



# 2017 Annual General Meeting

Dr Roger Sexton –Chairman

Sean Ebert - CEO

# Agenda

- 2017 Annual Report
  - Chairman's Report
  - Chief Executive Officers Report
- Questions
- Approval of Remuneration Report
- Election of Directors

# Welcome

- Shareholders
- Suppliers
- Ernst & Young
- Minter Ellison
- Link Market Services
- Beston Global Food Company Ltd Staff

# Apologies

- Mr Dequan Liu
- Ms Donny Walford
- Ms Sophie Mitchell
- Mr John Polinelli

# Chairman's Report

- BFC aims to capitalise on 2 key global trends:
  1. Food Security
  2. Food Safety
- Achievements against IPO objectives – 97% complete
- “North Star” Mission Statement:

“An unswerving commitment and dedication to become one of the best branded food companies in the world.”
- This Mission Statement is incorporated in our company logo.....and is our business compass for building shareholder wealth



# Building Shareholder Value

- A age-old proven investment strategy “You make your profit when you buy”
- BFC has bought our dairy assets at the “right price” and at the “right time”.  
This strategy has been was important to:
  - Enable us to withstand the volatility which is occurring in a industry undergoing enormous change
  - Enable BFC to achieve a Return on Asset’s (ROA) in excess of our competitors and thereby build in the financial leverage to enable us to grow
- The strategy was an integral part of our objectives when we first established BFC and a fundamental part of our plans to build wealth for our shareholders.



# Dairy Division Assets

	Cost Value \$m	Current Replacement Value \$m	Variance \$m	Increase %
Murray Bridge "Beston Pure Foods" Dairy Factory	\$2.25m (including land)	\$117.00m (excluding land)	\$114.75m (excluding land)	5,100%
Jervois "Beston Pure Foods" Dairy Factory	\$2.25m (including land)	\$46.50m (a) (excluding land)	\$44.25m (excluding land)	1,966%
Dairy Protein Plant	\$7.00m	\$21.00m	\$14.00m	300%
Mt Gambier Dairy Farms	\$24.75m	\$35.00m	\$10.25m	33%
<b>Total</b>	<b>\$36.25m</b>	<b>\$219.50m</b>	<b>\$183.25m</b>	<b>506%</b>

(a) Jervois factory replacement value Includes current building valuation of \$20m, plus the \$26.5m budgeted capital expenditure into mozzarella. The insurance valuation of the factory (including plant and equipment) is awaiting completion of the mozzarella plant.

# Dairy Industry Rationalisation

Vendor	Est. Current Production (Milk Throughput p.a.*)	Purchase Price	Acquirer
Murray Goulburn (MGC.ASX)	1,800 million litres	AUD\$1.31bn	Saputo (SAP.TSE) <b>Canada</b> , September 2017
B.d. Farm Paris Creek	9 million litres	AUD\$34m	Primary Opinion Limited (POP.ASX) <b>Australia</b> , November 2017
Udder Delights	5 to 6 million litres	AUD\$15.56m (acquired 90%)	Megmilk Snow Brand Group (2270.TYO) <b>Japan</b> , September 2017
Brownes Dairy	130-140 million litres	Undisclosed	Changchun Lianxin Investment & Shanghai Ground Food Tech Co Ltd <b>China</b> , November 2017
United Dairy Partners -Purchase of Murray Bridge & Jervois Factories	90 million litres (NB: was 20 million litres of BFC's own milk)	\$4.5m	Beston Global Food Company Ltd (BFC.ASX) <b>Australia</b> , September 2015

\*Estimates are based on recent media articles, industry releases and market information



# Financial Performance

Sales  
Revenue  
Growth  
49%

Processed  
Milk  
Growth 5%

Dairy Sales  
Revenue  
Growth  
64%

Intellectual  
Property  
protection  
260%

Australian  
Sales  
Revenue  
Growth  
197%

- ✓ Sales revenue increase to \$23.8m, up by 49%
  - ✓ Increase processed milk to 38 million litres, up by 5%
  - ✓ Increased milk supply from 20 million litres to 90 million litres per annum annualised
  - ✓ Increased inventories to \$11.7m, as at 30 June 2017
  - ✗ Net Profit After Tax of \$7.7m loss
- 
- ✓ Increased International Patents or Patents Pending from 3 to 11, up by 260%
  - ✓ Entry into Australian Retail market for dairy and water products
  - ✓ Invested in Production, Capacity, Products, Capabilities, Brands and People for long term growth

# Building Brands





# Production Capacity

## Jervois Factory

- Construction work for the installation of our new state-of-the-art mozzarella plant

## Murray Bridge

- Recommissioning of the hard cheese line
- Acquired remaining assets and brands of Australian Provincial Cheese

## AquaEssence Factory

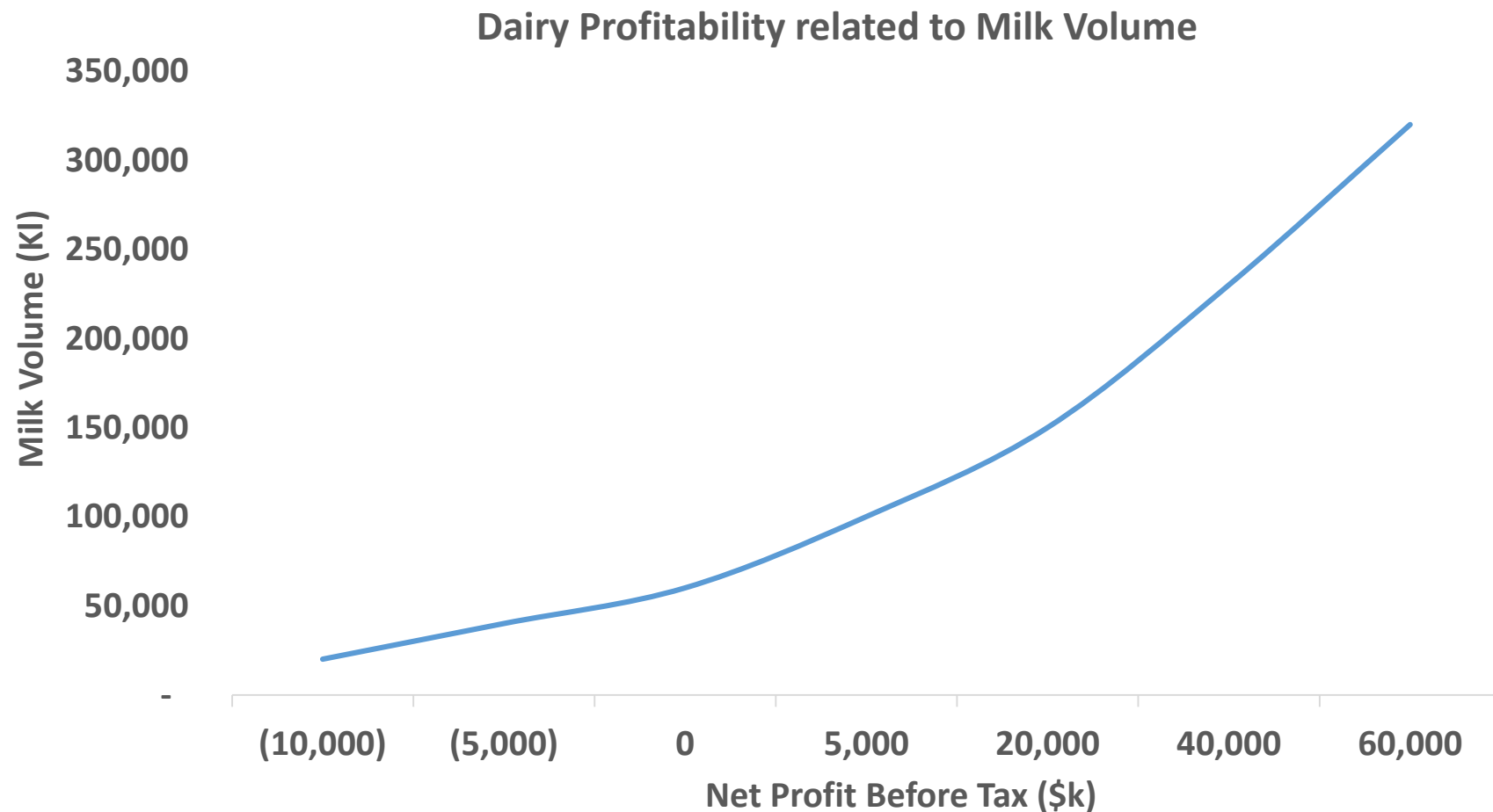
- Purchase and Installation of new bottling line (to treble production capacity)



Above: Conveyor belt for mozzarella line at Jervois Factory  
Below: Beston Pure Dairy's Murray Bridge Factory



# Milk Supply



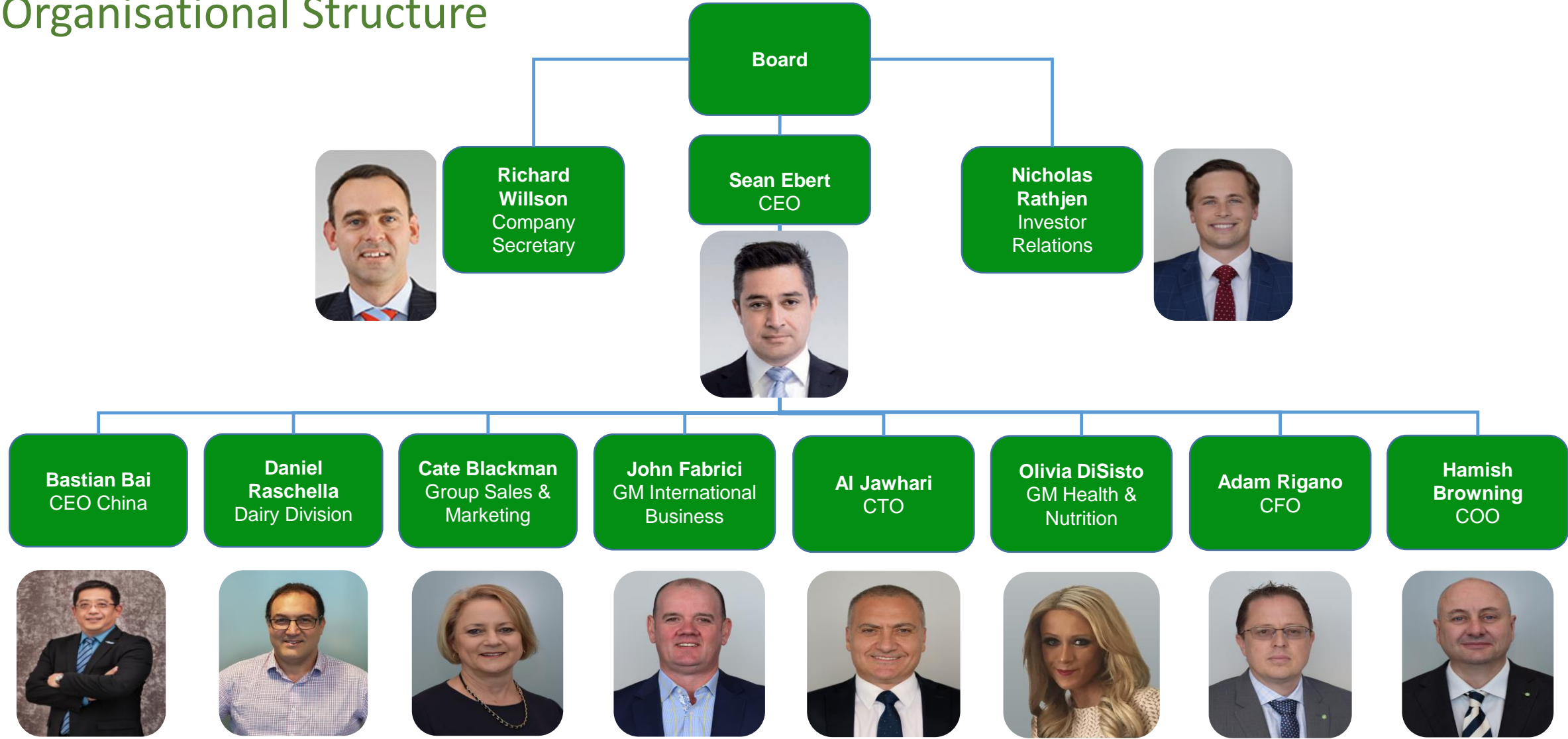
Mozzarella plant expected to be operation at the start of H2FY18

Increased production of cheddar & mozzarella due to the increase in milk supply and increase in capacity

We expect a material increase in sales revenue, driven by the above mentioned initiatives and strong demand for our products from Australia and China

# Investment in People

## Organisational Structure



# Market Penetration

## Customer Relationships





# China

- Australia is now half way through the 4 year transition of ChAFTA to zero tariffs by 2020
- BFC has “Stayed the course” with our strategy in China
- Transitioned customer base by building relationships with large Chinese retailers.
- Launched Beston Food Pods into Provincial Food Stores
- Increased product range and distribution



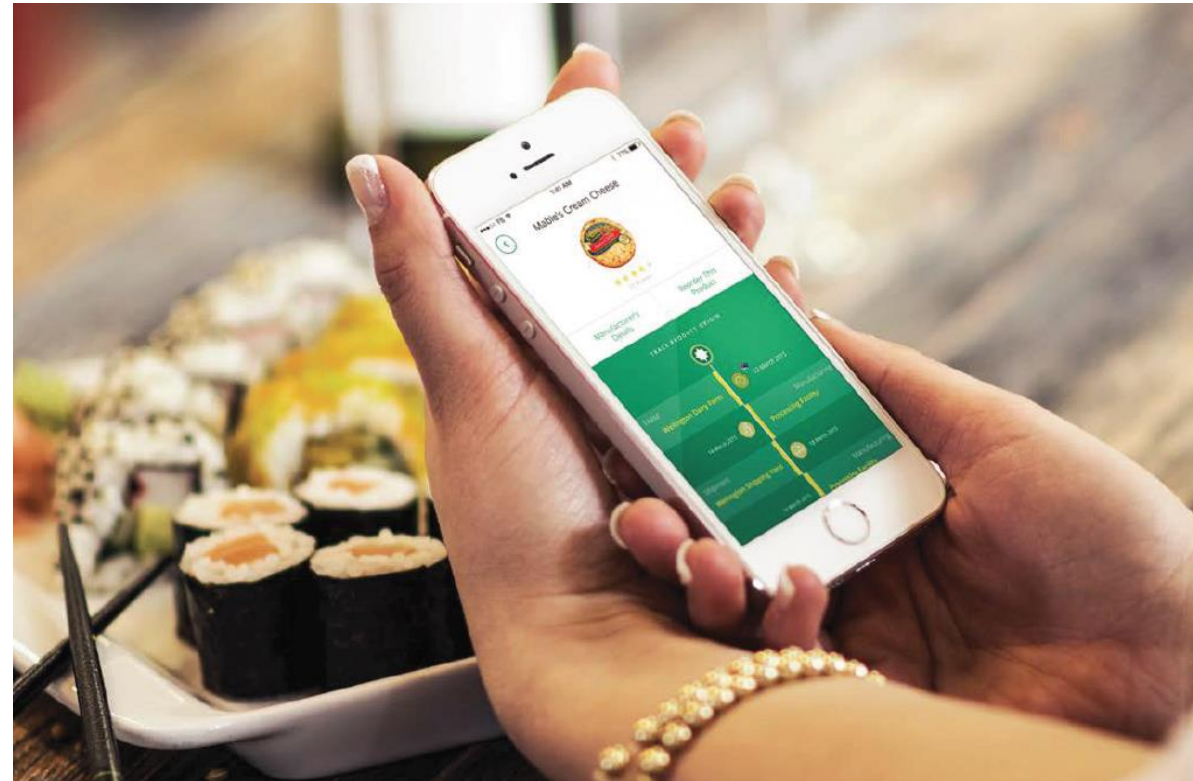
Beston Food Pod in Provincial Food Store, Shanghai



Beston Food Pod version 2 developed

# Beston Technologies

- Food fraud costs the global food industry an estimated USD \$40 billion each year\*
- Beston Technology has produced a solution to providing assurance of provenance and transparency around product ingredients
- Beston Technologies intellectual property has been independently valued by Deloitte Finance
- BFC is currently pursuing options to capitalise on the value of the intellectual property and enable the company to realise its potential



\*CSIRO ("Food and Agribusiness: A road map for unlocking value-adding growth opportunities for Australia" July 2017)

# 2017 Annual Report

## Chief Executive Officer's Report

Sean Ebert – CEO

# 2017 Result

Consolidated Period Ending 2017	Per Financial Statements		Per 2016 Financial Statements	Change versus Prior Corresponding period	
	000		000	000	%
<b>Sales Revenue</b>	<b>23,826</b>		<b>15,999</b>	<b>7,827</b>	<b>49%</b>
Cost of Goods	- 14,438	-	8,538	5,900	
<b>Gross Profit</b>	<b>9,388</b>		<b>7,461</b>	<b>1,927</b>	<b>26%</b>
<i>Gross Profit Margin</i>	<i>39.4%</i>		<i>46.6%</i>		<i>-7.2%</i>
Other Revenue	728		2,963	- 2,235	
Other Income	927		3,022	- 2,095	
Other Expenses	- 21,476	-	16,570	- 4,906	30%
<b>Loss from Operations</b>	<b>- 10,433</b>	<b>-</b>	<b>3,124</b>	<b>- 7,309</b>	<b>234%</b>
Net Financial Income	1,075		1,351	- 276	
Share of Profit/(Loss) from Associates	- 654	-	156	- 498	
Income Tax Benefit	2,005		209	1,796	
Group NPAT	- 8,007	-	1,720	- 6,287	
Non Controlling Interest	- 258	-	4	- 254	
<b>Net Profit/Loss After Tax</b>	<b>- 7,749</b>	<b>-</b>	<b>1,716</b>	<b>- 6,033</b>	<b>-352%</b>

# Balance Sheet

Assets	FY17	FY16	% change from previous period
Cash and cash equivalents	\$28.7m	\$19.4m	48% ↑
Trade and other receivables	\$19.4m	\$26.6m	27% ↓
Inventories	\$11.7m	\$8.0m	46% ↑
Equity accounted investments	\$16.3m	\$16.9m	1% ↓
Property, plant and equipment	\$44.2m	\$38.3m	15% ↑
Biological assets	\$4.4m	\$4.2m	5% ↑
Deferred tax assets	\$5.9m	\$4.1m	44% ↑
Intangible assets	\$13.6m	\$10.3m	32% ↑
Assets held for sale	\$2.0m	-	N/A
<b>Total Assets</b>	<b>\$146.3m</b>	<b>\$127.8m</b>	<b>14% ↑</b>
<b>Net Debt</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Liabilities</b>	<b>\$12.2m</b>	<b>\$11.5m</b>	<b>6% ↑</b>
<b>Net Assets</b>	<b>\$134.1m</b>	<b>\$116.3m</b>	<b>15% ↑</b>

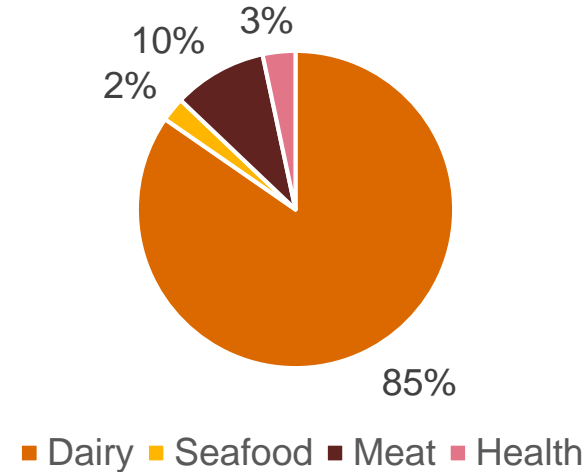
- Strong balance sheet that has funded the investment in infrastructure and operational cashflow and with no debt
- Increase value in the net value of the business, with FY17 showing an increase in net assets by 15%
- NTA \$121m, up +13% on FY16\*
- Increased PPE due to investment in cream cheese and natural cheese expansion

\*NTA per share \$0.27 per share due to capital raising of \$28.82m in August 2016

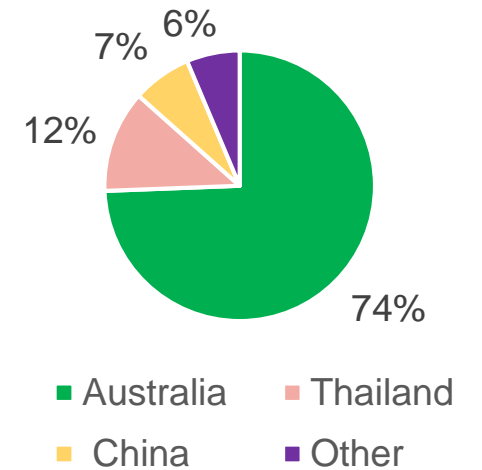
# Segment Detail - Sales

- Continued increases in supply and production have lead to growth in sales of Dairy
- Established customer relationships and revenue in Australia
- Half on Half revenue growth in FY2017 across Dairy, Meat and Health divisions

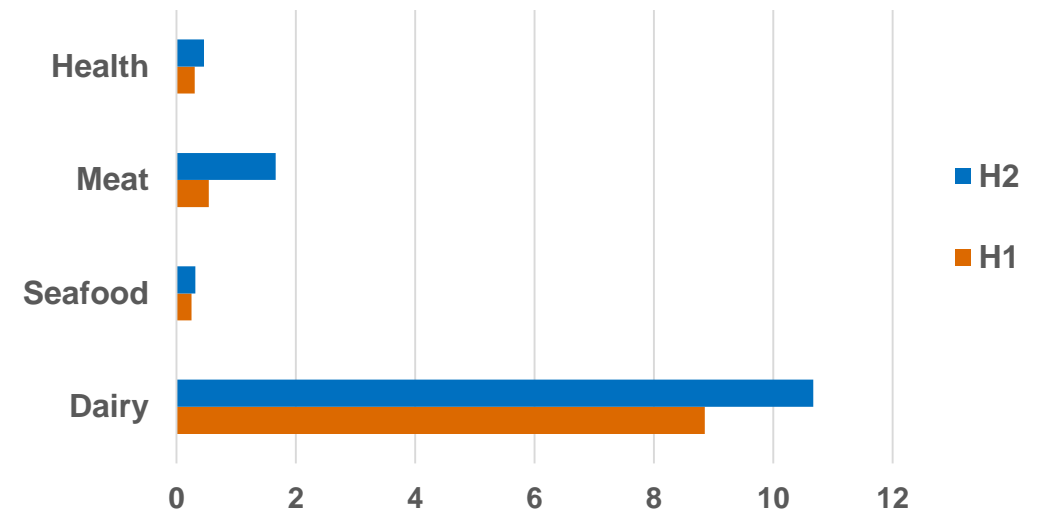
% Sales by Division



% Sales by Geography



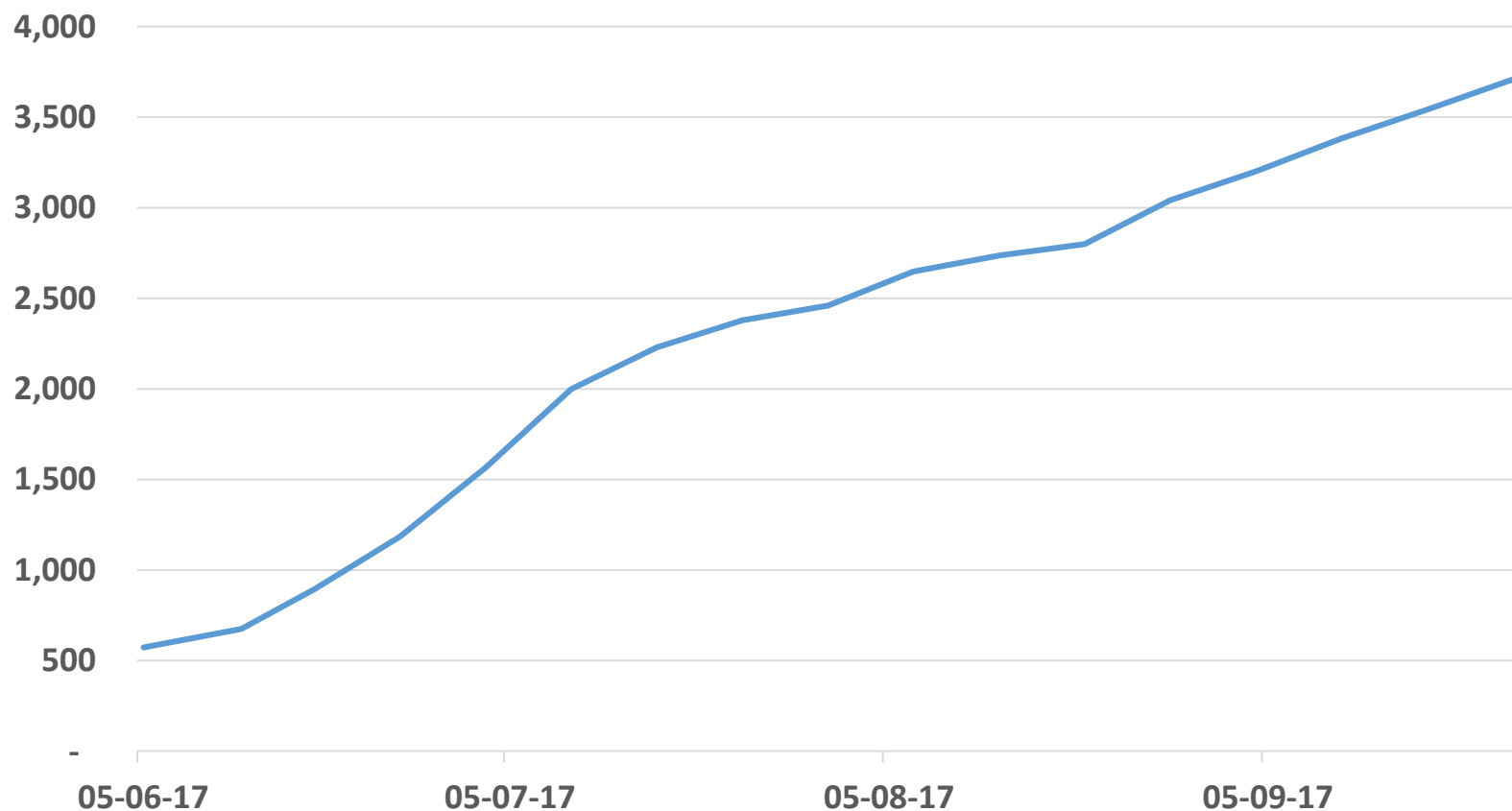
FY17 Revenue H1v H2 (\$m)





# Retail Distribution

Australian Retail Distribution Points



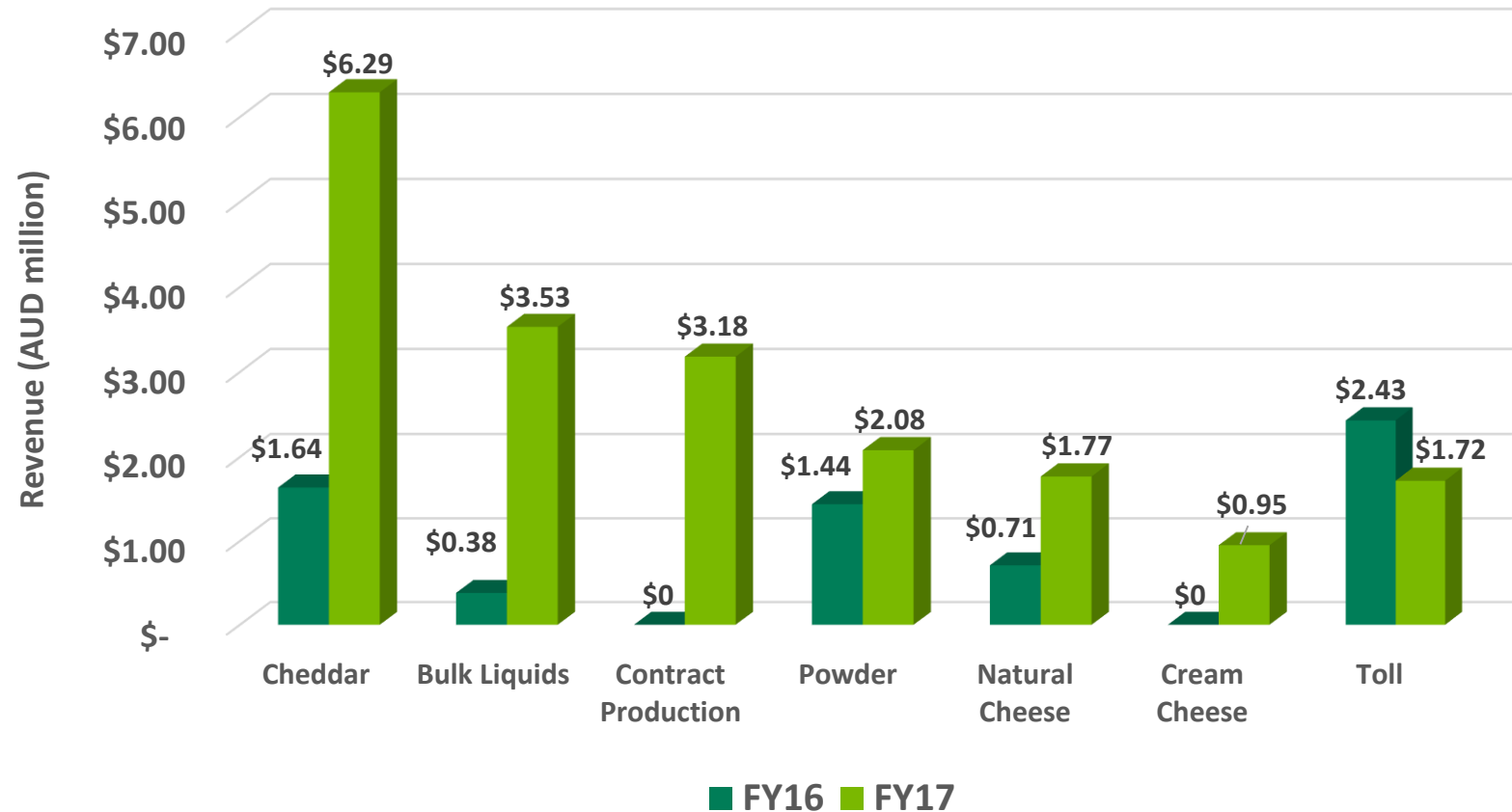
- Commenced Retail channel at the start of June 2017 and grew this from 0 to 1,185 distribution points by end of FY17
- “Ei8h+” water was added at the 28<sup>th</sup> August and added 424 retail distribution points in Q1FY18
- Total retail distribution points has grown from 1,185 to 3,708 in Q1FY18\*

\*Includes Edwards Crossing, Mable’s and Ei8h+ products across independent supermarkets

# Dairy

- Growth in sales through domestic and overseas retailers
- Investment into brands, increasing capacity, capabilities and productivity improvements
- Transitioning to higher value products
- Received over 24 awards both domestic and international dairy awards

Beston Pure Dairies - Gross Revenue by Product



# Australia Provincial Cheese



- Acquired Australian Provincial Cheese's assets for \$2.2m in September 2016 (previously held a convertible note of \$1.1m for 40% equity, that was repaid on settlement). Transaction included plant & equipment, trademarks, intellectual property and all other assets
- Increased operational efficiencies via relocation of production to Murray Bridge factory
- Produced \$0.95m sales in FY17 since acquired in September 2016 and maintained all of the existing customer contracts
- Increased production to 100T of cream cheese



# Meat & Seafood



Ferguson Seafood boat and Beston Global Food branded beef



- Lower than expected sales in China due to:
  - Changes to Chinese Government scientific definitions on a number of seafood products
  - Margin pressure from meat imports into China
- Development of BFC's 100% owned and branded beef range for export markets, driving meat division sales growth of 462%
- Launched Meat and Seafood products into Australian retailers



# Health and Nutrition

- AquaEssence has increased its revenue by 422% vs FY16
- Capital Investment into AquaEssence's water facility to triple production capacity
- Launched NBI health products into major pharmacies and supermarkets across Australia
- Continued commercialisation of intellectual property in NBI products



Ei8h+ water with OZIRIS anti-counterfeit and traceability technology

# International Business

- Implementation of our “Direct-to-Market” model in China
- Rollout of Beston Food Pod’s in China
- Launch of dairy products into ASEAN retail stores
- Geographic presence in China, Thailand, Vietnam, Malaysia and Singapore
- Delivered the Beston MindChamp joint venture



Ei8h+ water brand sponsorship at FINA Swimming World Cup in November 2017



# Technology

- OZIRIS platform has signed up subscribers to its platform since the start of June 2017
- Increased international patents & patent pending for the technology to 11 from 3 in financial year 2016
- Australian e-commerce platform now processing transactions and generating revenue with China
  - Average monthly sales for Q1 FY18 have increased 100% compared to overall average monthly sales for FY17
- Growth initiative options underway to accelerate commercialisation of OZIRIS



Al Jawhari, Chief Technology Officer, Beston Technologies

# Operations

- **Capital Investment**
  - Mozzarella plant nearing completion
  - Protein extraction plant
  - Hard cheese line
  - Cream cheese line
- **Fresh milk to China**
  - Introductory program with two large Chinese supermarkets
- **Manufacturing**
  - Increased contract production of Le Rice
  - Opportunities arising for further contract production
- **Continuation of milk processing and tolling**
- **Farms**
  - Milk production per cow has improved by over 10%



Above: Beston fresh milk, Below: Cream Cheese Line at Murray Bridge



# Outlook

- The capital investment in FY17 to expand production capacity, grow sales personnel and improve distribution are expected to translate into higher earnings in FY18. Q1FY18 was the first full quarter of milk supply at 90 Million Litres milk. This has translated into higher cheese production in Q2FY18, with higher sales flowing through in the H2FY18
- Continual increases in milk supply, with a target of at least 130 million litres of milk supply annualised by end of FY18
- Progressing the strategic initiatives over H1FY18 that include the completion and then operation of the mozzarella plant, review of Beston Technologies & Beston Farms
- Commissioning of an independent research report
- Management and the Board expect continued year-on-year earnings growth this financial year, driven by dairy sales in Australia and China

# 2017 Annual Report

## Formalities and Voting

Dr. Roger Sexton - Chairman

# General Business

## Proxy Votes Received

# RECEIVED	SHARES	% OF SHARES ON ISSUE
183	179,251,695	40.43%

# Financial Statements and Reports

- To consider the Company's financial statements and independent audit report for the year ended 30 June 2017.
- Questions?



# Resolutions

## Resolution 1 - Remuneration Report

For the purpose of Section 250R(2) of the Corporations Act, the Company adopt the Remuneration Report for the period ended 30 June 2017, as set out in the Directors' Report in the 2017 Annual Report.

### Proxy Votes

	FOR	AGAINST	OPEN	OBSTAIN
#	103	27	35	14
SHARES	139,675,830	1,091,335	1,112,584	347,630
%	98.45%	0.77%	0.78%	

# Resolutions

## Resolution 2 – Re-election of Director



**Jim Kouts**

- Member of audit & risk committee
- Member of remuneration & nomination committee
- Served as a senior executive and director in major companies in the energy, financial services and business tourism industries
- Strong commercial and contract negotiation skills, with extensive insight of air freight logistics into Asia

### Proxy Votes

	FOR	AGAINST	OPEN	OBSTAIN
#	125	30	21	7
SHARES	160,540,305	1,146,735	454,362	174,427
%	99.01%	0.71%	0.28%	

# Resolutions

## Resolution 3 – Re-election of Director



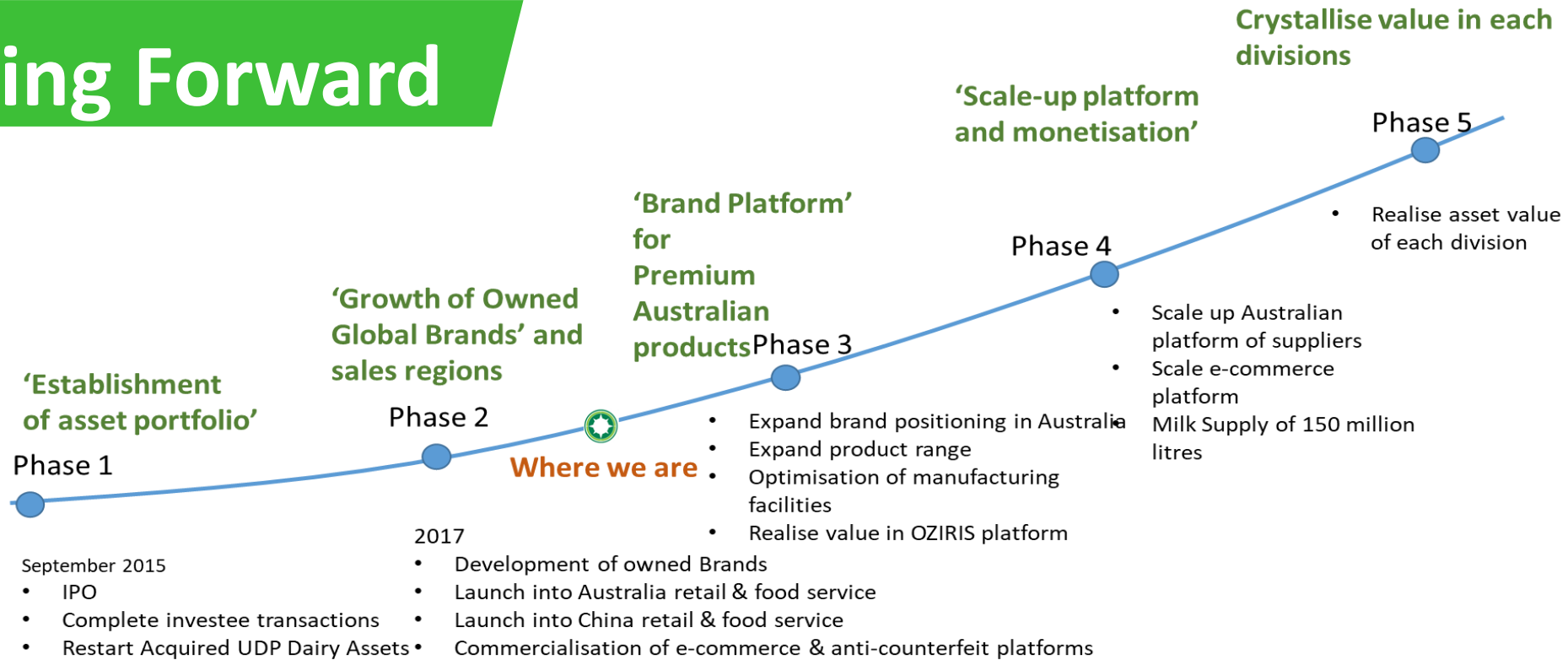
**Petrina Coventry**

- Chair of the remuneration and nomination committee
- Over 20 years experience working in Asia, the United States and Europe in global leadership and director roles
- Extensive experience in organisational transformation, company performance and governance

### Proxy Votes

	FOR	AGAINST	OPEN	OBSTAIN
#	128	30	19	6
SHARES	160,568,444	1,146,735	431,223	169,427
%	99.03%	0.71%	0.27%	

# Looking Forward



2017

Established a competitive advantage via our market positioning, brand, industry awards and distribution channels

2018

Over 2018 that revenue and profit growth will be driven from our dairy division, with near term value being realised as we continue to build the milk throughput and grow sales.

2018+

The continual growth in milk volume and factory throughput, coupled with the strategic initiatives around our dairy farms and review of potential partners for the BFC's anti-counterfeit and food traceability platform, will place the company on a stronger trajectory for sustained earnings growth.

# Dairy Farm REIT

- Objective to provide capital for the acquisition of additional dairy farms to supply milk to BFC
- Beneficial outcomes include:
  - Secure access to an additional 30-40 million litres of milk p.a.
  - Enable factories to operate at “20% of own milk” when operating at full capacity of 300 million litres p.a.
- A wide range of possible options are being explored
- As an immediate measure to secure and fund additional milk supplies, BFC will employ debt funds, by using the dairy farms as security
- BFC currently has no debt. The returns from the additional milk will far exceed the cost of servicing the newly acquired debt
- The gearing level will be less than 25% and provide for prudent capital management of BFC’s balance sheet



# Scorpio Foods Transaction

- BFC will move to full ownership and control of Scorpio Foods by acquiring the remaining 60% of shares that are not currently held via conversion of loans
- Completion of a substantial business restructure involving:
  - Closure and sale of Colac factory
  - Consolidation and increased capabilities of Shepparton factory
  - Achievement of cost saving and production efficiencies via economies of scale
- Management Changes:
  - Ian Paterson to retire as Managing Director
  - Luke Bramstead to join as General manager
- Benefits to BFC include:
  - Fills a gap in our portfolio of “ready-to-eat” foods
  - Provides full control over the brands, intellectual property and operating assets of Scorpio Foods
  - Opportunity to capitalise on the strong and growing market demand for Scorpio’s pre-cooked meals (ALDI, Costco, Metcash and in China)
- Total capital invested of \$6m (Price/Earnings Multiple of 4x, based on CY18 projected NPAT)

# Closing Remarks

- Lucky Draw
- Prize - All expenses paid trip to Mt Gambier to visit:
  - BFC Dairy Farms (Kurleah, Pedra Branda & Weneeda)
  - AquaEssence water Factory
- Draw by Link Market Services staff
- Winner is .....
- Fabulous BFC foods for sampling
- Factory Tour – Tour of Beston Pure Food's factory at Murray Bridge due to depart at 1pm outside



**BEST**  **N** GLOBAL FOOD  
COMPANY

THANK YOU 谢谢

the natural direction

# Disclaimer

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