



1H20 Results Presentation

February 2020

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BFC has been simplified around a singular focus on the production and sale of protein:

- *dairy*
- *meat and plant-based meat alternatives.*

1. Strategic Imperatives
2. 1H20 Highlights
3. Growth Plans
4. Financial results
5. Appendix

1.1 BFC's Five Strategic Imperatives

As detailed at the 2019 AGM, the focus of the Company in 2019-20 is around achieving its 5 strategic imperatives:

(1) Sales Pipeline

- Broadening and deepening of the sales pipeline.

(2) Product Mix

- Further increasing the proportion of mozzarella products in the sales/production mix.
- Providing mozzarella with moisture/fat variants to achieve higher gross margins and yields ie “stretching” our milk supply.

(3) Dairy Nutraceuticals

- Increasing the production of high value lactoferrin⁽¹⁾ and other dairy nutraceutical products by:
 - Upgrading existing plant with addition of new resin is expected to take production to c. 3MT per annum (completed end February 2020).
 - Installation of skim milk powder Lactoferrin plant (cost c. \$10 million) will increase production to c. 10-12MTpa.

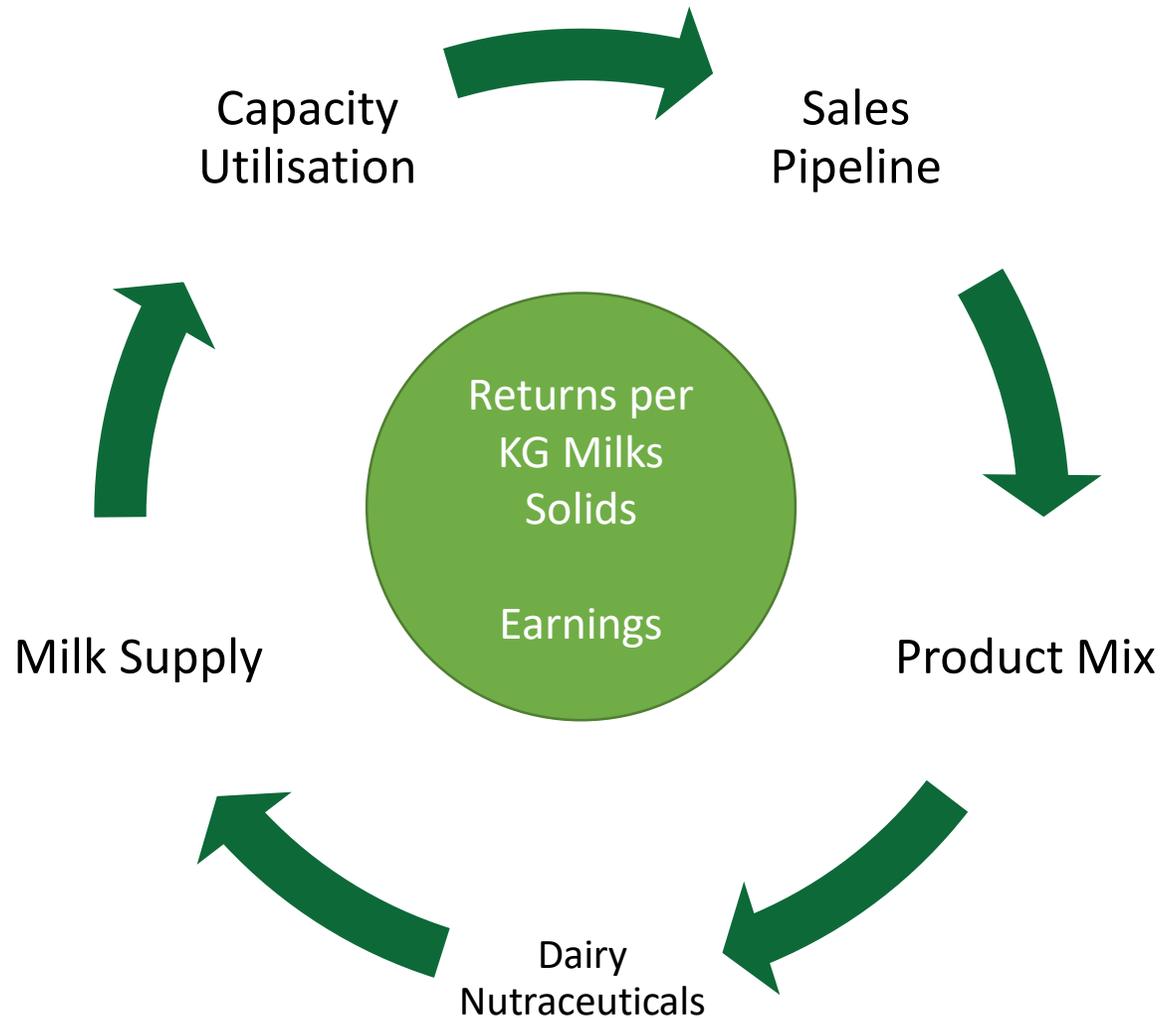
(4) Milk Supply

- Increasing milk supply from 103 million litres in FY19 to >130 million litres in the near term.
 - Every 20 million litres of additional milk intake can add approx. \$2.5 million pa to gross margins.

(5) Capacity Utilisation

- Making greater use of the productive capacity built over the past four years.
 - The dairy factories are currently running at around 40% capacity. Aim is to get them to 70%-80% capacity utilisation.

⁽¹⁾ Lactoferrin is an iron-binding glycoprotein with significant anti-viral, anti-fungal and anti-bacterial properties (found naturally in milk). It is in high demand in the global pharmaceutical and nutraceutical market.



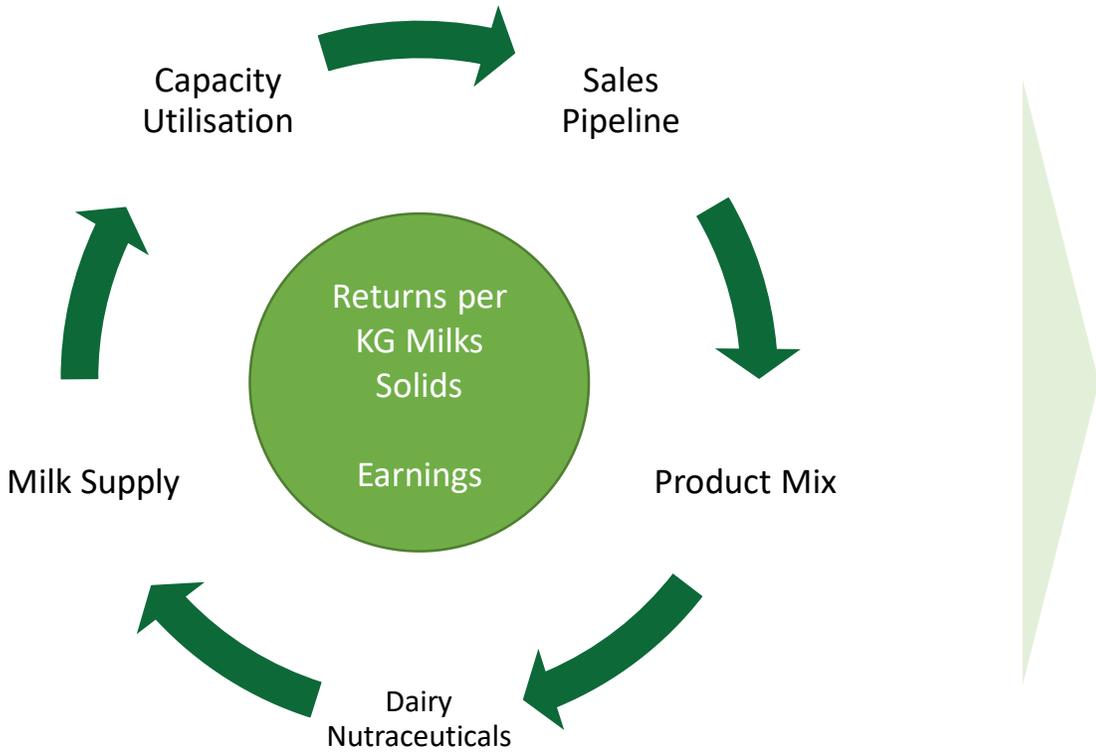
Dairy Assets Value Drivers:

- Sales Pipeline : growing strongly
- Product Mix: mozzarella at Jervois
- Dairy Nutraceuticals:
 - Lactoferrin skim-based extraction project approved
 - Lactoferrin resin issue rectified with full production from March 2020
- Milk Supply : increased
- Capacity Utilisation : significantly higher

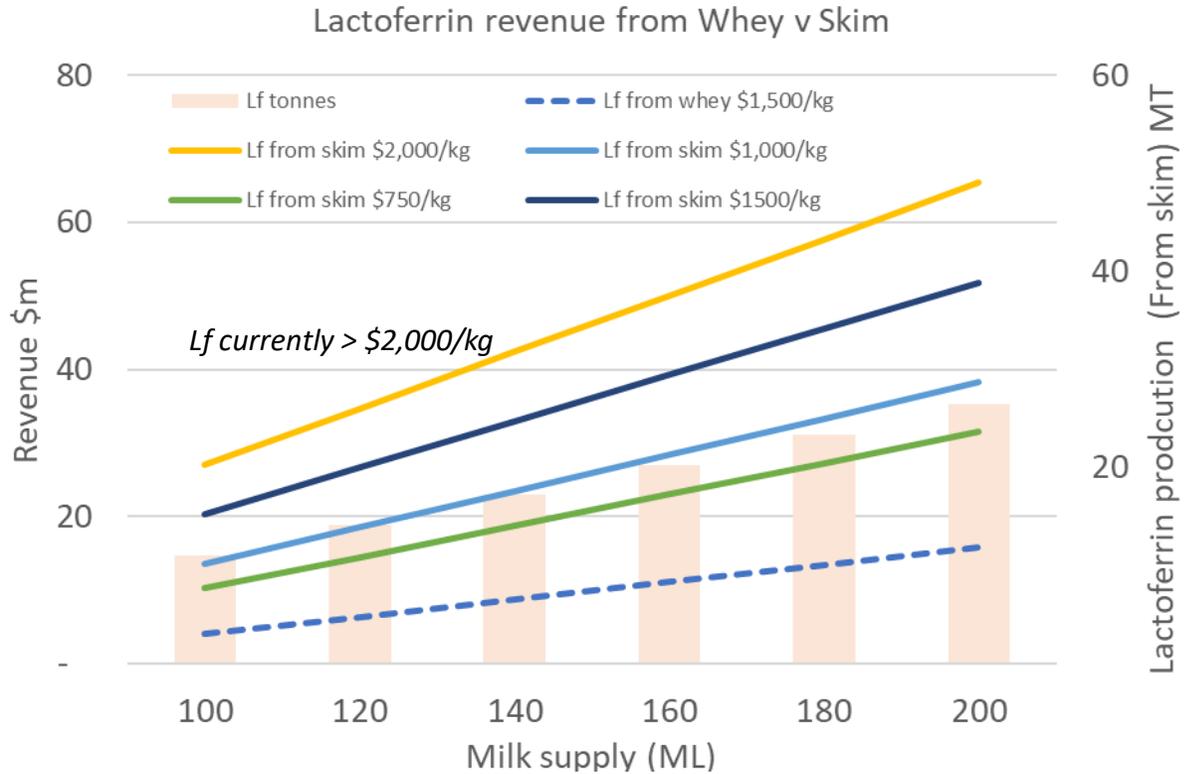
Greater focus on core business with sale of seafood assets

1.3 Continued strategic focus on Dairy

Enabling A More Profitable Future



- Increased **Milk Supply** enables higher **Capacity Utilisation** to feed **Sales** demand for **Mozzarella**
- **Lactoferrin** from skim-milk increases yield of this high value **Nutraceutical** product
- **Returns** from Dairy Assets grow significantly

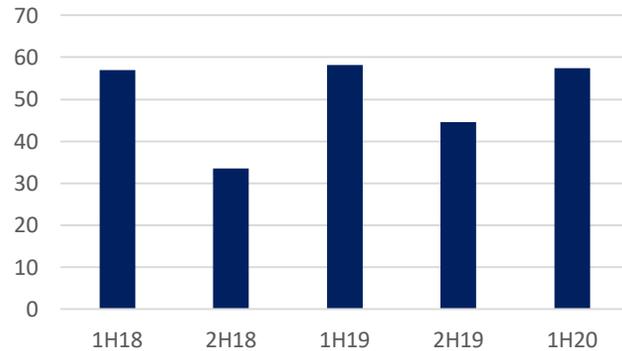


- Project Enable
 - Lactoferrin from skim-milk project approved
 - Farms sale and lease back initiated
- New high quality/lower cost mozzarella offering

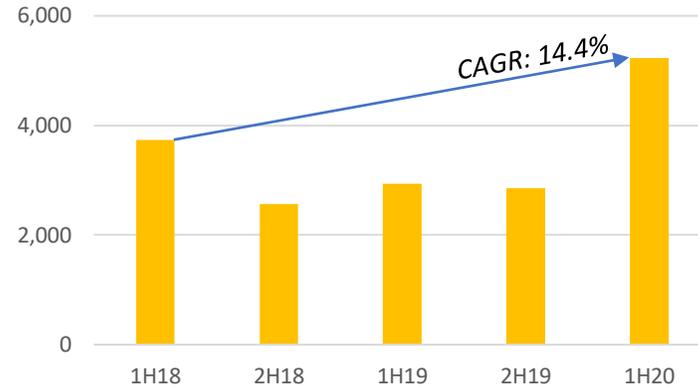
1H20 Highlights

2.1 Highlights: Dairy Factories

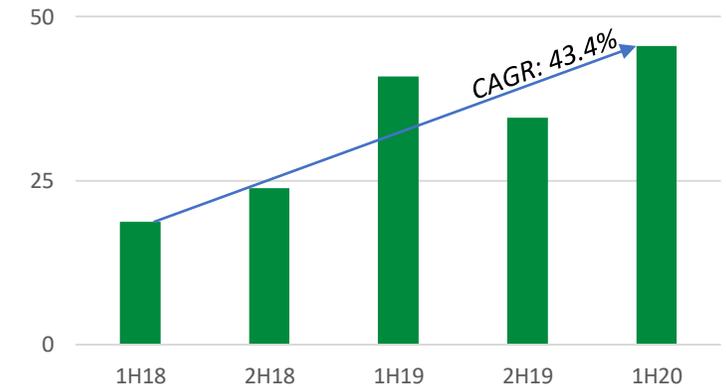
Milk ML



Cheese Prodn T



Sales \$m



Financial Performance

- Sales \$45.5m, up \$10.7m (31%) on 2H19
 - Mozzarella sales 4,290T v 2H19 2,690T. Strong demand continues into 2H20
- Cheese production 5,224T, up 2,374T (83%) on 2H19
- Total milk supply 57.4ML, up 12.7ML (28%) on 2H19. Forecast FY20 110 ML V FY19 103 ML
 - Nearly all milk converted to product rather than traded
 - Higher conversion of raw milk to cheese drives higher by-products sales
- Cost of milk (c. 10% higher than FY19) suppressed margins in 1H20
 - Sales price rises take effect in 3Q20 to recover margins
- Yield gains and other cost reductions embedded
- Lactoferrin production curtailed by poor resin performance. Rectified Feb 20
- Dairy segment result loss before tax \$3.3m, \$5.0m improvement on 2H19

2.2 Highlights: Dairy Factories Sales

Mozzarella

- Sales 4,290T v 2H19 2,690T
 - Growing sales pipeline with strong demand continuing into 2H20
- Production 4,393T v 2H19 2,145T
 - Nearly all milk received converted to value adding products

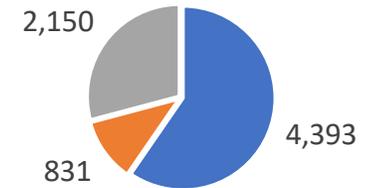
By-Products

- Whey powder sales 2,278T v 2H19 1,136T
 - Driven by increased cheese production
- Cream sales 782kl v 2H19 509kl
 - Increased mozzarella production drives increased cream yield

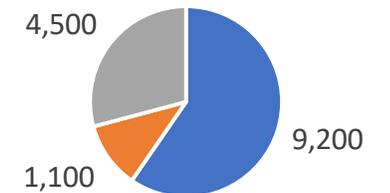
Lactoferrin

- Sales 367kg v 2H19 280kg
- Production volumes curtailed by resin performance in 2H19.
 - Yields should have been higher with higher mozzarella production
- Replacement resin installed Feb 20 to return process to expected production capacity. 2H20 production 600kg-800kg.

Production YTD (tonnes)



Production FY20 (tonnes)



■ Mozzarella ■ Cheddar ■ Whey Powder

2.3 Highlights: Milk Supply

Beston Farms

- Production 9.1ML, up 5% on 1H19 of 8.7ML. 2H19 production was 8.4ML.
- Higher production despite ongoing drought conditions across Australia
 - Increased cows in milking by 8% (average through period)
 - Secure water supply

Farmers

- Receivals 48.3ML, down 2% on 1H19 of 49.4ML. 2H19 receivals were 36.2ML.
 - Drought conditions continue to impact farmer suppliers
- Current outlook is for a stronger second half than experienced in FY19

Future

- Forecast for FY20 108ML-110ML v FY19 103ML
- Target for FY21 > 130ML
 - Annual contracting process for FY21 has commenced
 - Seeking to increase proportion of milk on >1 year contracts

2.4 Highlights: Provincial Foods Group

Contract issue

- 1H20 loss of \$1.9m largely due to issues relating to product costs for a new plant-based products contract
- Contract has been terminated
- Significant issues encountered moving kitchen recipes into large scale production including dealing with variations in raw materials
- Capacity available to supply other customers was negatively impacted

Future

- Rebuild sales pipeline focussing initially on core meat products
- Capability developed in plant-based products will be pursued for the medium term

2.5 Highlights: V3 Benefits

Implemented

- Savings implemented to date \$7.3m p.a.
- Most were reflected in FY20 budgets and are being realised

Future

- Identified c. \$1.8m of further efficiencies and cost reductions in 2H20
- Partially offset by reinvestment in additional dairy focused technical equipment and skills
- Ongoing review of all operations to identify further savings and efficiencies

Growth Plans

3.1 Project Enable

Farms sale, lease and buy-back

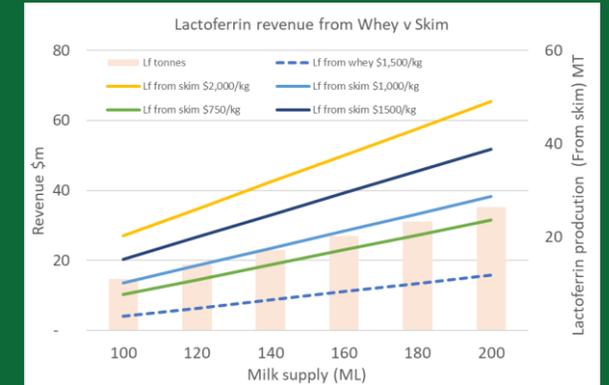
- Redeploy c. \$35m of capital to higher uses
- Funds high return lactoferrin-from-skim project c. \$10m (see below)
- Reduces gearing
- Farm operations continue with milk supply from farms secured
- Lease term 10 years with buy back option at market price

Lactoferrin from skim

- Extracting lactoferrin from skim provides circa 4x yield compared to current whey-based extraction process
- Investment \$10m over 9-12 months
 - Current whey-based extraction continues until cut-over
- At 100ML pa milk supply
 - Production increases from c. 2-3MT pa to c. 10-12MT p.a
 - Revenue increases by c. \$9m p.a @\$1,000/kg⁽¹⁾
 - Lactoferrin is a high margin product. Payback c. 1 year
- Engineering studies completed and project approved
- Additional expansion capex \$10m would be required to process volumes > 150ML p.a.

(1) Currently >\$2,000/kg

ENABLING



Higher profitability ensures we can fund growth in milk supply

3.2 Project Enable : Timing

Farms sale,
lease and
buy-back

- In progress
- EOI process closes 5 March 20
- Contracts expected to be exchanged in April 20
- Settlement expected May 20

Lactoferrin
from skim

- Project approved by Board February 20
- Contracts expected to be entered into in April 20
- Construction estimated 9-12 months
- Online circa 4Q20

3.3 New Product Development

“Pizzarella”

- Lower cost mozzarella with high performance characteristics
- Highly competitive offering in the market
- Production trials and key customer acceptance testing completed
- Commercialisation in 2H20
- Will increase:
 - Mozzarella sales growth
 - Capacity utilisation
 - Cream yields / T of mozzarella produced
 - Margin protection in rising milk cost environment
 - Ability to compete for milk supply

Financial Results

4.1 1H20 Pro Forma Results

A\$000's	1H20	2H19	1H19	Var to 2H19	Var to 1H19
Revenue	51,173	41,522	43,703	9,651	7,470
Cost Of Sales	47,667	40,964	40,114	(6,703)	(7,553)
Other Income	1,452	662	220	790	1,232
Other Expenses	10,665	14,351	10,455	3,686	(210)
EBITDA	(5,707)	(13,131)	(6,636)	7,424	929
Depreciation and amortisation	1,633	1,007	862	(626)	(771)
Profit/(loss) on sale of assets	2,531	-	-	2,531	2,531
Impairment	-	(3,715)	(5,900)	3,715	5,900
EBIT	(4,809)	(17,853)	(13,398)	13,044	8,589
NPAT	(3,091)	(15,534)	(11,441)	12,443	8,350
Profit/(loss) through OCI	281	(2,888)	(6,001)	3,169	6,282

Key Highlights

Revenue

- Dairy sales driving revenue increase 23% on 2H19

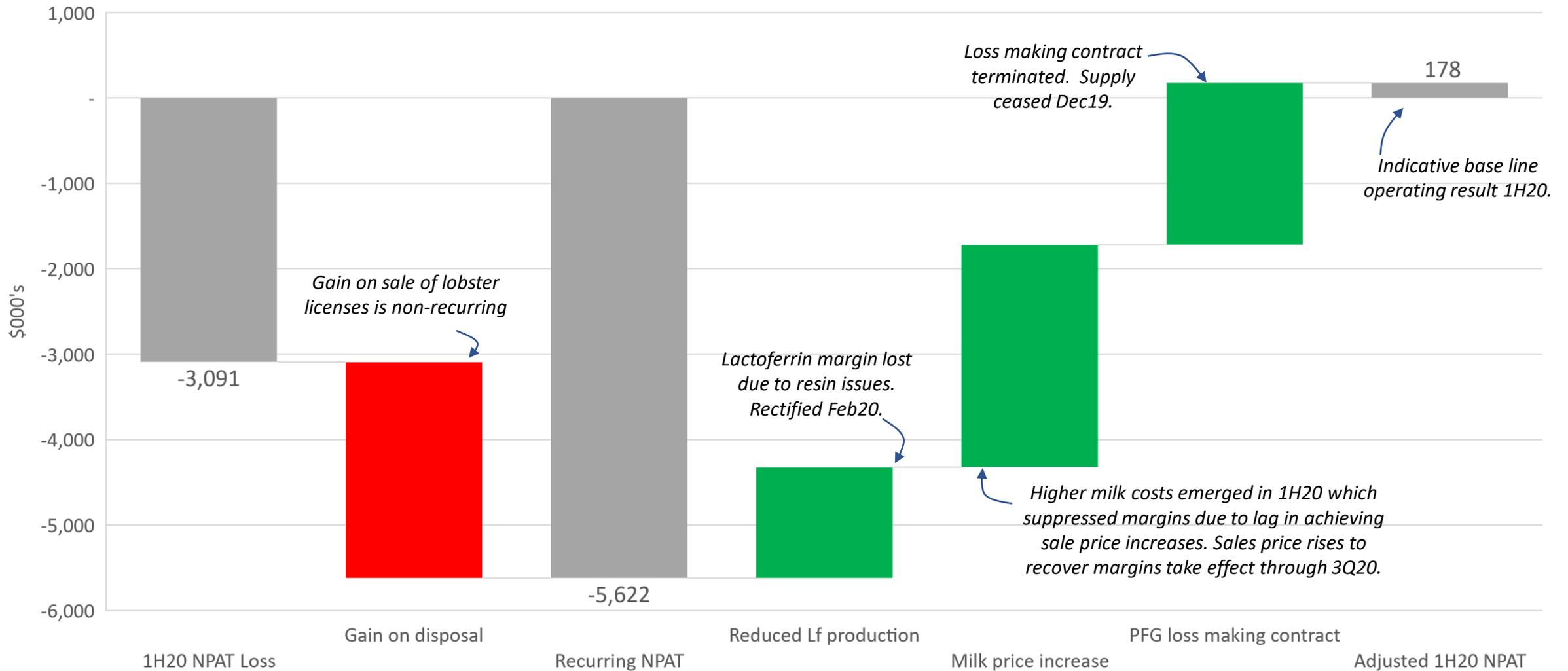
EBITDA

- Improved \$7.4m v 2H19
- Improved margins in dairy business
- Significant cost reductions including closing international offices
- Meat segment negative EBITDA \$2.5m

NPAT

- Improved \$12.4m v 2H19
- No impairment charges in 1H20

4.2 On the path to profit... ahead of step change in lactoferrin production



4.3 Dairy

Pro Forma Segment Results

A\$000's	1H20	2H19	1H19	Var to 2H19	Var to 1H19
Revenue	45,508	35,000	40,870	10,508	4,638
Cost Of Sales	41,984	33,230	37,039	(8,754)	(4,945)
Gross margin	3,524 8%	1,770 5%	3,831 9%	1,754 3%	(307) (2%)
Other Revenue	934	708	136	226	798
Other Expenses	6,270	9,907	7,491	3,637	1,221
EBITDA	(2,262)	(7,429)	(3,524)	5,167	1,262
Depreciation and amortisation	1,086	851	696	(235)	(390)
EBIT	(3,344)	(8,280)	(4,220)	4,932	876

Key Highlights

Revenue

- Up 30% on 2H19 and 11% on 1H19
- Strong growth in sales pipeline
- Mozzarella sales 4,290T v 2H19 2,690T
- Cheese production up 83% on 2H19
 - 5,224T v 2H19 2,850T
 - Increased conversion of milk to value adding products
 - Opportunity lost Lf revenue c. \$2.5m

Gross margins

- Up 3% on 2H19
- Milk costs c. 10% higher impacted margins.
 - Product price rises in 3Q20 to recover margins
- Opportunity loss lactoferrin margin c. \$1.9m
 - Lactoferrin resin replaced late Feb 20

Significant cost reductions realised in 1H20

4.4 Meat

Pro Forma Segment Results

A\$000's	1H20	2H19	1H19	Var to 2H19	Var to 1H19
Revenue	5,410	5,171	1,314	239	4,096
Cost Of Sales	5,342	4,498	1,583	(844)	(3,759)
Other Expenses	2,608	1,948	1,167	(660)	(1,441)
EBITDA	(2,524)	(1,359)	(1,352)	(1,165)	(1,172)
Depreciation and amortisation	137	11	18	(126)	(119)
EBIT	(2,661)	(1,370)	(1,370)	(1,291)	(1,291)

Key Highlights

Revenue

- Up 4.6%

EBITDA

- Loss making contract to produce plant-based products
- Contract now terminated. Supply ceased Dec19

The focus of the meat segment for 2H20 will be on growth in its core meat business to achieve profitability

4.5 Cash Flow and Gearing

Pro Forma Results

A\$000's	1H20	2H19	1H19	Var to 2H19	Var to 1H19
Operating CF	(11,439)	(4,778)	(4,336)	(6,661)	(7,103)
Investing CF	4,706	(3,424)	(9,623)	8,130	14,329
Financing CF	6,312	7,840	12,007	(1,528)	(5,695)
Net CF	(421)	(362)	(1,952)	(59)	1,531
Movement FX	(25)	142	(371)	(167)	346
Opening Cash	1,920	2,140	4,463	(220)	(2,543)
Closing Cash	1,474	1,920	2,140	(446)	(666)
Opening net debt	41,323	33,451	21,444	(7,872)	(19,879)
Net Fin CF	6,280	7,840	12,007	(1,560)	(5,727)
Closing net debt	47,603	41,323	33,451	(6,280)	(14,152)
Gearing	61.5% ⁽¹⁾	51.5%	41.7%	10.0%	19.8%

⁽¹⁾ Share Purchase Plan completed 31 January 20 raised \$2.4m additional equity

Key Highlights

Operating cash flow

- Lower operating cash flow reflects increase in debtors to fund product sales growth with less sales of raw milk
- Annual insurance premiums \$2.3m paid in 1H20

Investing cash flow

- Proceeds from sale of assets \$7.8m, mainly exit of seafood assets
- Capital expenditure \$3.4m

Financing cash flow

- Increase in bank facilities

Appendix

Additional Information

Explanation of non-IFRS measures

EBITDA : Earnings before interest, tax, depreciation and amortisation and impairment charges

EBIT : Earnings before interest and tax

¹Source: V3 Short Term Actions Update CEO/CFO

Board Members



Roger Sexton - Chairman

Dr Roger Sexton is an investment banker and company director. He holds Doctorate and Master's Degrees in Economics from North Carolina State University and an Honours Degree (First Class) in Economics from the Flinders University of South Australia.

Roger has extensive experience in the agricultural sector, having undertaken tertiary studies in agricultural economics, in addition to finance and business management. On graduation, he worked for the Bureau of Agricultural Economics and was an Executive Director of the Industries Assistance Commission, specialising in rural industries.



Stephen Gerlach - Non-Executive Director

Stephen Gerlach is Chancellor of Flinders University. He is also the Chairman of Adelaide Capital Partners Pty Ltd, Gerlach Asset Development Pty Ltd, Ebony Energy Ltd and a Director of Beston Global Foods Ltd and Beston Pacific Asset Management Pty Ltd.

He was formerly the Chairman of Santos Limited, Futuris Corporation Ltd (subsequently known as Elders Ltd), Equatorial Mining Ltd, Elders Australia Ltd, Challenger Listed Investments Limited, Amdel Ltd, and Penrice Ltd.



Jim Kouts - Independent non-executive director

Jim has served as a senior executive and non-executive director in major companies in the energy, financial service and business tourism industries and has also held various senior positions in the public sector.

He is currently Chair of Home Start Finance, Chair of the Adelaide Convention Bureau, Non-Executive Director of the Adelaide Venue Management Corporation and is Strategic Advisor to Adelaide Airport Ltd.



Ian McPhee - Independent non-executive director

Ian served as the Auditor General of Australia until June 2015. He holds a Bachelor of Business (Accountancy) degree and a Bachelor of Arts (Computing Studies) degree.

Ian is a Fellow of CPA Australia and a Fellow of Chartered Accountants Australia and New Zealand.

He is currently a Member of the International Ethics Standards Board for Accountants and a Distinguished Honorary Professor at the College of Business and Economics, Australian National University, a member of the Council of Central Queensland University, and a director of Ian McPhee Consulting Pty Ltd.



Catherine Cooper - Independent non-executive director

Catherine is an experienced Non Executive Director with an extensive portfolio of approximately 50 Board positions over 18 years.

After a professional career as a commercial lawyer, Catherine moved into the business world in 1992 and has developed wide knowledge and experience across a broad range of sectors such as agribusiness, food and health, energy and water, and science and technology.

Career highlights include the establishment of a national joint venture Rural Bank, being awarded as a Telstra Business Woman of the Year finalist twice, inclusion in an international management program at GE in New York and more recently winning a position in the ASX Top 200 Chairman's Mentoring program run by the AICD.



Petrina Coventry - Non-Executive Director

Petrina Coventry is Industry Professor and Director of Development with the Adelaide University Faculty of Professions and Business School. She previously held Global Vice President roles with the General Electric Company and The Coca Cola Company in the United States and Asia and more recently CHRO with Santos Ltd.

Her work in organisational transformation, company performance and governance has led to increased involvement with governments, industry associations and consulting groups across the Asian region.

Executive Team



2 1 3 4 5

2 Adam Rigano – GM Commercial and Supply Chain

Adam Rigano is a senior executive with over 17 years of strategic commercial, operational and financial experience within ASX listed companies. Adam commenced with BFC as the Chief Operating Officer in November 2016 and within 7 months also assumed the Chief Financial Officer role. In Feb 2018 he assumed the position of Chief Development Officer focussed primarily on value creation throughout the Supply Chain. Prior to BFC Adam was with Santos in senior executive and managerial positions leading business transformation, strategic, commercial, planning, economic and finance functions. Prior to Santos he has been involved in various industries including new venture commercialisation, agriculture (wine) and security industries.

4 Hamish Browning – General Manager, Agribusiness

Hamish's career spans over 25 years in agriculture and food with Elders Ltd, Frontier International Agri Pty Ltd (Ruralco J/V, ASX:RHL), Thomas Foods International, and Beston Global Food Company. Senior management and administration roles held within these companies include Managing Director, Chief Operations Officer, General Manager, Senior Trader, and Chairman.

Hamish has a Graduate Diploma in Financial Services – AFMA, Cert IV in Frontline Business Management, Global Agribusiness Program - Harvard Business School and Executive Change Management Program – Aus Graduate School of Mgt.

1 John Hicks – Chief Executive Officer

Over the last 20 years, Jonathan has held senior positions within the Australian Dairy Industry, including Bega Cheese Limited and Tatura Milk Industries Limited and was part of the executive team which took Bega Cheese Limited to an IPO in 2011.

He was the Chief Executive of Pure Dairy Australia, a successful Australian-based international dairy trading company from 2014 until 2017.

He then became Managing Director of an advisory firm operating across a range of agribusiness and manufacturing platforms, particularly in the dairy and pharma industries.

3 Darren Flew- Chief Financial Officer

Darren Flew is a highly experienced senior finance executive known for strong commercial and strategic capabilities focussed on driving achievement of business goals. Before joining BFC in March 2018, he spent 19 years at Santos in various senior finance roles including Chief Financial Officer Eastern Australia Business Unit and was variously responsible for finance, commercial, strategy, business development, procurement, joint venture engagement, environment, cultural heritage and regulatory engagement.

Prior to joining Santos, Darren worked for Baulderstone Hornibrook (construction) as their Group Finance Manager for 3 years. He qualified as a chartered accountant in 1985 working for Ernst & Young and spent time in Singapore and Toronto before leaving in 1996.

5 David Wilson – GM Sales and Marketing

David Wilson has had 30 years' experience in the FMCG, predominately with Philip Morris Ltd. Over these years his roles have included; Division Manager, State Field Sales Manager, Key Account Manager for Metcash, Woolworths, Coles, MSO's and held the State Manager SA/NT position. He was then appointed Region Manager for SA, NT, WA and Tasmania responsible for Philip Morris total business across these three States and Territory. David successfully held this position for 15 years and has also successfully managed multimillion-dollar accounts and large sales teams, which have delivered consistently on their targets and goals. He was employed by BFC in April 2018 as the National Retail Manager and was promoted to GM Sales and Marketing in August that year. The benefit to BFC re these skills has seen ranging across major MSO's, Woolworths and the Peregrine Group (OTR).

David has a Graduate Diploma in Innovation and Service Management at RMIT.

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