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Beston announces initiatives to further boost revenue and earnings growth

- **Targeting further 40% increase in milk supply to at least 130 million litres by mid 2018**
- **First half revenue from Dairy business in FY18 on track to exceed full-year Dairy revenue in FY17**
- **Increasing shareholding in “ready-to-eat” meat business Scorpio Foods Pty Ltd from 40% to 100%**
- **Board has resolved to divest BFC’s technology business to provide capital return on investment and ongoing income stream**
- **Initiates independent research coverage and calls for a “Health and Wellbeing” ETF to facilitate easy access to Australia’s agribusiness sector**

Beston Global Food Company Limited (‘BFC’ or the ‘Company’) a leading manufacturer, exporter and distributor of food products, has announced plans to further capitalise on the recent upheaval in the Australian dairy industry as well as to expand operations in its meat and technology business.

BFC has gradually increased the milk throughput at its dairy factories at Murray Bridge and Jervois in South Australia from its start-up throughput in 2015 of 20 million litres to 90 million litres (annualised) and is targeting a further 40 per cent increase in its milk supply to achieve a throughput of at least 130 million litres by mid 2018.

Addressing the company’s Annual General Meeting in Adelaide today, Chairman, Dr Roger Sexton, said BFC had increased its milk supply through co-operative, trusted relationships with independent dairy farmers and leveraging the company’s conservative balance sheet.

“The initiatives we are putting in place to secure additional contracts from dairy farmers, together with the installation of our \$26-million state-of-the-art mozzarella plant have enabled us to build strong relationships with new domestic and global customers who see us as an emerging leader in the Australian dairy and health products sector”.

The CEO, Sean Ebert, advised the meeting that the revenue from BFC’s Dairy Division in the first half of FY2018 were on track to exceed those for the whole of FY2017.

“We have strengthened the competitive platform of our Dairy business through stronger brand positioning, winning national industry awards to enhance the premium quality and reputation of our products and improved distribution channels both domestically and through Asia.

“The investments made in the previous financial year to expand production capacity, sales and distribution capacity is expected to translate into higher earnings this financial year,” Mr Ebert said.

Dr Sexton, outlined the strategy which BFC was implementing progressively to take the assets which the Company had acquired in each of its four divisions (dairy, meat, seafood and health and nutrition) and build these out to maximise their potential and achieve sustained earnings and value growth.

He noted that a heavy focus of the Company during the 2016-17 financial year had been on investing in the physical infrastructure, capacity, product capabilities and people to build-out its Dairy Division.

“These decisions have positioned us well to capitalise very effectively on the supply chain rationalisation which is taking place in the Australian Dairy Industry. Having acquired the “right assets” at the “right time” in the business cycle has enabled us to build intrinsic wealth for our shareholders and establish BFC as an attractive and competitive supplier for domestic and global customers looking for premium quality Australian produced dairy products,” he said.

As an example, Dr Sexton referred to a recent order placed by Guzman y Gomez, a fast growing, high quality Mexican food franchise with operations (and some 90 stores) in Australia and overseas, and to orders received from a number of major new retail supermarket customers in China and Asia.

“In recent months, we have seen a lot of takeover activity occurring in the dairy industry, and at quite extraordinary prices, which will result in a lot of consolidation in future months with much of the ownership of Australia’s dairy processing industry in the hands of foreign ownership. Beston Global Food Company, as an Australian based company is in a good place as a result of our focus on being a leading manufacturer, exporter and distributor of premium, safe, healthy and verifiable Australian food and beverage products for supply to the world’s growing consumer markets,” he said.

As part of the Company’s “build-out” strategy, BFC announced that it was moving to a 100 per cent shareholding in Scorpio Foods Pty Ltd, the “ready-to-eat” meat business in which it acquired a 40 per cent beneficial interest in 2015. The move to take control of Scorpio will be achieved through the conversion of existing loans without the injection of additional capital. The total capital investment in Scorpio will be \$6 million, representing a price/earnings acquisition multiple of 4 times on projected net profit after tax for calendar 2018.

Dr Sexton also advised that the Board of BFC had resolved to divest its technology business in a way which provides both a capital return on the Company’s investment and an ongoing income stream. A key reason for the decision was that Beston Technologies Pty Ltd was fast developing into a big data company with technology that could be utilised by other food and consumer oriented industries.

Dr Sexton said that BFC had recently declined an unsolicited bid from a large global company for its technology business on the basis of a valuation received from Deloitte Finance and its own divestment parameters.

“Subsequent to rejecting this offer, the Board of BFC put forward a merger proposal to another technology company which has complementary, but not competitive, attributes. That proposal is now subject to mutual due diligence investigations by the target company and BFC,” he said.

In closing the meeting, Dr Sexton explained that BFC was two years into its 5-year growth plan wherein the last two years, since listing, had been focussed on building the framework, and competitive advantage (via the Company’s market positioning, brands, industry awards and distribution channels) to achieve growth in earnings going forward.

“The Board is pleased with the work which we have done to date to build intrinsic value into our Company for the benefit of shareholders. We will continue to progress initiatives to lift the earnings performance and create further value for shareholders as we go forward,” he said.

In order to obtain greater understanding and coverage of BFC by investors, the Company has commissioned independent research on BFC which is expected to be made available to the broking community and shareholders by the end of December, 2017.

Given the increasing interest being shown by overseas investors in the agribusiness industry in Australia, Dr Sexton proposed that an Australian “Health and Wellbeing” Exchange Traded Fund (ETF) be established to provide easy exposure to companies such as BFC which are active in this area.

“Australia enjoys a unique position in the Asia Pacific region with its diversity of clean, green, healthy food producers and having an ETF such as this would enable overseas and Australian investors to gain access to our Australian agribusiness sector in a simple and cost-effective way,” he said.