274.9	477.5	480.5	875.7	875.7	875.7	875.7
Reserves	21.5	22.9	20.9	25.9	25.9	25.9	25.9
Retained earnings	335.7	318.2	312.7	359.1	393.0	430.3	475.0
Outside equity Interests	-	-	-	-	-	-	-
S/holders' funds	**632.0**	**818.6**	**814.0**	**1,260.7**	**1,294.6**	**1,331.9**	**1,376.6**
Net Debt (Cash)	245.4	287.3	221.4	304.7	206.5	138.0	65.4

Recommendation	Buy
Share price ($ps)	5.32
Target price ($ps)	6.35
Diluted issued capital (m)	303.0
Market cap ($m)	1611.9
Enterprise value ($m)	2021.2

June year end	2018	2019	2020	2021	2022e	2023e	2024e
Valuation Ratios							
EPS (¢ps)	23.5	15.0	14.9	14.9	25.2	28.3	31.8
Change (%)	18.2%	-36.3%	-0.4%	0.0%	69.3%	12.3%	12.2%
PE (x)	22.6	35.6	35.7	35.7	21.1	18.8	16.8
EV/EBITDA (x)	18.4	19.3	19.6	14.3	9.2	8.7	8.3
EV/EBIT (x)	25.8	31.3	35.3	29.4	17.0	15.5	14.1
NTA ($ps)	1.19	1.37	1.24	2.52	2.33	2.45	2.60
P/NTA (x)	4.46	3.88	4.28	2.11	2.28	2.17	2.05
Book Value ($ps)	3.42	3.83	3.80	4.17	4.27	4.40	4.54
Price/Book (x)	1.56	1.39	1.40	1.28	1.25	1.21	1.17
DPS (¢)	11.0	11.0	10.0	10.0	14.0	16.0	17.0
Payout (%)	47%	74%	67%	67%	56%	57%	54%
Yield (%)	2.1%	2.1%	1.9%	1.9%	2.6%	3.0%	3.2%
Franking (%)	100%	100%	100%	100%	100%	100%	100%
Performance Ratios							
EBITDA/sales (%)	8.8%	7.4%	6.9%	6.8%	7.1%	7.4%	7.6%
EBITA/sales (%)	6.3%	4.5%	3.8%	3.3%	3.8%	4.1%	4.5%
OCF Realisation (%)	8%	141%	174%	91%	125%	98%	98%
FCF Realisation (%)	-93%	123%	230%	177%	168%	133%	129%
ROE (%)	7.2%	4.3%	3.9%	3.8%	6.0%	6.5%	7.1%
ROIC (%)	13.2%	6.5%	5.3%	5.3%	7.8%	8.8%	9.8%
Aseet Turn (years)	3.50	2.60	2.25	1.94	2.17	2.28	2.40
Capex/Depn (x)	1.49	1.54	1.35	0.44	0.93	0.69	0.69
Interest cover (x)	7.97	3.29	5.21	7.91	11.92	17.29	26.31
Net Debt/EBITDA (x)	2.24	2.74	2.15	2.15	0.93	0.60	0.27
Net debt/equity (%)	38.8%	35.1%	27.2%	24.2%	16.0%	10.4%	4.7%
Net debt/(Net debt + Ec	28.0%	26.0%	21.4%	19.5%	13.8%	9.4%	4.5%
Model drivers							
Branded		822.1	878.6	1,519.9	2,572.6	2,617.9	2,665.7
Ingredients		856.2	977.4	897.5	871.6	881.9	898.8
Intercompany		(258.4)	(362.7)	(344.0)	(350.9)	(357.9)	(365.1)
Group revenue ($m)	**1,252.0**	**1,420.0**	**1,493.2**	**2,073.4**	**3,093.3**	**3,141.9**	**3,199.4**
Branded		72.2	76.1	98.4	171.4	182.3	191.9
Ingredients		53.5	42.9	69.1	74.5	75.2	79.1
Intercompany		(20.8)	(16.1)	(25.8)	(25.0)	(25.6)	(26.3)
EBITDA	**109.6**	**104.9**	**103.0**	**141.7**	**220.9**	**231.9**	**244.7**
BGA Southern FMP ($/KgMS)		6.15	6.90	6.50	7.14	7.14	7.14

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Analysts			
TS Lim	Banks	612 8224 2810	tslim
John Hester	Healthcare	612 8224 2871	jhester
Tanushree Jain	Healthcare	612 8224 2849	tnjain
Steven Anastasiou	Industrials	613 9235 1952	sanastasiou
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
James Filius	Industrials	613 9235 1612	jfilius
Sam Haddad	Industrials	612 8224 2819	shaddad
Hamish Murray	Industrials	613 9235 1813	hmurray
Jonathan Snape	Industrials	613 9235 1601	jsnape
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9235 1856	showe
Brad Watson	Resources	618 9326 7672	bwatson
Regan Burrows	Resources	618 9326 7677	rburrows
Joseph House	Resources	613 9235 1624	jhouse
Associates			
Olivia Hagglund	Associate Analyst	612 8224 2813	ohagglund
Michael Ardrey	Associate Analyst	613 9256 8782	mardrey

Bell Potter Securities Limited
ABN 25 006 390 772
Level 29, 101 Collins Street
Melbourne, Victoria, 3000
Telephone +61 3 9256 8700
www.bellpotter.com.au

Bell Potter Securities (HK) Limited
Room 1701, 17/F
Prosperity Tower, 39 Queens Road
Central, Hong Kong, 0000
Telephone +852 3750 8400

Bell Potter Securities (US) LLC
Floor 39
444 Madison Avenue, New York
NY 10022, U.S.A
Telephone +1 917 819 1410

Bell Potter Securities (UK) Limited
16 Berkeley Street
London, England
W1J 8DZ, United Kingdom
Telephone +44 7734 2929

The following may affect your legal rights. Important Disclaimer:

This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of Bell Potter Securities Limited. In the USA and the UK this research is only for institutional investors. It is not for release, publication or distribution in whole or in part to any persons in the two specified countries. **In Hong Kong,** this research is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. **In the United States**, this research is issued and distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

This is general investment advice only and does not constitute personal advice to any person. Because this document has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited investment adviser (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this document.

While this document is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in the document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee, expressly or impliedly, that the information contained in this document is complete or accurate. Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views opinions, or recommendations contained in this document or for correcting any error or omission which may become apparent after the document has been issued.

Except insofar as liability under any statute cannot be excluded. Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of this document or any other person.

Research Policies:

For Bell Potter's Research Coverage Decision Making Process and Research Independence Policy, please refer to our company website:

https://bellpotter.com.au/research-independence-policy/

Disclosure of interest:

Bell Potter Securities Limited, its employees, consultants and its associates within the meaning of Chapter 7 of the Corporations Law may receive commissions, underwriting and management fees from transactions involving securities referred to in this document (which its representatives may directly share) and may from time to time hold interests in the securities referred to in this document.

Disclosure: Bell Potter Securities acted as JOINT LEAD MANAGER AND UNDERWRITER IN BGA'S NOV'20 PLACEMENT AND ENTITILEMENT and received fees for that service.

ANALYST CERTIFICATION

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.