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ASX ANNOUNCEMENT

26 NOVEMBER 2020

BEGA CHEESE ACQUIRES LION DAIRY & DRINKS AND LAUNCHES UNDERWRITTEN CAPITAL RAISING

Bega Cheese Limited ("**Bega Cheese**", "**BGA**") is pleased to announce that it has entered into a binding Share Sale and Purchase Agreement to acquire all of the shares in Lion Dairy & Drinks ("**LD&D**", "**Company**") for a net acquisition price of $534 million[1] ("**Acquisition**"). Completion of the Acquisition is anticipated to occur at the end of January 2021[2].

The Acquisition will be funded by a combination of new and extended debt facilities and the proceeds from a $401 million underwritten entitlement offer and placement.

Commenting on the Acquisition, Bega Cheese's Executive Chairman, Barry Irvin, said "we are delighted to announce this acquisition which we believe will create significant value for shareholders. The acquisition delivers important industry consolidation and value creation with synergies across the entire supply chain. The expanded product range, manufacturing and distribution infrastructure and brand portfolio realises our ambition of creating a truly great Australian food company."

LD&D's core business is the manufacture, marketing, sales and distribution of:

- Milk Based Beverages (Dare, Farmers Union, Big M, Masters, Dairy Farmers);
- Yoghurt (Yoplait, Farmers Union, Dairy Farmers);
- Chilled Juices (Juice Brothers, Daily Juice);
- Cream and Custard (Pura, Dairy Farmers); and
- White Milk (Pura, Dairy Farmers, Masters).

Significantly, LD&D also has Australia's largest national cold chain distribution network supplying food service and convenience stores. The Company has a national manufacturing footprint comprising 13 sites.

The Company also has significant joint ventures and alliances with:

- Sodima, through a licence to manufacture, market and sell yoghurt and dairy desserts under the Yoplait brand in Australia and in some South East Asian markets;

[1] Net acquisition price represents gross sale price of $560 million less a $26 million deduction for IT separation costs (net of tax)

[2] Adjustments to be made following completion in respect of various matters including debt and working capital

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- Vita International Holdings, through the joint venture company Vitasoy Australia Products Pty Ltd which manufactures, markets and sells plant-based products under the Vitasoy brand; and
- LD&D also has a longstanding joint venture with Bega Cheese, in relation to Capitol Chilled Foods (Australia) ("**CCFA**"), an ACT company that manufactures dairy products in the ACT and distributes and sells those and other products under the LD&D brands and Canberra Milk brand.

Financial Overview

- The combined business is expected to generate revenue in excess of $3 billion[3]
- LD&D delivered pro forma normalised LTM Sep-20 EBITDA[4] of $56 million (post-AASB 16) excluding synergies
- Base case synergies of $41 million per annum primarily from milk network optimisation, indirect procurement and a corporate reorganisation
- Double digit EPS accretion[5] in FY22[6]
- Pro forma FY20 net debt of $518 million and net debt / EBITDA of 3.3x (3.1x pre-AASB 16)
- Synergy generation and additional initiatives expected to support strong deleveraging post transaction. Bega remains committed to target leverage below 2.0x in the near to medium term

Compelling Strategic Rationale

The Acquisition expands and optimises Bega Cheese's branded foods portfolio:

- creates a large-scale dairy and foods business with increased product portfolio;
- builds a highly complementary consumer packaged goods supply chain and organisational capability;
- significantly expands its domestic distribution network to include the route channel, through LD&D's national cold chain distribution network; and
- strengthens its core dairy footprint through:
    - a sizable increase in annual milk intake to 1.7 billion litres from 955 million litres;
    - expanded product capability into new branded dairy categories such as Milk Based Beverages, Yoghurts and Culinary (Cream and Custard);
    - expanded manufacturing and milk collection footprint into new regions including the strategically important region of Gippsland; and

[3] Assuming Bega FY20 revenue and LD&D LTM Sep-20 revenue of $1.6 billion

[4] Represents post-AASB 16 pro forma normalised EBITDA, including Vitasoy JV: 49% of NPAT and a management fee, and 75% of CCFA earnings

[5] Comparative EPS for the Company takes into account a theoretical ex-rights price adjustment for the entitlement offer and excludes one-off costs and any impact of acquisition accounting

[6] FY22 includes synergies of $36m

- complementary supply profile provides opportunity to optimise utilisation of milk intake across a significantly expanded manufacturing footprint.

Bega Cheese's Chief Executive Officer, Paul van Heerwaarden, said "we are very pleased with the performance of acquisitions made in recent years which are achieving or exceeding our profit targets. The recent company restructure and ERP implementation will allow us to integrate this Acquisition and take advantage of the various synergies and growth opportunities across domestic and international markets."

Bega Cheese is advised by Kidder Williams Limited and Addisons Lawyers.

Capital Raising

Bega Cheese is undertaking an underwritten capital raising to fund the Acquisition (including transaction costs). Bega Cheese will be undertaking a capital raising at an offer price of $4.60 ("Offer Price") per share to raise approximately $401 million and will issue approximately 87 million new fully paid ordinary shares in Bega Cheese ("**New Shares**") (equivalent to approximately 41% of existing BGA ordinary shares on issue). The capital raising will comprise (collectively, the "**Offer**" or "**Capital Raising**"):

- a 1 for 4.5 pro-rata accelerated non-renounceable entitlement offer of approximately $220 million, comprising an Institutional Entitlement Offer and a Retail Entitlement Offer[7] ("**Entitlement Offer**"); and
- an institutional placement ("**Placement**") of approximately $181 million

All New Shares offered under the Capital Raising will be issued at a fixed price of $4.60 per New Share ("**Offer Price**"). This Offer Price represents a:

- 9.1% discount to the last traded price of $5.06 on Friday, 20 November 2020; and
- 7.6% discount to TERP[8] of $4.98
- Each New Share issued under the Capital Raising will rank equally with all existing fully paid ordinary BGA shares ("**Shares**") on issue and will be eligible for any dividend declared for the financial year ending 30 June 2021, including any dividend declared for the half year to 26 December 2020. Bega Cheese will apply for quotation of New Shares on ASX.

[7] The Retail Entitlement Offer is only available to eligible retail shareholders of Bega Cheese with a registered address on the Company's share register in Australia or New Zealand on the Record Date. See the Retail Entitlement Offer Booklet for further details on eligibility once available.

[8] The Retail Theoretical ex-rights price (TERP) includes the New Shares to be issued under the Entitlement Offer (but not the Placement). TERP is the theoretical price at which Shares should trade on ASX immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Shares trade on ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the closing price of BGA's Shares as traded on ASX on Friday, 20 November 2020.

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Placement

The Placement of New Shares is underwritten and will be offered to sophisticated and institutional investors in Australia and certain overseas jurisdictions at the Offer Price.

The Placement is expected to result in the issue of approximately 39 million New Shares, representing approximately 15% of BGA's ordinary shares on issue post Entitlement Offer shares[9].

The Placement is being conducted today, Thursday, 26 November 2020, with BGA Shares to remain in a trading halt pending completion of the Capital Raising. Trading in BGA Shares is expected to recommence on Friday, 27 November 2020.

The New Shares issued under the Placement are expected to settle on Wednesday, 2 December 2020, and be issued and commence trading on ASX on Thursday, 3 December 2020.

New Shares issued under the Placement will not be eligible to participate in the Entitlement Offer.

Entitlement Offer

The underwritten Entitlement Offer includes an offer to eligible institutional shareholders ("**Institutional Entitlement Offer**") and an offer to eligible retail shareholders ("**Retail Entitlement Offer**").

The Entitlement Offer is non-renounceable and entitlements will not be tradeable on the ASX or be otherwise transferable. Shareholders who do not take up their full entitlement will not receive any payment or value in respect of entitlements they do not take up and their percentage equity interest in Bega Cheese will be diluted.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place today, Thursday, 26 November 2020. Eligible institutional shareholders may opt to take up all, part or none of their entitlement.

Institutional entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and institutional entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to eligible institutional shareholders who apply for New Shares in excess of their entitlement, as well as to certain other eligible institutional investors who bid into the Placement being conducted concurrently with the Institutional Entitlement Offer.

Bega Cheese Shares will remain in a trading halt pending completion of the Institutional Entitlement Offer and Placement.

[9] Bega sought an ASX wavier to calculate placement capacity on the post rights capital base

Retail Entitlement Offer

Eligible retail shareholders registered as a shareholder of Bega Cheese in Australia and New Zealand as at 7.00pm (Sydney Time) on Monday, 30 November 2020 will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as under the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Wednesday, 2 December 2020 and is expected to close at 5.00pm (Sydney Time) on Monday, 14 December 2020.

Eligible Retail Shareholders will be sent an information booklet ("**Retail Entitlement Offer Booklet**") including a personalised entitlement and acceptance form on Wednesday, 2 December 2020. The Retail Entitlement Offer Booklet will provide the details of how to participate in the Retail Entitlement Offer. A copy of the Retail Entitlement Offer Booklet will also be lodged with the ASX on Wednesday, 2 December 2020.

In addition to each eligible retail shareholder's entitlement under the Retail Entitlement Offer, eligible retail shareholders will be offered the opportunity to apply for additional New Shares (up to 50% of their entitlement) ("**Oversubscription Facility**"). Eligible retail shareholders are not assured of being allocated any New Shares in excess of their entitlement under the Oversubscription Facility and will be allocated in accordance with the allocation policy outlined in the Retail Entitlement Offer Booklet. Bega Cheese retains absolute discretion regarding allocations under the Oversubscription Facility.

Bega Cheese may (in its absolute discretion) extend the Retail Entitlement Offer to any institutional shareholder that was eligible to participate in the Institutional Entitlement Offer but was not invited to participate in the Institutional Entitlement Offer (subject to compliance with relevant laws).

Additional information

Further information is provided in the equity raising investor presentation provided to the ASX today by Bega Cheese. The presentation includes important information including key risks and foreign selling restrictions in relation to the Capital Raising.

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Key dates

Event	Date
Announcement of Offer, Institutional Entitlement Offer and Placement opens	Thursday, 26 November 2020
Institutional Entitlement Offer and Placement closes	Thursday, 26 November 2020
Announcement of results of Institutional Entitlement Offer and Placement	Friday, 27 November 2020
Trading halt is lifted and trading resumes on an "ex-entitlement" basis	Friday, 27 November 2020
Record date for the Entitlement Offer (7:00pm Sydney time)	Monday, 30 November 2020
Settlement of New Shares issued under the Institutional Entitlement Offer and the Placement	Wednesday, 2 December 2020
Retail Entitlement Offer opens and Retail Entitlement Offer Booklet despatched	Wednesday, 2 December 2020
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer and the Placement	Thursday, 3 December 2020
Retail Entitlement Offer closes (5:00pm Sydney time)	Monday, 14 December 2020
Announcement of results of Retail Entitlement Offer	Thursday, 17 December 2020
Settlement of Retail Entitlement Offer	Friday, 18 December 2020
Allotment of New Shares issued under the Retail Entitlement Offer	Monday, 21 December 2020
Normal trading of New Shares issued under the Retail Entitlement Offer	Tuesday, 22 December 2020
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Wednesday, 23 December 2020

All dates and times are indicative and BGA reserves the right to amend any or all of these events, dates and times subject to the *Corporations Act 2001* (Cth), ASX Listing Rules and other applicable laws. All times and dates are in reference to Sydney, Australia.

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Important Notice and Disclaimer

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction in which such an offer or solicitation would be illegal. Neither the Entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold, directly or indirectly, to persons in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities law of any state or other jurisdiction of the United States.

This announcement may not be released or distributed in the United States.

This announcement includes "forward-looking statements" within the meaning of the securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "likely", "should", "could", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "project", "forecast", "guidance" or other similar words, and include statements regarding certain plans, unknown risks, uncertainties and other factors, many of which are outside the control of Bega Cheese, and its directors, officers, employees, agents, affiliates or advisors. Any forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of Bega Cheese and its directors, officers, employees, agents, affiliates or advisors. This includes any statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements may assume the success of BGA's business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond Bega Cheese's control and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise.

Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. You are cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic. To the maximum extent permitted by law, BGA (including its subsidiaries), and its directors, officers, employees, agents, affiliates and advisers:

- disclaim any obligations or undertaking to release any updates or revisions to the information in this announcement to reflect any change in expectations or assumptions;
- do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information in this document, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement; and
- disclaim all responsibility and liability for the information contained in this announcement including any forward-looking statements (including, without limitation, liability for negligence).

Nothing contained in this announcement shall form the basis of any contract or commitment, or constitute investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action taken on the basis of the information.

This announcement has been approved by the BGA Board.

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