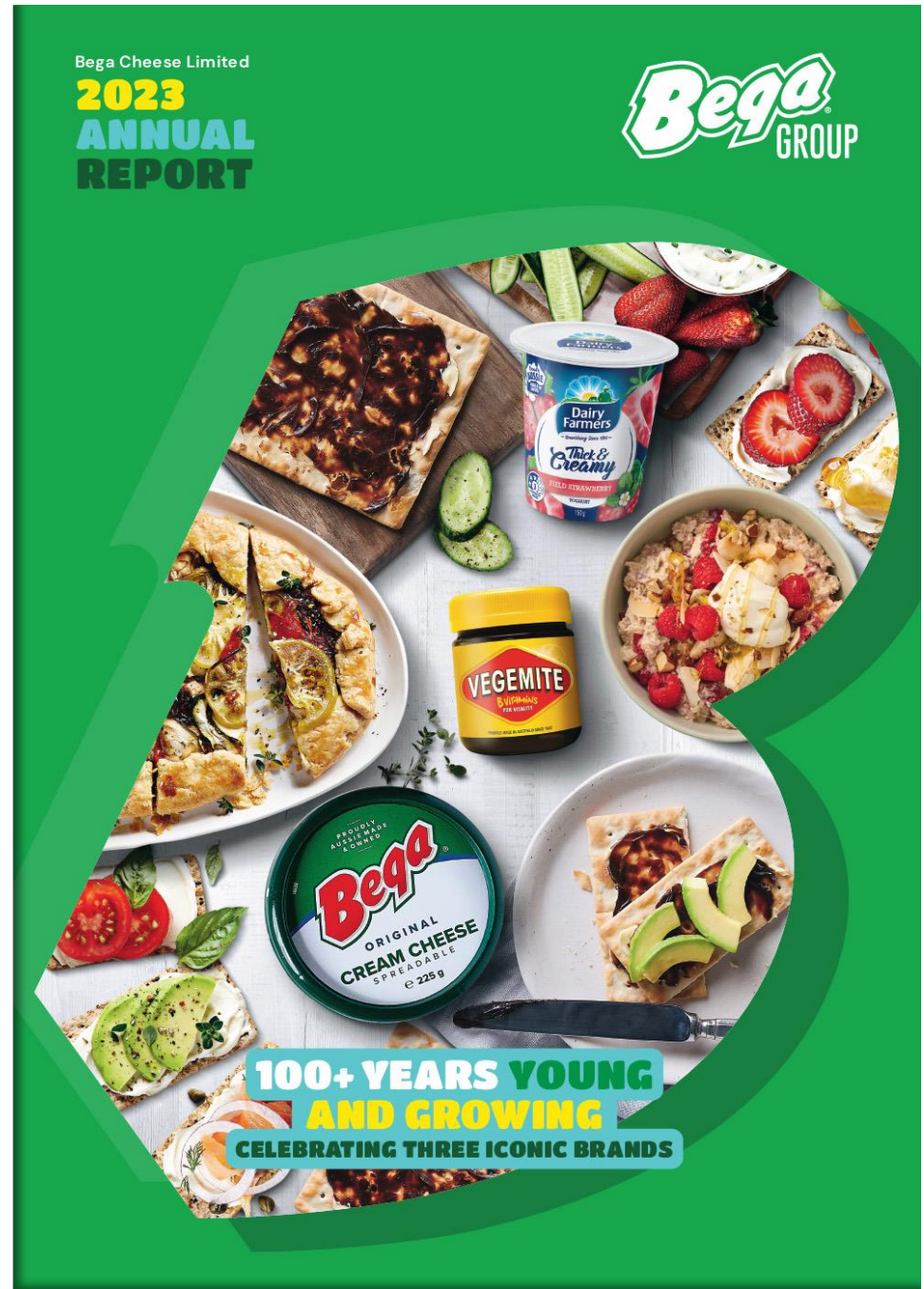




# Bega Group Bell Potter Emerging Leaders

Gunther Burghardt – CFO

Sept 12/13 2023



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creating great food  
for a better future



# Where We Are Today

- Iconic leading brands
- Integrated manufacturing and processing infrastructure
- Agile response to changing markets
- Strong strategic positioning
- Both branded acquisitions ahead of business case
- Opportunities for further branded pricing and innovation, efficiency programs and margin improvement
- Brands contribution will continue momentum in FY2024
- Challenges remain in commodity markets
- FY2024 Normalised EBITDA of \$160m to \$170m



Serving suggestion

NEW

**CREAM CHEESE  
MADE FOR  
AUSTRALIA**  
*Not Philadelphia*



BEGA and the BEGA device are trade marks of the Bega Group.

# Key Messages

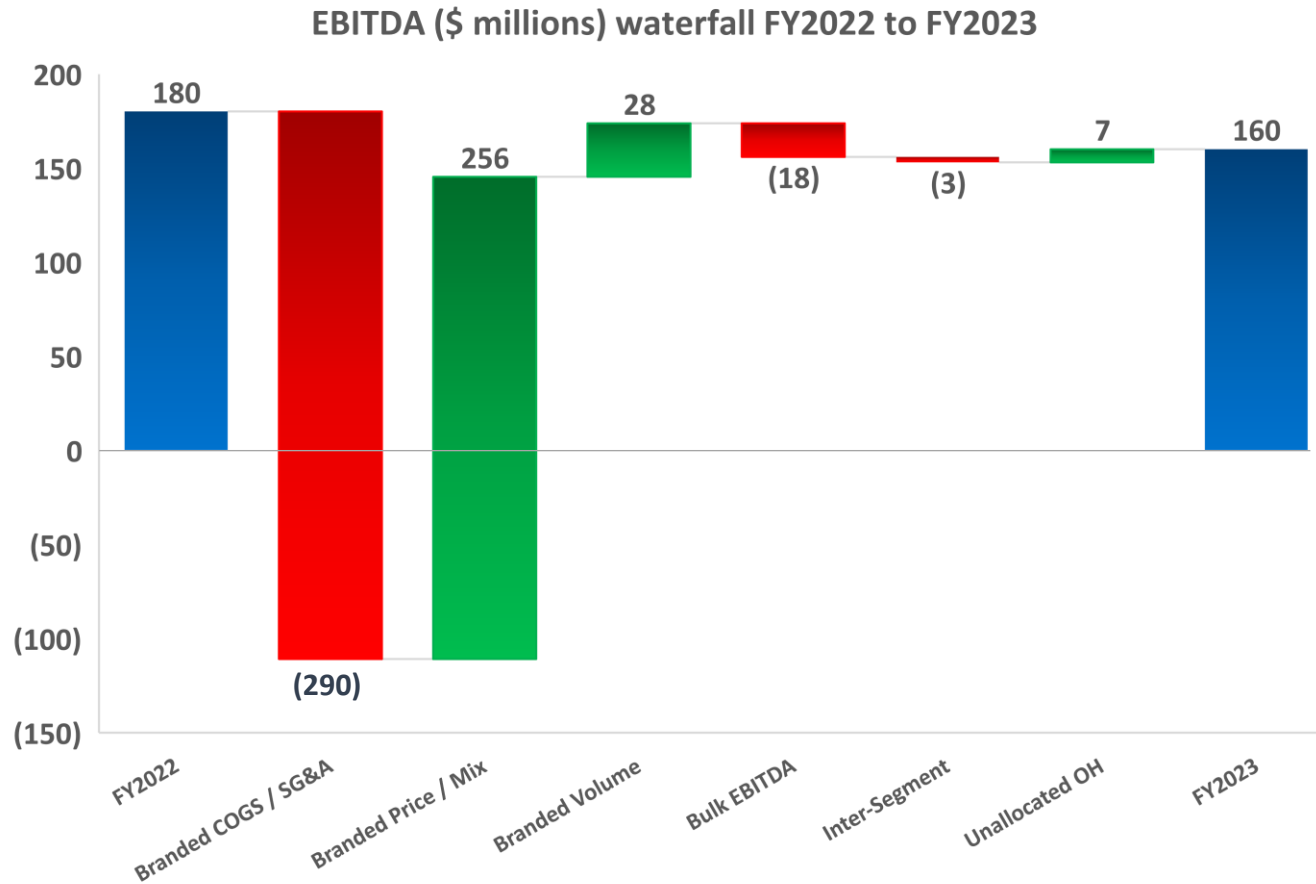
- Branded strategy delivers
  - Market leading brands
  - Strong second half momentum
  - Investment in key growth categories
- Accelerated alignment of organisation to branded strategy
- Commodity market volatility
  - Rapid decline in dairy global commodity pricing in excess of 30% impacting 2H
  - Australian farm gate milk pricing disconnected from international commodity value
- Right sizing commodity infrastructure
- Strengthened balance sheet
  - 1.6x leverage ratio
- Financial performance
  - Revenue \$3.38b **↑** 12%
  - Normalised EBITDA \$160.2m **↓** 11%, Statutory EBITDA \$144.1m **↓** 4%
  - Impairment of commodity assets (\$275.9m)
  - Normalised NPAT \$28.5m, Statutory NPAT (\$229.9m)

# GOT A LOT TO DIGEST?


























**A DARE FIX'LL FIX IT.**

# Profitability Overview



- Complex, diverse and rapidly changing circumstances
- Strong double-digit growth – price, volume and product mix improvements for the Branded business
- By Q4 cumulative price increases had offset increased costs
- FY2023 Volume growth in Branded segment delivered \$28m of EBITDA upside
- Bulk segment declined \$(18)m in EBITDA due to rapid decline in 2H commodity prices

# Brand Shares | Australian Retail Categories

Category	Category size \$m	Category Annual growth	Bega share	Market Position	Brands
Fresh white milk	2,118	13%	12%	3	 <b>PURA</b> <sup>®</sup>  
Yoghurt	1,740	11%	26%	1	  
Milk based beverages	918	13%	52%	1	     
Spreads	700	5%	31%	1	   
Chilled juice	657	6%	22%	2	  
Creams and custards	596	16%	9%	4	 <b>PURA</b> <sup>®</sup> 
Water ice	59	9%	81%	1	 

Data extracted from IRI Total Business Scan (AU grocery Unweighted and Structured Convenience) MAT 30 June 2023. Statements in relation to market share data provided by IRI (and Bega's competitive position) are based on outside data sources, assumptions and weightings in combination with management estimates.

1 Bega calculation based in part on data reported by NIQ through its Scantrack Service for the Spreads category for the 52-week period ending 20 June 2023, for the Total Australia Grocery Channel according to a client defined category and based on value sales. Copyright © 2023, Nielsen Consumer LLC.

# Branded Business Momentum

- Brands sustained leading market positions and grew volume in an environment of unprecedented cost increases
  - Pricing initiatives substantially mitigated cost impacts
  - Strong growth in food service and convenience channels
- Restructuring program announced to improve efficiency and customer focus of branded business
  - \$20m in annualised cost savings
- Strong brand innovation and new product development pipeline
- Capacity rationalisation
  - Canberra processing site consolidation to Penrith
  - Automation programs executed across a number of sites
- Maintained CAPEX investments to enable growth and efficiency
  - Wetherill Park sustainable packaging infrastructure commissioned in 2H FY2023
  - New pouch line at Morwell commissioned in July/August 2023
  - New digital sales B2B platform





# Innovation and Growth in Brands

## Investment in core brands

- Focused marketing investment to enable strong pricing growth
- Vegemite 100 Anniversary execution led to full year growth rate at nearly twice rate of spreads category
- Four iconic brands with 100 years of heritage that remain contemporary
- Strong milk-based beverages performances including 2H launch of sustainable packaging
- 2H international branded sales rebounding from soft 1H with double-digit net revenue growth (focus on cheese and yoghurt)



LIMITED  
EDITION

# BANANA SPLIT IS HERE



# Segments

(\$ million)	Branded	Bulk	Unallocated Overheads	Inter-segment elimination	Group Total
Revenue	\$2,880.7	\$797.4	-	\$(302.1)	\$3,376.0
Growth vs FY2022%	16%	8%	-	46%	12%
Normalised EBITDA	\$128.8	\$43.1	\$(10.4)	\$(1.3)	\$160.2
Increase/(decrease) vs FY2022 EBITDA	\$(6.2)	\$(17.9)	\$7.1	\$(2.9)	\$(19.9)

## BRANDED

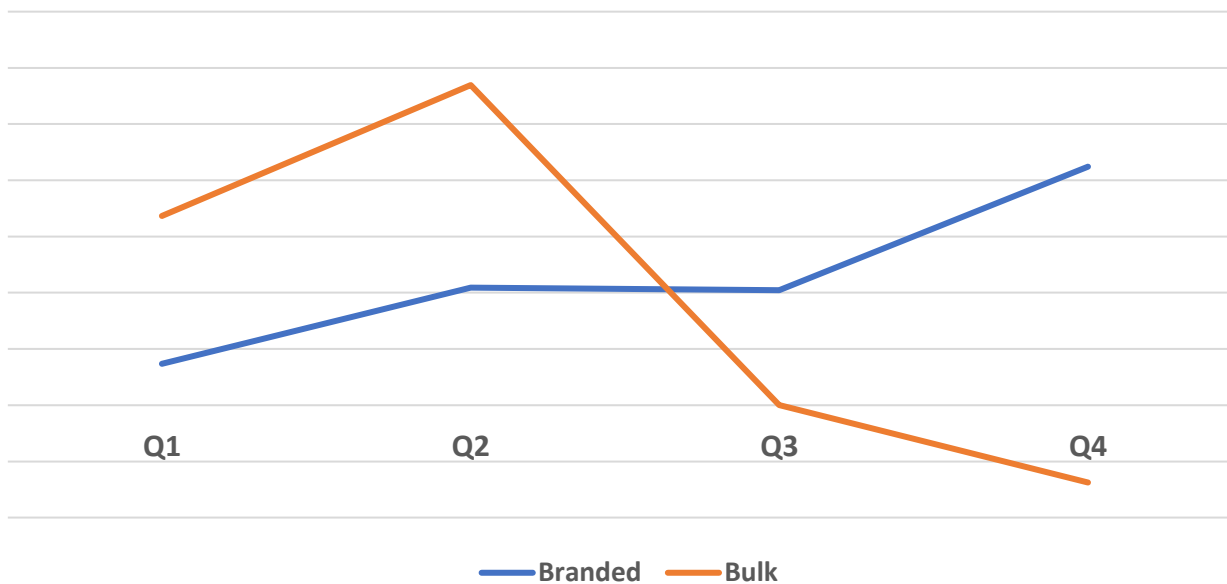
- Bega portfolio of brands well positioned for economically challenging times growing volume despite price increases
- In FY2024, Branded business likely to make up substantially all of Bega Group's profit

## BULK

- Embarked on restructuring of bulk business which will focus on the more profitable segments of dairy commodity markets and reduced costs
- Maintaining flexibility to ramp up bulk business in future years when commodity prices warrant doing so

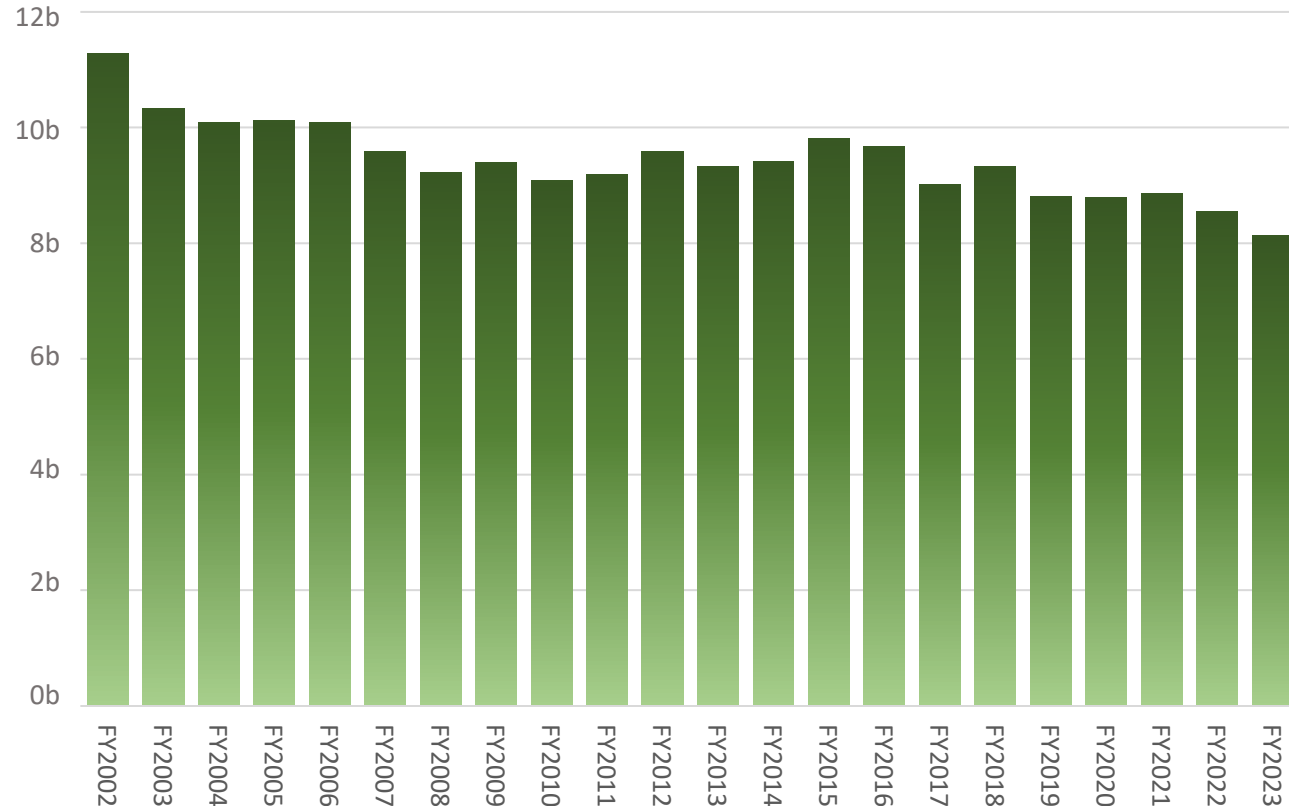
# Brand Momentum and Commodity Impact

EBITDA Margin by Quarter (% Net Revenue)



- Successful price execution in branded business in 1H
- Continued branded momentum into FY2024
- Rapid decline in global commodities in 2H
- Commodity impact continues in FY2024

# Australian Milk Production



## Industry

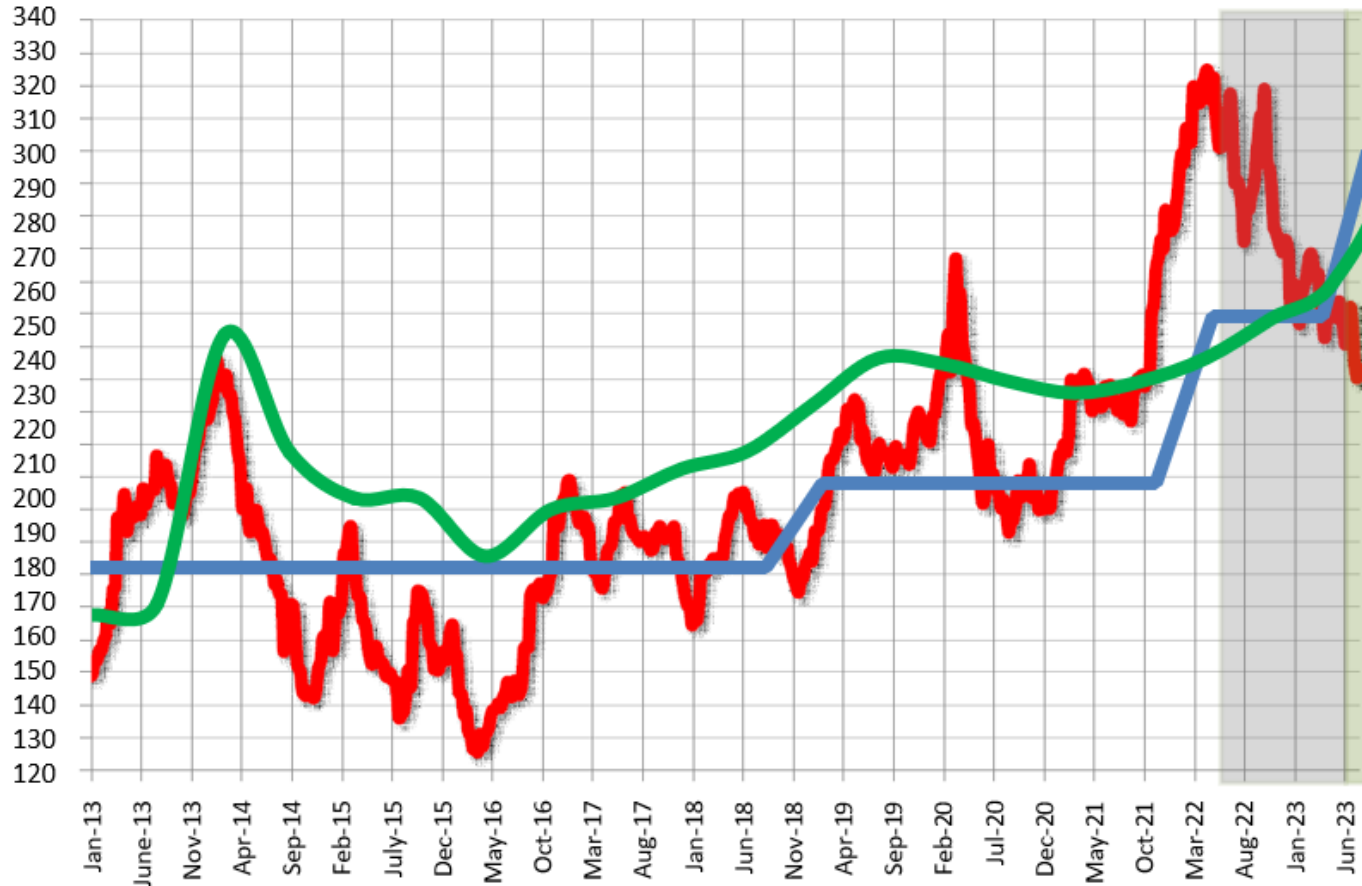
- Decline in milk production
- Relatively minor rationalisation of industry manufacturing capacity
- Reduced milk availability and industry over capacity increasingly creates disconnect between farm gate milk price and commodity markets

## Bega

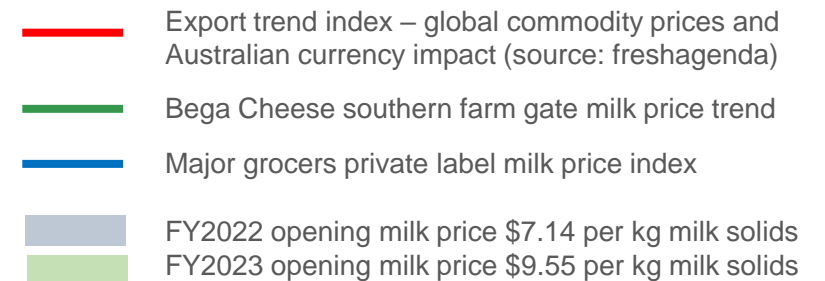
- Impairment reflects above
- Restructuring to create stronger platforms for future branded growth and infrastructure flexibility
- Future business profile less exposed to farm gate milk volumes and pricing

Source: Dairy Australia

# Farm Gate Milk Price and Market Returns



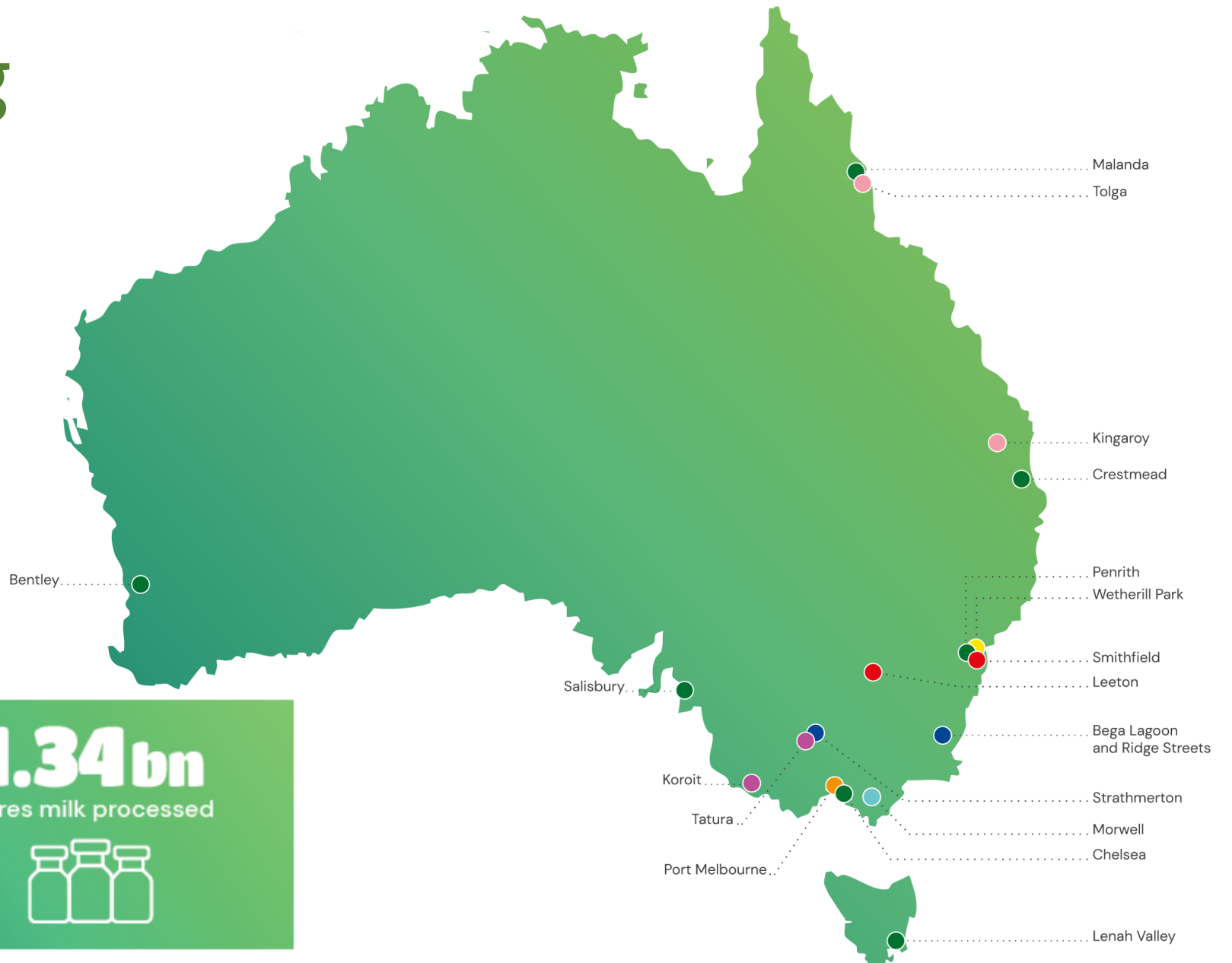
- Domestic consumer markets reflecting farm gate price
- Global commodity prices highly volatile and now disconnected from farm gate milk price
- Further decrease in total milk supply in FY2023
- Robust competition for milk procurement remains



# 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



## 19

national  
manufacturing  
facilities

## 3,900+

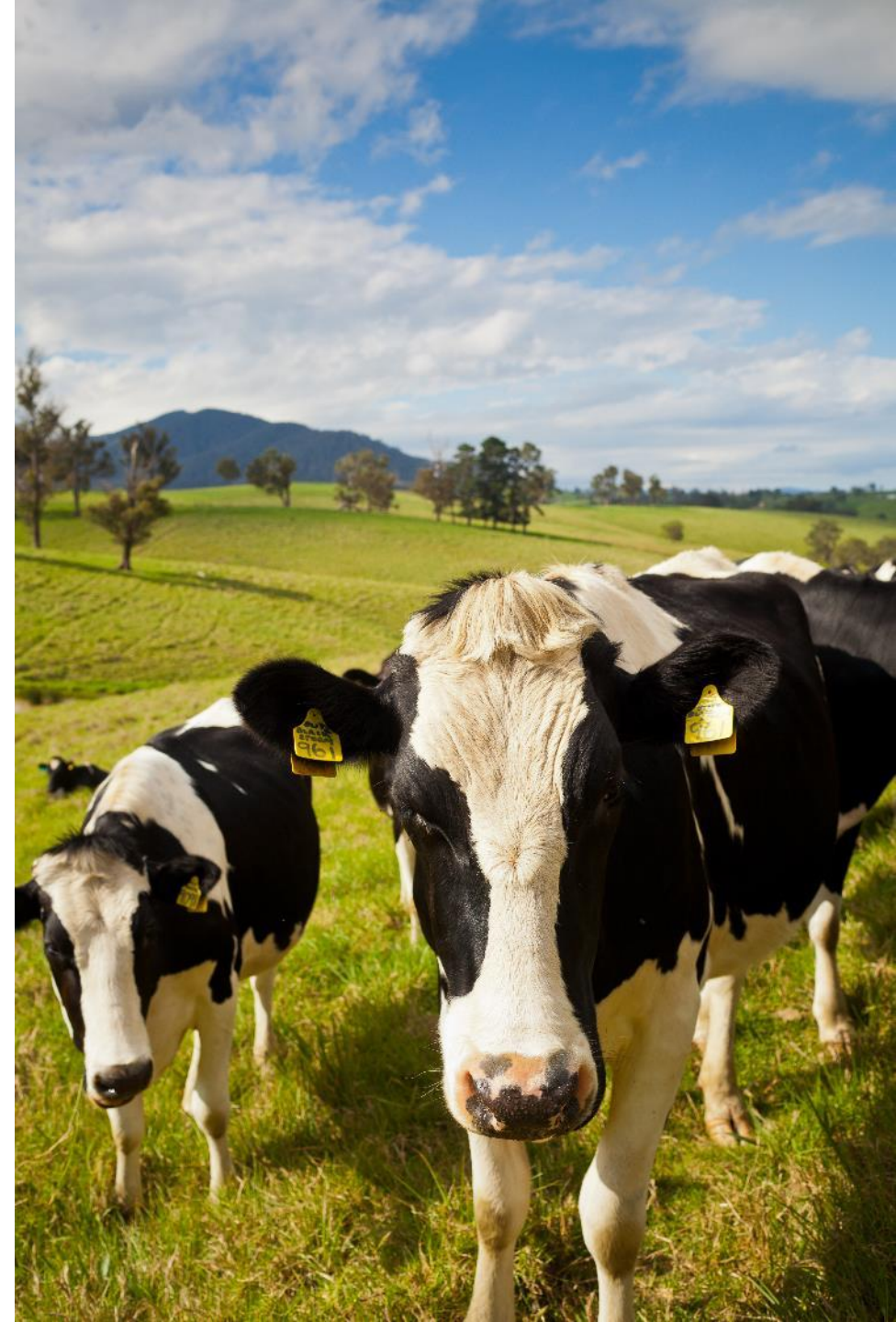
employees

## 1.34bn

litres milk processed

# Dairy Commodity Strategy

- Right sizing commodity infrastructure
- Further aligning commodity capacities and capabilities with branded business
- Focus on higher value commodities and nutritional products
- Ensure capability to respond to international commodity market opportunities when they arise
- Commodity infrastructure will be an important component of ongoing branded business growth



# Approach to Corporate Social Responsibility

Our focus is on the five areas where we can have the greatest impact



Food and nutrition



Diversity, inclusion and equality



Greenhouse gases



Packaging sustainability



Water sustainability

## Highlights FY2023

A 5% reduction in sugar in Bega Peanut Butter in FY2021 and are on track to our goal of a 10% reduction by the end of the 2023 calendar year.

Donated more than 886,000 kilograms of products to our partner Foodbank, equating to more than 1.6 million meals for Australians in need.

Approximately 65% of our revenue is generated from products which meet our BEST and GOOD Product Nutrition Criteria.

## Highlights FY2023

Commenced review of the Diversity and Inclusion Policy.

Joined the Diversity Council Australia as a commitment to promoting equity and inclusion in our business.

Partnered with external consultants on an approach to pay structures and develop our Gender Pay Equity strategy.

Women occupy more than 36% of management roles.

## Highlights FY2023

Energy Management Capability program completed at five more manufacturing sites.

Juice Brothers 1.5 litre range certified as Carbon Neutral by Climate Active for 29 November 2022 to 29 November 2023.

Partnering in a pilot program to understand and mitigate scope 3 emissions on dairy and beef farms in the Bega Valley.

## Highlights FY2023

35% recycled content in our packaging in calendar year 2022.

88% of our total packaging was reusable, recyclable or compostable in calendar year 2022.

Started a national roll out of recycled polyethylene Terephthalate (rPET) for all flavoured milk and iced coffee bottles.

Started using recycled high density polyethylene (rHDPE) in two and three litre white milk bottles.

## Highlights FY2023

Adopted a target to reduce consumptive water use by 30% by 2030 based on a FY2021 baseline.

Developing water mapping and mass balance projects at all our facilities to better understand how water is used and can be recovered.



# Looking Forward

- Creating value for our shareholders
- Implementing new five-year strategic plan
- EBITDA target \$250m plus, ROFE 10% or greater over that timeframe
- Revenue and growth primarily driven by the branded business
- Less exposed to milk volume farm gate milk price volatility
- Restructured commodity business supporting branded growth and responding to opportunities
- People, capability and investment aligned to strategic priorities

*When you need*  
**A JET PACK  
NOT WINGS**

**A DARE FIX'LL FIX IT.**



# Questions?

