BESTON GLOBAL FOOD COMPANY

ASX RELEASE

31 August 2020

FY20 Full Year Results, Completion of Dairy Farms Sale and FY21 Operating Guidance

- **FY20 full year results demonstrated strong growth in sales, production and margins**
  - **Total revenues up 21% to $103.1 million**
  - **Mozzarella production up 108% to 9,128 tonnes**
  - **Lactoferrin production up 398% to 1.4 tonnes**
  - **Sales revenue up 22% to $103 million**
  - **Gross margin up 460 basis points to 8.9%**
  - **Full year statutory loss of $11.6 million**
- **Sale of dairy farms completed on 31 August 2020 with $40.4 million gross sale proceeds received**
- **FY21 operating guidance highlights strong growth trajectory as transition to higher margin products continues**
  - **Contracted milk supply up ~25% to 131-145 ML**
  - **Mozzarella production up ~50% to 12,600-14,700 tonnes**
  - **Lactoferrin production up ~250% to 4-6 tonnes; facility expansion to be completed in Q3 FY21**
  - **Revenue up ~33% to $130-145 million**

Beston Global Food Company Limited ("Beston", ASX: BFC) today released its FY20 full year results with strong growth in revenues, production and margins, completed the sale of its Dairy Farms to Aurora Dairies, and released its FY21 operating guidance.

The Company reported an increase in gross revenues to $103.1 million in FY20, up 21% on FY19.

The progress towards sustainable profitability in the business, through operational and financial improvements in the performance of the dairy business, was interrupted by the on-set of the COVID-19 coronavirus pandemic in March 2020, which impacted on sales mix and margins.

The closure of restaurants and many other food service outlets in response to COVID-19 resulted in sales of Beston's high margin mozzarella products to food service customers falling by 70% from 2H20 budget, as customers cancelled both contracted orders and forward orders. The cancellation of orders was compounded by the resultant reduction in production of high margin lactoferrin and whey powder (both of which are produced from whey liquid by-product derived from the manufacture of mozzarella).

The drag on margins and earnings, resulting initially from the limited supply of milk in the early months of 2H20 (which pushed up prices) and then the impact of the COVID-19 pandemic from March 2020 onwards, contributed to the loss of $8.5 million reported for the 2H20 period. The result also included non-cash impairments of $1.2 million relating to a write-down of plant and equipment in the water business and write-off of some redundant technology assets. The statutory loss after tax for the full year FY20 was $11.6 million.

John Hicks, Beston Chief Executive Officer, said "The past financial year was one of major milestones and continued growth, notwithstanding that the second half of FY20 fell well short of expectations. This was in part due to the impact of higher milk prices, which flowed on from two years of drought, and the impacts of the COVID-19 pandemic. With the Dairy Farms sale now complete, construction of the new lactoferrin facility underway, and an increased supply of milk under contract, we are confident that Beston is well positioned to achieve profit, free cash flow generation and sustainable growth going forward."

"The increase in lactoferrin production will improve margins and also enable a focus on new value-added products for health and nutrition based on lactoferrin", he said.

Beston previously announced that it was well advanced on the launch of two lactoferrin drinks, "Life X10", being released soon, and "Immune+", which is targeted to be released in October 2020.

"This is an example of the continued push toward higher margin products that will underpin future earnings." Mr Hicks said.

In FY20, Beston demonstrated significant progress in implementing its strategic imperatives outlined at the 2019 AGM, with the following critical milestones achieved:

- Increased contracted milk supply for FY21 to 138 ML (from 111 ML);
- Significant growth in mozzarella production due to more milk volume processed through the expanded facility, which in turn reduced the volume of milk sold out;
- A successful capital raising which provided funds for construction of the new skim milk lactoferrin facility;
- Commencement of construction of the lactoferrin facility, with completion expected in Q3 FY21; and
- Sale of the Dairy Farms, which will redeploy low returning capital into higher returns and significantly reduce gearing.

Dr Roger Sexton AM, Beston Chairman, said "Beston carries a lot of momentum into FY21 as a result of the hard work done over the last five years in building its core business.

Importantly, Beston's progress to date has established the foundation for sustainable growing earnings and cash flow into FY21 and beyond."

Operating guidance for FY21 is set out below. Please note that this guidance assumes no potential worsening of impacts from COVID-19, weather related events and unforeseen operational delays. For a full list of risks associated with guidance, please refer to the accompanying FY20 full year results presentation.

Key drivers	FY20	FY21	Change	Key risks / considerations
Milk supply (ML)	111	**131 – 145**	**+ ~25%**	• Seasonal conditions
Mozzarella production (KT)	9.1	**12.6 – 14.7**	**+ ~50%**	• Milk supply; COVID-19 impacts
Lactoferrin production (T)	1.4	**4.0 – 6.0**	**+ ~330%**	• Plant construction (Q3 FY21)
Revenue ($m)	103	**130 – 145**	**+ ~33%**	• Demand outlook; COVID-19
Gearing	49%	**8 – 16%**		• Earnings and working capital
Capital expenditure ($m)	6.0	**17.0 – 22.0**	**+ ~225%**	• ~$12m for lactoferrin expansion

This ASX release was approved and authorised for release by Dr Roger Sexton AM, Chairman.

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ABOUT BESTON GLOBAL FOOD COMPANY LIMITED

Beston Global Food Company is a proud South Australian multi award-winning company taking the best of Australian produce to the world with fresh milk supplied by valued farmers. The company provides direct and indirect employment for nearly 300 people. For more information please visit: www.bestonglobalfoods.com.au