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ASX ANNOUNCEMENT

Trading update FY2023

In April 2022 Bega Cheese updated the market (April Update) on disruptions its business was experiencing from a range of events including, the continuing impact of Covid19, floods in various regions around Australia, the war in Ukraine and the impact of Covid19 lockdowns on product deliveries to the China market through the Port of Shanghai. The April Update provided forecast earnings guidance for FY2022 of normalised EBITDA in the range of $175 to $190 million. That earnings guidance remains current.

A number of the business disruptions referred to in the April Update are resolving and Bega Cheese has now been able to pass through many of the increased business costs it experienced in FY2022 in the form of higher wholesale and retail prices or mitigate the impact through various initiatives. Nevertheless, there is the ongoing cost pressures of robust competition amongst dairy processors for milk referred to in the April Update.

While milk prices vary throughout Australia, the largest supply region Victoria was expected to experience a farm gate milk price increase for FY2023 in the range of 15%-20% based on the stability and strength of global dairy commodity markets and currency relativities. Initial milk price announcements by Bega Cheese and other dairy companies on 1 June reflected this level of expected milk price increases. However, after the release of those initial prices there has been particularly strong competition amongst milk processors during June and July and farm gate prices in Victoria for FY2023 have further increased to a level of approximately 30% higher than FY2022 prices.

The farm gate price increases will benefit farmer suppliers, impact all Australian dairy companies, and is already being reflected in higher product prices in the retail and food service markets. Bega Cheese expects that the company's FY2023 performance will be impacted by the delay in timing of some of these higher product prices and the finalisation of secured milk volumes during July. While market pricing and milk procurement outcomes are still ongoing and it is early in the financial year the company's current guidance for FY 2023 is that normalised FY2023 EBITDA will be within a range of $160m to $190m.

The company's strong brand portfolio, extensive chilled distribution network, Australian and international product mix, and customer profile positions it well to recover the higher costs associated with the increase in farm gate milk prices through both the global commodity market and the retail and food service markets.

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