



ASX ANNOUNCEMENT

Trading update FY2022

Summary

- Market demand in Australia and internationally remains strong
- Lion Dairy and Drinks integration and synergies on target
- Significant COVID-19 costs and supply chain disruption
- Competition for milk continues to be robust
- Normalised EBITDA FY2022 expected range of \$195 to \$215 million (FY2021 \$142 million)

Market Update

Bega Cheese provides the following update on business performance and outlook for FY2022.

Bega Cheese continues to be pleased with the strategic position of the company and progress on the integration and synergy realisation of the Lion Dairy and Drinks acquisition. The business continues to invest in its market leading brands and infrastructure with efficiency and growth projects well progressed despite the challenges of recent times.

The company's portfolio of quality brands, Australian and international customer channels and extensive product mix have been particularly important as we have endeavoured to manage the impacts of COVID-19. Markets in both Australia and internationally remain strong particularly in dairy ingredients with both short and medium term positive demand.

The strength and diversity of the Bega Cheese business has positioned the company well to deal with the many changes and challenges associated with the impact of COVID-19. These impacts have been extensive and significant ranging from market disruption in Australian food service channels as a result of lockdowns, structural change in the Chinese infant and toddler dairy nutritional market, significant operational disruption including factory shutdowns, major changes to operations and logistics scheduling, increased safety and testing regimes, major cost increases and shortages across the entire supply chain.

The company has been very focused on managing the cumulative effect of the direct and indirect costs associated with COVID-19; some of the impacts will be offset by improved market returns and the cessation of a number of one off costs, however the timing of both price increases and the removal of COVID-19 related costs will affect business performance in FY2022.

Despite positive seasonal conditions, farm milk supply across the Australian dairy industry remains flat to declining with strong competition for supply continuing. The company expects upward pressure on farm gate milk prices to remain for the balance of the year reflecting high global dairy commodity prices, limited supply availability and the resultant competitive circumstances.

In summary the company is comfortable with the overall operations of the business, the quality of our brands, our planned investments for growth and efficiencies and our ability to respond to market opportunities both in Australia and internationally. The short term impacts of COVID-19 and a highly competitive milk procurement environment are expected to impact FY2022 earnings with the company forecasting a normalised EBITDA in the range of \$195 to \$215 million.

ENDS

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