



**BESTON**  
GLOBAL FOOD COMPANY

**BESTON GLOBAL FOOD COMPANY (ASX:BFC)  
INVESTOR PRESENTATION**

**OCTOBER 2022**

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The forward looking statements are subject to risks, stakeholder engagement, uncertainties and assumptions which could cause actual results, timing, or events to differ materially from the expectations described in such forward-looking statements. Those risks and uncertainties include factors and risks specific to the industry in which Beston operates, any applicable legal requirements, as well as matters such as general economic conditions. These factors include, but are not limited to delay of development projects, fluctuations in price for dairy products, the enactment of new legislation or regulatory requirements and share market and liquidity risks. Further information regarding the key risks associated with investment are located on slides 15 to 17 of this presentation and you should be consider these risks carefully.

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## Transformational growth continues in Q1 2023

### **BFC reaffirms its FY23 EBITDA guidance based on continued momentum in Q1**

The group's new management and strategy has delivered the following unaudited Q1 results:

- 100% of our FY23 milk supplies are contracted and we are on track to meet FY23 guidance
- Group sales revenue growth of over +49% vs. previous corresponding period
- EBITDA positive at a BFC Group level. A continuation of the positive EBITDA results for Q4 2022
- NPAT positive for Beston Pure Dairy (BPD is over 90% of group sales)
- Significant gross margin improvements across the business (3.1 x pcp) fuelled by ongoing price increases and improved mix focused on value
- Lactoferrin sales momentum continued with over 5MT sold in Q1 and all new production committed for 2023

**EBITDA guidance remains \$8M to \$10M**

**Current expectation is to be at the top end of group sales guidance of \$150M to \$180M**

# **Capital raise to reset balance sheet and accelerate transformational growth for BFC**

**Three-part strategy to accelerate growth, revenue, and earnings, while consolidating our position as South Australia's largest and leading dairy company.**

We are looking to raise \$28.2M<sup>1</sup> to pay down debt to enhance profitability, expand capacity to grow sales, execute projects that will optimize operations and continue to grow gross margins.

**1.**

**Retire debt and reset balance sheet to enhance profit and pursue future growth.**

**2.**

**Expand innovation and leadership in the bioactive protein and nutraceuticals space.**

**Grow Lactoferrin and accelerate Immunoglobulins (IG) commercialisation.**

**3.**

**ROIC projects to drive profit and sustainability improvements.**

**Vertical integration of cheese processing to enhance portfolio and margins**

*Notes: (1) Up to \$27.3m of commitments has been contractually agreed with new and existing shareholders.*

# Equity Raising Summary

|                        |  |
|------------------------|--|
| <b>Offer structure</b> | <ul style="list-style-type: none"> <li>Up to A\$28.2m equity raising comprising:             <ul style="list-style-type: none"> <li>Unconditional placement (<b>Placement</b>) to sophisticated and professional investors to raise A\$3.3m before costs – the Placement will take place in a single tranche and fall within the Company’s placement capacity under ASX Listing Rule 7.1</li> <li>Non-renounceable, pro rata entitlement offer (<b>NREO</b>) to raise approximately A\$25.0m on the basis of 1 for 1 share together, the <b>Offer</b>.</li> </ul> </li> <li>Up to approximately 1,128.8 million new fully paid ordinary shares (New Shares) to be issued under the Offer representing approximately 130% of existing BFC shares on issue.</li> <li>The Directors have indicated their intention to participate in the Entitlement Offer to an extent not exceeding their respective entitlement</li> <li>Up to \$27.3m of commitments has been contractually agreed with new and existing shareholders</li> <li>Key executives from the management team have indicated their intention to more than take-up their rights and have provided commitments of support</li> </ul>   |
| <b>Offer price</b>     | <ul style="list-style-type: none"> <li>All shares under the Offer will be issued at a fixed price of A\$0.025 per New Share (<b>Offer Price</b>)</li> <li>The Offer Price represents:             <ul style="list-style-type: none"> <li>59.7% discount to the last traded price of BFC shares on ASX of A\$0.062 on 14 October 2022</li> <li>60.4% discount to the 5-day VWAP of A\$0.063 as at 14 October 2022</li> <li>59.6% discount to the 10-day VWAP of A\$0.062 as at 14 October 2022</li> <li>39.2% discount to the TERP of A\$0.041 as at 14 October 2022</li> </ul> </li> </ul>   |
| <b>Use of proceeds</b> | <ul style="list-style-type: none"> <li>BFC will utilise the proceeds of the Offer to:             <ul style="list-style-type: none"> <li>Firstly, retire bank debt - up to A\$16.0m</li> <li>Secondly, to Capital Expenditure programmes                 <ul style="list-style-type: none"> <li>Expand Bioactive Proteins production capacity - A\$3.0m                     <ul style="list-style-type: none"> <li>High margin 3rd column lactoferrin extraction plant which is expected to generate positive EBITDA in 2024. This additional capacity is largely underpinned by customer demand</li> </ul> </li> <li>ROIC projects to drive profit - A\$7.5m                     <ul style="list-style-type: none"> <li>Efficiency and vertical integration: \$5m to establish a cheese secondary processing / shredding facility</li> <li>The balance of funds raised to be directed to water, energy and other plant improvements. All expected to generate positive a contribution to EBITDA within 6 months of implementation</li> </ul> </li> </ul> </li> <li>Cost of the Offer - up to A\$1.7m</li> </ul> </li> <li>The allocation of funds in excess of \$16 million amongst the Capital Expenditure programmes will be determined based on best return on investment capital and available funds</li> </ul> |
| <b>Ranking</b>         | <ul style="list-style-type: none"> <li>New shares issued under the Offer will rank equally in all respects with BFC’s existing ordinary shares from the date of their issue</li> </ul>   |
| <b>Syndicate</b>       | <ul style="list-style-type: none"> <li>Shaw and Partners Ltd and MST Financial Services Pty Ltd acting as Joint Lead Managers and Bookrunners to the Offer</li> </ul>  |



Opportunities in detail

# 1. Recalibration of the balance sheet – Debt repayment (\$16M)

**The new management team has identified various improvements that are enabled by a reset of the group's balance sheet.**

**These will quickly drive improved returns, while positioning BFC to pursue future high value growth opportunities.**

**This reset will also better position BFC to navigate inevitable changes in future market conditions.**

## **Reduce gearing and decrease interest to drive profitability**

- Reduce gearing (net debt / equity) from ~88%<sup>1</sup> to ~39%<sup>1</sup>
- Pro forma net debt as of 30 September 2022 reducing from \$48m to \$32m
- Debt funding was increased over recent years in order to meet the challenges caused by COVID-19

## **Capital to drive growth**

- Capital optimisation, to achieve a level that is appropriate to meet the on-going volatility in the dairy industry and generate sustained profitability.
- Specific focus on obtaining milk growth to drive additional margin contribution and unlock ongoing economies of scale.
- Stronger balance sheet will allow the Company to chase short term and tactical opportunities that will continue to accelerate profitable growth.

**Position the group to pursue future high value opportunities**

*Notes: (1) Gearing calculated as net debt (loans & borrowings less cash) / equity. Refer to note 5(f) of FY22 Annual Report released to market on 30<sup>th</sup> September 2022.*



## 2. Leadership in the bioactive protein and nutraceuticals space (\$3M)



**Biolactive**

**From Q4 2022, BFC started to realize significant earnings from past Lactoferrin investments.**

**There is a clear opportunity to accelerate expansion and innovation to gain maximum returns from every litre of milk.**



### **Unlocking the full potential of our Lactoferrin capability**

- All FY 2023 Lactoferrin production is contracted and sold at high margins.
- Consumption is increasing in infant formula and other emerging categories.
- Targeted expansion in and around our existing facility (~30% more capacity).
- Enhance systems and products to deliver customisation and differentiation.
- Attractive returns through leveraging existing assets and team capability.



### **New to market with IG innovation**

- Lactoferrin is one of four very high value bioactive proteins in milk.
- Immunoglobulins (antibodies) are Y shaped proteins that play a vital role in our immune systems and are used to treat health conditions such as immunodeficiency and autoimmune (inflammatory) response.
- IG's are most commonly extracted from blood or GMO ferments. To extract from fresh, sustainable milk at commercial scale is a potentially world leading change.
- Tech advancement; first at benchtop, but now at commercial scale have confirmed an opportunity to manufacture IG at scale.

**Smart launch:** Our first step into IG's will maximise use of existing teams and assets to enter the market. Targeted investment within our existing facility aims to economically unlock a further 25% capacity (incremental to the lactoferrin extension above).

**Strategic context:** Precision fermentation is considered a complementary and likely synergistic partner technology by Beston. The advancement of our capabilities to capture, nurture and bring bioactives to market, is central to our strategy and aspirations.

### 3. ROIC positive projects to drive profits (\$7.5M)



**A range of fast payback and high IRR projects to unlock savings and profits in operations and supply chain, while accelerating our environmental sustainability journey.**



#### **Vertical integration of processing to capture lost margin**

As a manufacturer of world-class cheese products, we have opportunities to vertically integrate key parts of our supply chain. Reinstating past capability (e.g. cheese shredding) would allow for cost savings, improved quality control, product innovation, and ultimately increase profit capture.



#### **Water Recycling**

Annual spend of water is currently a seven figure number. Planned Improvement to our water management result in payback of < 1 year, delivering significant cost savings and step change our long term sustainable management of water.



#### **More Mozzarella from the same amount of milk**

Through multiple initiatives (including increased automation) there are low risk and attractive opportunities in yield and efficiency to drive \$/unit cost down. With all Mozzarella currently contracted, increased volume will further increase returns from every litre of milk.

## Sources & Uses of funds

| Sources                  | A\$m           |
|--------------------------|----------------|
| Capital raising proceeds | Up to \$28.2m  |
| <b>Total</b>             | <b>\$28.2m</b> |

| Uses   | A\$m                      |
|--|---------------------------|
| Bank debt repayment  | \$16.0m                   |
| Expand Bioactive proteins (Lactoferrin and IG)                         | Up to \$3.0m <sup>1</sup> |
| ROIC projects to drive profit (cheese processing vertical integration) | Up to \$7.5m <sup>1</sup> |
| Transaction costs  | Up to \$1.7m <sup>2</sup> |
| <b>Total</b>   | <b>\$28.2m</b>            |

Notes: (1) The allocation of funds in excess of \$16 million amongst the Capital Expenditure programmes will be determined based on best return on investment capital and available funds;  
 (2) \$1.7 million assumes \$28.2 million raised

# Offer Timetable

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| Event  | Date   |
|--|--|
| Placement opens  | Monday, 17 October 2022                        |
| Placement closes   | Tuesday, 18 October 2022 (at 5pm, Sydney time) |
| Announcement of Placement and Entitlement Offer                                | Wednesday, 19 October 2022 (Pre-open)          |
| Placement Shares settlement date   | Tuesday, 25 October 2022                       |
| Placement Shares allotment date  | Wednesday, 26 October 2022                     |
| Quotation of securities issued under the Placement and commencement of trading | Thursday, 27 October 2022                      |
| Entitlement offer "Ex" date  | Thursday, 27 October 2022                      |
| Record date  | Friday, 28 October 2022                        |
| Offer booklet and personalised Acceptance forms dispatched                     | Wednesday, 2 November 2022                     |
| Entitlement Offer opens  | Wednesday, 2 November 2022                     |
| Entitlement Offer closes   | 5pm on Tuesday, 22 November 2022               |
| Allotment of new securities issued under the Entitlement Offer                 | Tuesday, 29 November 2022                      |
| Announcement of results of the issue   | Tuesday, 29 November 2022 (before 12 noon)     |
| Quotation of securities issued under the Entitlement Offer                     | Wednesday, 30 November 2022                    |

A photograph of a building facade, likely a restaurant or bar, featuring a large mounted animal head (possibly a bear or moose) on the left. A circular logo on the wall reads "RESTAURANT EDWARDS CROSSING". The building has a brick or stone-like texture and a set of stairs leading to a doorway. The scene is overlaid with a teal gradient, and the text "Balance Sheet Impact of the Capital Raising" is centered in white. The background shows a street and trees under a cloudy sky.

# Balance Sheet Impact of the Capital Raising

# Pro Forma Balance Sheet<sup>1</sup> \$28.2m capital raising

| \$m                            | June 22<br>Statutory | Offer<br>proceeds | Transaction<br>costs | Debt<br>repayment | High ROI<br>Capex | Jun22 Pro<br>Forma |
|--------------------------------|----------------------|-------------------|----------------------|-------------------|-------------------|--------------------|
| Cash and cash equivalents      | 0.3                  | 28.2              | -1.7                 | -16.0             | -10.5             | 0.3                |
| Trade receivables              | 14.1                 | -                 | -                    | -                 | -                 | 14.1               |
| Inventories                    | 18.1                 | -                 | -                    | -                 | -                 | 18.1               |
| Other current assets           | 4.8                  | -                 | -                    | -                 | -                 | 4.8                |
| <b>Current assets</b>          | <b>37.3</b>          | <b>28.2</b>       | <b>-1.7</b>          | <b>-16.0</b>      | <b>-10.5</b>      | <b>37.3</b>        |
| Property, plant and equipment  | 57.2                 | -                 | -                    | -                 | 10.5              | 67.7               |
| Other non-current assets       | 5.2                  | -                 | -                    | -                 | -                 | 5.2                |
| Deferred tax assets            | 31.8                 | -                 | -                    | -                 | -                 | 31.8               |
| <b>Non-current assets</b>      | <b>94.2</b>          | -                 | -                    | -                 | <b>10.5</b>       | <b>104.7</b>       |
| <b>Assets</b>                  | <b>131.5</b>         | <b>28.2</b>       | <b>-1.7</b>          | <b>-16.0</b>      | <b>0</b>          | <b>142.0</b>       |
| Trade payables                 | 15.6                 | -                 | -                    | -                 | -                 | 15.6               |
| Other current liabilities      | 10.6                 | -                 | -                    | -                 | -                 | 10.6               |
| Employee benefits - current    | 1.3                  | -                 | -                    | -                 | -                 | 1.3                |
| Loans and borrowings           | 15.9                 | -                 | -                    | -                 | -                 | 15.9               |
| <b>Current liabilities</b>     | <b>43.4</b>          | -                 | -                    | -                 | -                 | <b>43.4</b>        |
| Other non-current liabilities  | 2.2                  | -                 | -                    | -                 | -                 | 2.2                |
| Loans and borrowings           | 31.8                 | -                 | -                    | -16.0             | -                 | 15.8               |
| <b>Non-current liabilities</b> | <b>34</b>            | -                 | -                    | <b>-16.0</b>      | -                 | <b>18.0</b>        |
| <b>Liabilities</b>             | <b>77.4</b>          | -                 | -                    | <b>-16.0</b>      | -                 | <b>61.4</b>        |
| <b>Equity</b>                  | <b>54.1</b>          | <b>28.2</b>       | <b>-1.7</b>          | -                 | -                 | <b>80.6</b>        |

## Commentary

- Offer proceeds based on the expected \$28.2 million capital raise, with transaction costs payable of \$1.7 million.
- Debt repayment of \$16.0 million proposed
  - Reduction in gearing (net debt / equity) levels from circa 88%<sup>2</sup> pre capital raise to circa 39%<sup>2</sup> post capital raise (and post proposed capital investments)
- High ROI capital investments of \$10.5 million proposed at production facilities:
  - Bioactive expansion project at a cost of approx. \$3.0 million
  - ROIC positive projects at a cost of approx. \$7.5 million
  - Allocation of funds in excess of \$16 million amongst the capital investments to be determined based on best return on investment and available funds

Notes: (1) The Pro Forma Balance Sheet has been prepared using the Company's audited statutory reports as at 30 June 2022 and therefore the adjustments are shown as if the Offer occurred on 30 June 2022 and assumes the entire \$28.2 million is raised  
 (2) Gearing calculated as net debt (loans & borrowings less cash) / equity. Refer to note 5(f) of FY22 Annual Report released to market on 30<sup>th</sup> September 2022.

# Key Risks



## Investment risks

- Potential investors should be aware that there are risks associated with investing in Beston. Certain risks are beyond the control of Beston and its Directors and Management and may have a material impact on Beston’s future operating and financial performance, and/or the financial position of Beston, its prospects and/or the value of the Shares. Some of the key risks associated with an investment in Beston are described as follows.

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### **Development risk**

- In the event that Beston undertakes a development project, then that development could be delayed or unsuccessful for a number of reasons including extreme weather, unanticipated operational occurrences, failure to obtain necessary approvals, insufficient funds, a drop-in commodity price, supply chain failure, unavailability of appropriate labour, or an increase in costs. If one or more of these occurrences has a material impact, then Beston’s operational and financial performance may be negatively affected.

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### **Operational risk**

- Adverse weather conditions events, unforeseen increases in establishment costs, mechanical failures, human errors, industrial disputes or other unforeseen events, could lead to increased costs or delay to the Company’s activities. The Company will mitigate this risk by, amongst other things, taking out appropriate insurance in line with industry practice.

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### **Price risk**

- The price at which Beston can sell its produced cheese (mozzarella, cheddar), lactoferrin, cream, butter and whey powder, will have a material influence on the financial performance of the Company. It is impossible to predict future commodity prices with confidence and the factors which impact it include, but are not limited to, global political situations, military conflicts, technological changes, output controls and global consumption which are all outside the control of Beston. A material and extended fall in realised prices for Beston’s products may have an adverse impact on the Company’s financial performance.

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### **Acquisitions risk**

- Beston intends to make acquisitions where there is a strategic benefit to the Company and indicators that there will be an appropriate return on the acquisition. Beston will conduct appropriate due diligence and engage professional independent advisors in respect of any potential strategic investments, however there is a possibility that due diligence undertaken in connection with new acquisitions does not reveal issues that could later have a material impact on the profit of the Company. Beston may also be unable to identify suitable investment opportunities which would prohibit strategic expansion of its operational and production capacities.
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## Investment risks

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|                                      |   |
|--------------------------------------|---|
| <b>Regulatory risk</b>               | <ul style="list-style-type: none"><li>• The enactment of new legislation or adoption of new requirements of a governmental authority may restrict or affect Beston’s ability to operate and produce goods efficiently and effectively. This may include new requirements relating to climate change.</li></ul>  |
| <b>Community opposition risk</b>     | <ul style="list-style-type: none"><li>• There is a risk that community disapproval may lead to direct action which impedes Beston’s ability to carry out its lawful operations, resulting in project delay, reputational damage and increased costs and thus impact the financial performance of the Company.</li></ul>   |
| <b>Counterparty exposure</b>         | <ul style="list-style-type: none"><li>• The financial performance of the Company is subject to its various counterparties continuing to perform their respective obligations under various contracts. If one of its counterparties partners fails to adequately perform their contractual obligations, this may result in loss of earnings, termination of particular contracts, disputes and/or litigation of which could impact on the Company's financial performance.</li></ul> |
| <b>Key person dependence</b>         | <ul style="list-style-type: none"><li>• The future success of the Company depends, to a significant extent, upon the continued services of the members of the management team of the Company. There can be no assurance that the Company will be able to retain or hire all personnel necessary for the development and operation of its business. The loss of senior managers could harm the Company’s business and its future prospects.</li></ul>                                |
| <b>Retail environment</b>            | <ul style="list-style-type: none"><li>• There is a risk that an economic downturn could occur in Australia or overseas, which could cause the retail environment to deteriorate as consumers reduce their expenditure (generally) or reduce their disposable income expenditure. This could result in reduced turnover for Beston.</li></ul>  |
| <b>Climate or environment events</b> | <ul style="list-style-type: none"><li>• As a seller of agricultural products, weather and climactic conditions directly affect the business operations of the Company. The quantity and quality of Beston’s products may be adversely impacted by weather or climactic conditions.</li></ul>  |

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## Investment risks

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Prospective investors should also consider the following risks associated with investments in equity capital such as Beston shares:

- Investment risks, such as changes in the Company's own assessment of the economics of developing its assets or the market perception of the value of the Company's assets and shares;
  - Share market and liquidity risks involved in the listing and trading of shares on the ASX;
  - Economic, political and social factors, including activism and pandemics, and the effect on the market price of shares of movements in equities markets, commodity prices, currency fluctuations and interest rates, and local and global political and economic conditions;
  - Epidemics and pandemics such as COVID-19;
  - Geo-political instability, including international hostilities and acts of terrorism, the response to COVID-19 and travel restrictions;
  - Circumstances requiring Beston to change its strategy;
- General risk factors**
- The Australian economy deteriorating (including, the adverse impacts of, and the responses to COVID-19 and the impact of geopolitical instability); and
  - Stock market sentiment fluctuations impacting on the Beston share price.

These risks are associated with an investment in Shares but are not an exhaustive list. As a Shareholder, you will continue to be exposed to such risks. There may also be additional risks and uncertainties not currently known which may have an adverse effect on Beston's business and the value of the Shares. Where possible, Beston will seek to minimise its exposure to, and mitigate the effects of, these risks. However, certain risks relate to matters that are outside the control of Beston, and there can be no assurance that any steps that Beston takes will successfully protect it from any particular risk.

The risks identified do not take into account the investment objectives, financial situation, tax position or other circumstances of any particular Shareholder. Shareholders should have regard to their own investment objectives and financial circumstances and seek professional advice from their legal, financial or other independent adviser before determining whether or not to participate in the institutional placement or share purchase plan.

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# About Us

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**Beston Global Food Company (ASX:BFC)** is a leading and proud South Australian Food, Beverage & Nutritional company. **We have consolidated ourselves as the largest Dairy processor in South Australia,** processing approximately 35% of the State's milk production. We extract maximum value from every drop of milk, in the most possible sustainable way.