ASX RELEASE
ASX: BFC

30 March 2023

FY23 TRADING UPDATE WITH DOWNGRADED EBITDA GUIDANCE

- **Unprecedented inflationary cost pressures brought about by external factors, especially with utilities (gas, electricity, chemicals) and insurance are impacting on EBITDA performance in H2 FY23**

- **A rapid decline and significant volatility of whey protein prices internationally, as well as domestically, has exacerbated these cost impacts. Whey prices have declined by over 25% in just the last 30 days.**

- **As a result of these pressures, BFC is updating its trading results guidance with a downward revision in EBITDA guidance**

- **The underlying performance of the business remains strong, as shown in the revenue, milk supply and revenue per litre measures in the revised guidance. Group sales guidance has increased from $150 - $180 million to a new range of $170 – 190 million**

- **To counter the lift in inflationary pressures, BFC has put together comprehensive cost improvement initiatives and is prioritising working capital performance**

- **Following on from our successful capital raise in November 2022, BFC has initiated work on a number of high returning, short pay-back capex projects which are expected to generate cost savings and greater manufacturing efficiencies towards the end of Q4 FY23 and into FY24**

Beston Global Food Company Limited (ASX: BFC, “Beston” or “Company”) provides the following updated full year guidance (the previous guidance was issued on 6 June 2022):

Measure		FY23 Guidance	H1 FY23 Actuals	FY23 Revised Guidance	
Milk Supply	ML	155 – 175	81.9	150 – 160	↔
Mozzarella Production	ML	15K – 16K	8.3K	15K – 16K	↔
Lactoferrin Production	MT	16 – 19	8.5	16 – 18	↔
Group Sales	$M	150 – 180	90.6	170 – 190	↑
EBITDA	$M	8 – 10	3.0	0 - 2	↓
Revenue per litre of milk	$/l	1.00 – 1.15	1.08	1.05 – 1.15	↔
Capex	$M	6 - 8	3.2	6 - 8	↔

The revised guidance does not contemplate any end of season milk price step ups, additional material changes to milk flow for the balance of FY23 or any sudden downside movement in mozzarella or Lactoferrin pricing.

The results achieved in the H1 financial results showed

- An increase in Group Revenues of 33% on PCP to $91 million
- Group margins at 17.3% of revenue
- Dairy division trading EBITDA of $6.4 million
- Group Trading EBITDA of $3.0 million for the H1 period

The momentum generated in H1 (and in Q4 of FY22) continued in H2 with a number of significant milestones being reached, including:

- A fully contracted sales book, including Lactoferrin. We are on track to sell all of our Lactoferrin production in FY23, with higher margins as Lactoferrin prices bump up in global markets.
- A pro-active focus on factory yields and quality which has significantly improved productivity and seen Beston win recent Dairy Australia Awards for the “Best Cheddar in Australia” and the “Best Mozzarella in Australia”. KCG in Thailand also recently awarded BFC the “Best in Class” supplier of the year.

- The deployment of funds from the November 2022 capital raise to a number of high returning, short pay-back capex projects (e.g. a water recycling plant) which will result in significant cost savings and profit improvements in FY24.

As we have progressed into H2, the Company has been hit with a number of large cost increases from external events which, will impact on our EBITDA performance for FY23. The key issues are:

- Unprecedented increases in gas prices (of around 300% per annum) as the Company came out of contract with its energy supplier.
- Massive increases in the cost of insurance due to a rise in the premiums charged by insurance companies in the wake of numerous natural disasters around the world and in Australia.
- A possibly lower milk intake in Q4 FY23 than expected.
- A significant decrease in global whey prices in recent months (SWP prices have dropped by 20% in the past month) due to increased competition across the world (and in particular from products sourced from Europe and the USA).

The Board and Management of the Company have taken a series of actions to mitigate the impacts of these external events. To date, some $28 million of additional costs from inflationary and other external costs impacts on the business during FY23 have been absorbed and offset by improvements in price and volume performance. Specific further actions put in train include:

- Project planning for the establishment of a biogas plant at Jervois to replace the use (and cost) of natural gas (a Project Development Agreement has been signed with a specialist contractor).
- Renegotiations commenced with monopoly natural gas supplier on contract terms in the light of recent falls in the spot prices of natural gas.
- Wholesale review being conducted of all insurances in conjunction with Company's insurance broker.

Some of these actions may assist our bottom line performance in FY23, while others are more likely to impact in FY24.

If the full impacts of the aforementioned cost impacts are realised in FY23, the EBITDA line in our previous guidance will be adversely affected, and hence the Company is issuing the revised guidance as per above.

The underlying performance of the business remains solid, as shown in the revenue, milk supply, production and revenue per litre measures in the revised guidance. We remain on track to sell all of the Lactoferrin production in our guidance numbers, thereby paving the way for the commissioning of our third Lactoferrin extraction column which is set to deliver incremental output of between 20% to 25% as from the end of Q2 FY24 (this third column has been ordered and is expected to be delivered in the early part of Q1 FY24)

Over the past twelve months, the Company has put in place a new and highly experienced leadership team with over 120 years of combined global experience spanning dairy, FMCG, growth management and agribusiness. These management changes are driving an increased focus on inventory levels and greater controls on cash cycles. Furthermore, a strategic review of non core businesses across the Company is well underway, which is expected to result in long-term financial benefits.

Beston has emerged stronger from the Covid-19 period and continues to build on the business foundations which have been put in place in the Company. The challenges to our EBITDA performance in H2 of FY23 are being pro-actively managed to ensure that Beston remains on track to achieve its objectives: that is, to maximise the returns from every drop of milk processed and achieve sustainable and profitable growth across the Company.

Fabrizio Jorge, BFC CEO said "BFC has successfully absorbed over $28M in incremental costs during FY23 compared to FY22 and is still delivering over $19M of improved EBITDA performance over FY22. This is a testament to our strategy in action and the resilience of our people and teams. The recent increases in natural gas prices, which accounts for close to a third of our cost impacts in H2FY23, are unprecedented".

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