

## ASX RELEASE

02 June 2022

### TRADING UPDATE

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#### **Executive Summary**

- BFC is experiencing a strong sales performance across all areas of its business, and especially in its Dairy Foods Division
- Operational improvements and plant performance stability in H1 have underpinned a continued trend to higher margins and profitability
- Production volumes are fully committed to 30 June 2022 and well into FY23
- Group Operating Gross Margins in Q4/FY22 are forecast to be around 15%, more than double Q3/FY22
- Lactoferrin production is forecast to be c. 16-19MT for FY22 with record sales in Q4/FY22 across multiple markets (such as the USA, China, India, South Korea, Eastern Europe and Australia)
- Milk supply is largely contracted for FY23 business needs and positioned to competitively reward South Australian farmers for their high-quality milk
- BFC will conduct an Investor Roadshow from 6-10 June, 2022

#### **Market Update**

Beston Global Food Company Ltd (ASX:BFC) ("BFC" or "Beston") is pleased to provide the following update on business performance and outlook:

#### **Production**

BFC has recorded significant operational improvements at its factories in the first half of FY22 which have continued into the second half. Mozzarella production for FY22 is forecast to be in line with the Operating Guidance previously given to shareholders. The flexible functionality incorporated in the state-of-the-art Mozzarella plant which we installed and commissioned in May 2018, along with the agility of our technical production team, has enabled us to produce at least eight different types of Mozzarella to suit different customer profiles in different countries.

The new Lactoferrin plant is performing extremely well. A number of minor modifications have been undertaken in recent months to further improve the

turnaround time and yields. Some construction works have also been undertaken to further improve GMP (Good Manufacturing Practice) standards and security for the facility. Lactoferrin production is forecast to be in the range of 16MT to 19MT for FY22, consistent with our previous Operating Guidance.

Year-to-date, all milk received by the Company in FY22 has been processed. The capex project on the new silo infrastructure has been completed and the new cream and milk silos have been installed, allowing greater operational efficiencies as we enter the FY23 season.

## **Sales & Business Development**

BFC is experiencing a strong sales performance across all areas of our business, and especially in our Dairy Foods Division.

The order book for our Mozzarella and Hard Cheese products, Whey Powder and Cream Portfolios are at record levels for FY23, which is a testament to our product quality, customer focus and market reach. The global market trends in demand and supply, have enabled BFC to capitalise on our clients' needs to secure supply. Production volumes at our factories are fully committed to 30 June 2022 and well into FY23.

The high forward demand and scarcity of supply is enabling BFC to implement the objectives in the third phase of its 10-year Business Plan and shift the focus of the business from volume to value. We have progressively scaled up our production volumes since commencing operations to achieve optimum usage of our plant capacities and are now achieving a circa 90% utilisation of our Mozzarella plant.

Group Sales for FY22 are likely to be lower than previously forecast as a result of reduced Lactoferrin sales in a softer global market for Lactoferrin. The global demand for Lactoferrin has reduced over the last 9-12 months, largely as a result of a decline in demand for infant formula in China where birth rates have fallen as a consequence of COVID-19. This has led in turn to a softening of prices. Lactoferrin in infant formula for the China market has hitherto been the largest global user of Lactoferrin.

Despite being lower than previously forecast, BFC will achieve a record level of sales for its Lactoferrin products in Q4/FY22.

The revised Operating Guidance for the Company is attached.

## **Milk Supply**

Beston has now published its opening milk price to contract dairy farmers in FY23 as a weighted average of \$8.75 per kg of milk solids. This price reflects the increasing competition for milk across Australia from major dairy companies and the increasing input costs being experienced on farms from rising grain prices, energy prices and transport costs.

Beston has signed supply contracts with farmers for FY23 which, subject to the vagaries of weather and on-farm conditions, will result in the delivery of between 155-175 million litres of milk for processing at its factories in Jervois and Murray Bridge, South Australia, in the next financial year.

## **Lactoferrin**

BFC undertook an investment to expand its dairy nutraceutical plant in 2021 and increase its production of Lactoferrin.

BFC continues to invest in accelerating our business development in this area and has a growing pipeline for Lactoferrin sales (with recent sales to customers in India, China, South Korea, Australia, Eastern Europe, and the USA).

Lactoferrin has an extended shelf life (minimum of three years). Momentum in the order book for our new TGA approved TRUEFERRIN Lactoferrin products is growing. We have established baseline sales across a variety of segments ranging from paediatric nutrition to functional nutraceuticals.

Our Q4/FY22 Lactoferrin sales performance is encouraging, and we believe that the market is starting to balance itself whereby prices are expected to improve as we enter FY23. BFC is now amongst the largest producers of Lactoferrin in Australia and New Zealand.

## **Outlook**

The forecast Q4 results of BFC are demonstrating positive earnings and operating cashflow results. Group Operating Gross Margins in Q4/FY22 are forecast to be around 15%, that is, more than double those achieved in Q3/FY22. These results will not be sufficient to offset the negative results achieved in the first half, and in some of the early months of the second half, with the result that BFC will report a statutory loss for FY22.

However, the Company has reached a point in its maturity where the hard work of the past, aided by some strong economic tailwinds, is now showing positive bottom-line results. A key objective in our 10-year Business Plan was to build scale and capability which we now have, and to build a repeatable, high margin sales book, which we also now have, thereby enabling us to capitalise on our asset base and increase the capacity utilisation of our plant.

As a result of the work done and investments made, the Company is well on track to deliver cash positive results and sustained profitability in FY23. BFC has raised the "bench strength" of its Senior Executive Team in recent months with several key appointments (as previously announced to the ASX) so as to ensure that the earnings momentum which is in train is not only continued, but can also be accelerated, in future periods.

The FY23 Budget is currently being finalised. The FY23 Budget is based on a similar volume of sales as in FY22, but with significantly higher margins and a much-reduced reliance on Lactoferrin sales and gross margin contributions. The Company has been positioned, through the work done, so that the core dairy business generates strong net profits and positive cashflows with Lactoferrin sales providing further upside.

#### Roadshow

The CEO of Beston, Mr Fabrizio Jorge, and the Chairman, Dr Roger Sexton AM will conduct an Investor Roadshow in Victoria, NSW and Queensland during the week 6-10 June, 2022. The presentation to be used for the Roadshow will be released to the ASX at the commencement of the Roadshow ensuring that the information is available to all shareholders, and will provide operating and earnings guidance for FY23.

Shareholders who wish to attend one or more of the presentations in Melbourne, Sydney or Brisbane can contact the Company Secretary at the address hereunder.

This ASX Release was approved and authorised for release by the Board of BFC.

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ABOUT BESTON GLOBAL FOOD COMPANY LIMITED

Beston Global Food Company is a proud SA 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](http://www.bestonglobalfoods.com.au)

## Updated FY22 Operating Guidance

<b>Measure</b>		<b>Previous FY22G</b>	<b>Updated FY22G</b>
Milk Supply	ML	<b>152-158</b>	<b>155-175</b>
Mozzarella production	MT	<b>15,000 – 16,000</b>	<b>15,000 – 16,000</b>
Lactoferrin production	MT	<b>16 - 19</b>	<b>16 - 19</b>
Group Sales	\$M	<b>160 – 185</b>	<b>140 – 150(a)</b>
Revenue/litre milk	\$/l	<b>1.05 – 1.17</b>	<b>0.90 – 1.10(a)</b>
Capex	\$m	<b>8 – 12</b>	<b>6 – 8</b>

(a) The reduced Group Sales and Revenue/litre figures are a result of the reduced Lactoferrin sales from that previously forecast