

Thursday, 27 June 2019

Dear Shareholder

I am writing to follow up my letter to you dated 1st March 2019, and advise you of some of the activities and outcomes that have been undertaken over the last 3 months since my earlier letter.

As I have previously explained, my commitment to the future success of our Beston Global Food Company (BFC) focussed on a strategy based around **Volume, Value and Velocity (V3)**. On commencement of my role, as Chief Executive of BFC in early January this year, I commissioned a full, “top to bottom” Commercial and HR Review across the Company focusing on our major costs and value drivers within the business; with the purpose of identifying cost savings and improved productivity and efficiencies, while at the same time building new revenues and putting in place new profit generating initiatives.

I am pleased to advise you of the following progress relating to this transformational V3 strategy:

Head Office

- A number of organisational changes have been made within BFC in order to focus on the core business of “Dairy and Meat”, which has resulted in a number of redundancies.
- Some operational improvements have also been implemented in conjunction with these organisational changes.
- The role of General Manager Dairy has been removed; with the Dairy Divisional Manager now reporting directly to myself.
- The cost savings relating to the redundancies are in the order of \$1,000,000 on an annualised basis.
- These costs savings are in addition to the net savings of over \$1,000,000 per annum resulting from the restructuring changes implemented in the First Half as advised to the ASX on 28 February 2019.

International Offices

- BFC has, over the period since 2015, operated two main International offices in China and Thailand, both China and the South East Asia markets are critical to BFC.
- As a consequence of building a brand presence in these markets, over the past few years, BFC has been examining ways of achieving its objectives in these markets in a more cost-effective manner.

- A number of strategic sales and distribution relationships have now been put in place to service, and importantly, grow BFC's presence in these regions. This has enabled BFC to commence winding down its two offices in China and Thailand.
- The impact on BFC's cost line from winding down these offices and increasing the use of third-party sales and distribution arrangements in-country is expected to be significant when fully implemented.

New Sales Focus

- BFC's domestic sales channels have been growing steadily with increasing penetration into both the Retail and Food Service sectors.
- A number of contracts with large Domestic retailers have been negotiated, representing an increase in both Volumes and Value to BFC.
- Through its established relationships and working with strategic sales partners with global sales footprints, BFC has been successful, over the last three months, in achieving new sales of Mozzarella into markets such as Canada, Japan and China.
- BFC are also collaborating with a number of large FMCG organisations on co-branding and co-packing strategies that will unlock value and returns for BFC at a retail level in Australia.
- The Company has received indicative forward orders for Mozzarella products from its established customer base for the next financial year which exceed the volumes assumed in the management budgets for FY20.

I am pleased to report that the program of commercial review and oversight based around the V3 strategy is driving increased value-add throughout the BFC business. This program is being implemented by multi-skilled teams reviewing all internal costs on an on-going basis, including areas such as transport, utilities, energy management and packaging materials through to step change improvements in product yields and recoveries at a factory level. The commercial review program has identified and executed some \$1,500,000 of value improvements to date and represents an ongoing critical area of focus for BFC.

While the above update does not represent the totality of the transformative initiatives underway, I trust that this summary will provide you, as a shareholder with a sense of the focus and energy that your business is receiving, and the associated value that it is being driven across the BFC Group.

I continue to be excited and energised about both the work that is being undertaken and also the future for BFC, and will continue to keep you updated on progress.

Kind regards
Jonathan Hicks



Chief Executive Officer
Beston Global Food Company Ltd