



ASX ANNOUNCEMENT

Market update

Bega Cheese last provided guidance as part of the 1H FY2019 Interim Result announcement for normalised EBITDA in FY2019 to be at the lower end of the range between \$123-\$130 million. On assessment of the full year result it is appropriate to update the guidance for normalised EBITDA in FY2019 to be in the range of \$113-\$117 million. This result remains subject to the final statutory audit.

Whilst the revised guidance on normalised EBITDA is below that previously announced, Bega Cheese has reduced gearing in 2H FY2019 and will report net debt in the order of \$300 million, with sound leverage cover at the end of the financial year.

Bega Cheese has achieved a record milk intake in FY2019 of 1.06 billion litres, an increase of 308 million litres or 41% on milk intake in FY2018. Bega Cheese has also increased its market share of the Australian milk pool from 8.1% to 12.4%. This increase in milk intake has been achieved in a market that has contracted by 733 million litres or 7.9% due to the drought and exit of farmers. There has also been greater competitive pressure from processors and this pressure has never been stronger than in the last quarter of FY2019 and in setting the FY2020 milk price from 1 July 2019.

The Bega Cheese strategy is to be well positioned to ensure the changes in the milk supply landscape are reflected in greater production and logistics efficiency and to retain and grow a loyal supplier base in addition to adding quality earnings from non-dairy streams. This positioning will come at a cost during FY2019 and FY2020.

The full cost impact of these initiatives in the FY2019 financial year is reflected in our guidance ahead of our FY2019 results announcement in late August 2019.

2 August 2019

For further information please contact

Paul van Heerwaarden
Chief Executive Officer
Bega Cheese Limited

ABN 81 008 358 503

www.begacheese.com.au

02 6491 7720

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