



**ASX RELEASE**

ASX: BFC

28 February 2023

## **FY23 HALF YEAR RESULTS**

- **Record revenues and sales of approximately \$91 million (up 33% year-on-year).**
- **Record margins of \$15.7 million (reaching 17.3% of group revenues).**
- **Trading EBITDA (i.e. Normalised EBITDA) up by \$12.6 million on H1 FY22.**
- **Statutory EBITDA of \$2.1 million.**
- **Successful capital raise, allowing us to significantly reduce our debt, refresh our balance sheet and invest further in our factories.**
- **Gearing down to 38% at 31 December 2022 with \$16.0 million of debt repaid to Company's bankers.**
- **Record sales of Lactoferrin, with over 10 tonnes achieved at the end of H1 FY23.**
- **A competitive milk price paid to our farmers with a weighted average of \$9.65Kg/MS for FY23.**
- **Milk supplies on track with guidance despite national decline and flooding across the Murray River.**

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Beston Global Food Company Limited (ASX: BFC or "Beston") is pleased to announce its results for the half year period to 31 December 2022. The operational and financial results achieved during this half year period reflect the strength of the business foundations which have been put in place by the Company and the momentum being achieved from the initiatives which continue to be implemented across the Company as we valorise our business model.

### **Revenues and Margins**

BFC has emerged from the challenging years of Covid-19 in a stronger position and is accelerating growth in revenues and margins resulting in improved cash flows.

Group revenues for the H1 FY23 period totalled close to \$91 million, an increase of 33% on H1 FY22 and up 72% on H1 FY21. The increase in revenues was driven by higher pricing and much improved product mix performance.

The results also reflect the efforts and success which have been made to achieve the premiumisation of our order book. The focus on our customer base, product mix and channels-to-market along with improved productivity yields, have enabled us to achieve record margins. Gross margins of \$15.7 million for H1 FY23 are up significantly vs the same period in FY22 (and averaged around 17.3% of revenue for the H1 FY23 period).

Whilst we have observed some softening in the global demand and pricing of dairy and some other food products in recent months, the BFC sales book remains fully contracted with clients through to June 2023.

### **Earnings Performance**

BFC achieved a Trading EBITDA of \$3.0 million for H1 FY23, which was some \$12.6 million higher than in H1 FY22. The Trading EBITDA achieved for H1 FY23 for the Dairy Division, which accounts for >90% of Group Revenues, was \$6.4 million.

Statutory Net Loss before Tax was \$2.1 million, which was an improvement of \$9.8 million against the comparative period. The result reflected the impact of several abnormal costs (including various non-capitalised costs incurred as a result of our November 2022 capital raise) and the high funding costs for the five months period totalling \$2.1 million, prior to the capital raise.

The Trading EBITDA performance of the Company aligns with guidance provided for H1 FY23. The financial results reflect the underlying strength of BFC's order book and the much-improved efficiency of operating expenses (which moved from 20.5% of sales in H1 FY22 down to 14.0% of sales in H1 FY23, when adjusted for abnormal costs).

We have stabilised our production footprint and are on track to meet our guidance productivity targets for mozzarella, sweet whey powder, Lactoferrin and cream products. Our H1 FY23 mozzarella yield is up 5.7% on H1 FY22. Revenues are on track to meet the top end annual guidance of approximately \$180 million for FY23.

Based on the operational and financial performance achieved in H1 FY23, BFC is pleased to reaffirm its guidance for FY23 (which, as previously advised, does not take into account any unforeseen cost changes associated with milk supply, milk composition changes, energy costs or other inflationary cost pressures).

### **Milk Supply**

Recent statistics of milk supply issued by Daily Australia show a continued reduction in milk supply in Australia (which fell by 7.1 % over the six months to 31 December 2022). Total milk production in Australia for FY23 is expected to be below 8 billion litres, representing an expected fall of more than 7% for the FY23 season.

While this drop in the national supply of milk has been exacerbated by seasonal conditions and extreme weather events in Victoria, NSW, and South Australia, BFC has been running against this



trend and has increased its milk supply by around 9% over the past 12 months. Milk supply for the H1 FY23 period was 81.9 million litres.

The intense competition for milk, coupled with the fall in on-farm production, has inevitably led to higher prices which BFC and all dairy producers are now paying for milk.

Despite difficult conditions associated with the recent floods across the Murray River region, we remain on track to meet our guidance on total milk supplies and on track to achieve organic growth in FY24 and beyond. Our philosophy in relation to milk purchasing is to pay a competitive milk price, while keeping a long-term focus on supporting our family of farmers with superior service levels (including detailed and hands on assistance to help better plan their cash flows and on-farm investments).

## **Balance Sheet**

BFC has substantially restructured its balance sheet as a result of raising \$28.2 million in equity funds in November 2022, via a non-renounceable rights issue and institutional placement. Following the equity raising, an amount of \$16.0 million was paid to the Company's bankers to reduce debt and plans were actioned to implement the other objectives of the raising, namely, investing in a third Lactoferrin extraction column and implementing a number of low risk, high returning initiatives to unlock cost savings, deliver a number of environmentally sustainable outcomes and accelerate profits.

The equity raise and balance sheet re-set has strengthened the financial position of the Company and improved its resilience to navigate challenges and realise opportunities emerging in the dynamic market place in which we operate.

Our gearing levels as at 31 December 2022 was 38.4% compared with 69.5% at 30 June 2022.

BFC has also announced that we are looking to restructure our banking arrangements and intend to undertake an open tender for our debt facilities to ensure that the structure and tenor of these facilities are aligned with our future plans and are fit-for-purpose. The restructure of our banking arrangements is expected to occur over the next 3 to 6 months.

## **Overview**

The results being achieved by BFC underline the value of the strategy put in place by the Company to extract maximum value from every drop of milk processed (i.e., to valorise the investments which have been made to date in plant, equipment, systems, and people). The investment made in our Lactoferrin plant has yielded significant revenue and margin benefits over the H1 FY23 period. All FY23 Lactoferrin production is contracted and has been sold at high margins.

The global consumption of Lactoferrin is increasing in infant formula and other emerging health product categories. We have progressively enhanced our nutraceutical production systems and products to deliver customisation and differentiation. We achieved sales of over 10 tonnes of



Lactoferrin in H1 FY23 to customers in Australia and around the world and we are on track to sell over 20 tonnes in FY23. The prices paid for Lactoferrin are strengthening into H2 FY23 as customers broaden the usage of this powerful, immune-boosting dairy ingredient, which can be expected to support further margin improvement.

BFC has solid customer partnerships in place for its range of dairy products with leading Australian and international customers. We enjoy share-of-wallet leadership positions in mozzarella supply with some of Australia's largest food companies and with key partners in strategic international markets, particularly Thailand, Japan, Philippines and China.

The capital investment program instituted by the Company has achieved an overall improvement of fast-time quality (FTQ) performance and is expected to achieve a further step change in yield and costing performance at our Jervois and Murray Bridge factories. The bottom-line benefits of the investments being made from the November 2022 capital raise will start to impact in Q4 FY23 and are expected to increase significantly as we progress into FY24.

The strategic plan which we have in place will drive continued margin improvements across our portfolio via our vertically integrated supply chain, our global reach of customers, a multi-tier product offering and by embracing sustainable projects that will make a difference to our performance. We intend to maintain a strong focus on Lactoferrin (and other nutraceutical) production while optimising our mozzarella, whey and cream portfolios for best possible market, channel, and customer return. By doing so, we believe that we can continue to deliver double digit organic growth while achieving continued improvement in our operating margins, and delivering bottom-line profitability, year on year.

Importantly, we have a strong management team to deliver on our strategic plan. The management team now in place, led by Chief Executive Fabrizio Jorge, has over 120 years of combined global experience, spanning from dairy, FMCG, growth management and agribusiness. The Chairman of BFC, Dr Roger Sexton AM, said:

"The calibre and experience of the individuals which BFC has been able to attract to its leadership team is not only a testament to the high reputation and standing which BFC has gained within the Australian Dairy Industry in a relatively short period and is also a strong endorsement of the strategic direction and future growth potential of the Company. The building of strong results underlines the benefits that Beston is experiencing under their leadership".



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

**BESTON**  
GLOBAL FOOD COMPANY



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**About Beston Global Food Company Limited**

Beston Global Food Company is a proud South Australian multi award-winning company taking premium quality protein products (dairy, meat and plant-based proteins) to the world markets. 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)