

Business Activities Update and Appendix 4C Report

Milk Supply

- Highest milk collection volumes on record due to strong spring flush
- Total milk volume received by Beston for H1 FY24 is circa 89 million litres, up 8.6% on PCP
- On track to achieve forecast milk intake for FY24 of circa 165 million litres, up 8.5% on PCP

Market Pressures

- Australian farmgate milk prices are currently among the highest in the world which has led to a surge in dairy imports
- Prices and margins received by domestic dairy producers have been squeezed
- Beston is responding to these cost/price pressures by enhancing operational productivity and yields, delivering operational savings and superior customer service, and accelerating sales in new markets and countries

Lactoferrin

- Beston successfully completed installation of third lactoferrin extraction column
- Beston's production volumes for FY24 are fully contracted on the back of multi-year supply agreements with customers around the world

Funding

- Cost/price pressures in the dairy industry and persistent inflationary forces have significantly impacted cash resources and profitability in H1
- Beston has accelerated its sales activities to increase stock turnover and release cash
- Beston's bankers have increased debt facilities by \$7.7 million to facilitate higher milk payments and inventory build

Corporate Actions

- Water business divested, the PFG (Meat) processing business is currently in the advanced stages of negotiation for divestment
- Proceeds from divestments to be used to reduce debt

Beston Global Food Company Ltd (ASX: BFC) (**Beston** or the **Company**) provides the following update on its trading performance and operations for the period ending 31 December 2023 and releases its Appendix 4C Quarterly Cash Flow Report.

Milk Supply

Beston has experienced the highest milk flows on record over the period of the FY24 “Spring Flush” (September to December 2023) as a result of extremely favourable weather conditions on its contracted supplier dairy farms. The period was characterised by generally mild temperatures and above-average rainfall, which led to consistently higher milk flows.

Milk volumes delivered to our factories under contracts with our farmers over this spring flush period were some 3.43 million litres above forecast and entailed milk payments to farmers of around \$38.0 million. (unaudited)

The total milk volume received by Beston for the six months ended 31 December is 89.1 million litres, putting the company well on track to achieve its forecast milk intake for FY24 of 165 million litres.

The higher milk flows, while pleasing, have placed funding pressures on the Company (as below), given the requirement to pay for all milk deliveries within 15 days from the end of the delivered month.

Market Pressures

The higher-than-expected milk supply in H1, at a time of high and globally uncompetitive farmgate milk prices, has coincided with a global oversupply of dairy products, which has placed downward pressure on the prices received by dairy processors in the domestic Australian market.

Farmgate milk prices in Australia are now among the highest in the world across key producing countries (EU, NZ, USA, Uruguay, and Argentina) and now has a significant “disconnect” with the rest of the world, with farmgate milk being markedly more expensive in Australia than elsewhere (e.g., raw milk prices in New Zealand are circa 20% below those in Australia).

This market disconnect has led to a massive increase in the imports of dairy products into Australia. Butter imports from New Zealand, for example, increased by 62% in the year to 30 September 2023, while cheese imports increased by 33%, according to the Australian Bureau of Statistics.

Beston has responded to these market pressures by, inter alia, accelerating the sale of products to reduce inventory levels and searching out new customers in other markets and countries.

Lactoferrin

As advised on [28 November 2023](#), the installation of the Company’s third lactoferrin extraction column was completed on time and on budget and has been successfully commissioned.

Beston is pleased to advise that it has now signed several multi-year contracts for the supply of high-grade Lactoferrin (Mediferrin) with global specialised nutritional clients. The company is pleased to be now supplying the top 20 infant formula manufacturers in China.

Market research by Future [Market Insights \(2023\)](#) has predicted that the bovine lactoferrin market is likely to expand at a compound annual growth rate (CAGR) of 15.8% over the next 10 years from 2023 to 2033, from AUD 1.15 billion to AUD 5.01 billion.

Beston Foods Chief Executive Officer Fabrizio Jorge said:

“Beston has a relatively short history as a dairy company in Australia, and has now become the ‘supplier of choice’ to some of China’s leading infant formula companies as well as globally recognised brands. This is a major achievement for the Company. It is also a testament to the dedication and professionalism of all our production workers.

“We are not waiting for a turnaround in macro-economic trends to improve our business, but rather, we are focused on the things we can control, such as opportunities to partner with the right customers, accelerate the growth of our premium products and save costs, with a range of corporate actions which include initiatives on systems and processes, product optimisation, procurement and logistics and partnerships.”

Farmer’s Tribute Range Launch

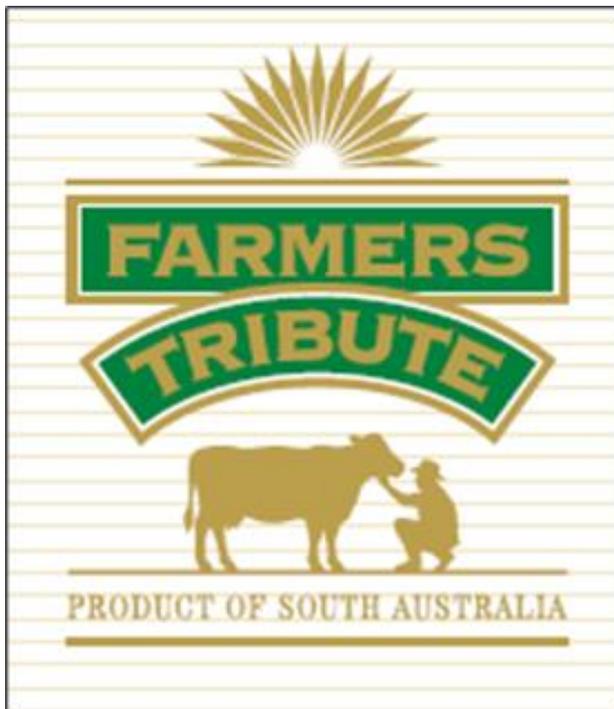


Figure 1: Farmers Tribute branding

Beston has successfully launched its premium "Farmer’s Tribute" brand in the high-value specialty cheese segment. (See [ASX Announcement 10 November 2023](#)) This product range, including high-value premium Cheese and Cream Cheese retail products, capitalises on the fast-growing specialty cheese space. Distribution has been put in place with leading South Australian retailers, with plans to expand to over 200 stores within the first six months. The launch aligns with Beston's company purpose of extracting maximum value from precious milk, paying tribute to farmers, and doing so in a sustainable way.

The Company is pleased to advise the expansion of the Farmers Tribute brand sales into more markets with initial orders confirmed with clients in South Korea, Thailand and Singapore.



Figure 2: Farmers Tribute Range – Including Vintage Cheddar, a multi-time winner of the best cheddar cheese in Australia at the Grand Dairy Awards.

Corporate Actions

Beston has previously advised stakeholders ([23 November 2023](#)) of the appointment of a Corporate Adviser to assist the Board and Management in evaluating and acting upon various potential corporate actions arising from ongoing changes in the Australian Dairy Industry.

The Company is pleased to advise of the successful conclusion of the divestment of the Water business in December 2023. All proceeds have been used to reduce debt.

Beston is also in the advanced stages of negotiation to divest the Provincial Food Group business (**PFG**). All proceeds from this transaction will also be used to further pay down debt.

Upon completion of these divestments, Beston will continue to focus its resources and efforts on its Dairy and Dairy Nutrition business, where the Company has built world-class capabilities and capacity.

The Company is currently engaged in discussions with a number of parties who have expressed interest in exploring opportunities to achieve rationalisation and consolidation in the dairy industry, in the context of the current market conditions.

In addition to its production assets, Beston has built a “book” of some 13 million tonnes of milk solids (i.e., 160 million litres of contracted milk supply).

While the current disconnect in the Australian dairy industry between farmgate milk prices and commodity prices is unlikely to be rectified in the immediate term, it is expected that the forces of supply and demand will lead to greater alignment between milk prices and commodity prices over time.

Milk is the largest cost input in Beston's production processes. Hence, any easing in the farmgate price of raw milk will positively impact the company's earnings results in future periods.

In FY24, the Company expects to generate around \$20 million in total Lactoferrin sales. Alongside our rapidly growing Retail and Foodservices expansion in South Australia and overseas, we expect that approximately 20% of our Group sales will be made by Bio-Actives, Retail and Foodservice high margin products.

Our focus on procurement initiatives and cost savings are also set to pay back during H2 FY24 when new lower rates of insurance and utilities (gas, water and electricity) start to flow into our P&L. These initiatives will save at least \$5 million in total costs on a full-year basis, with the savings commencing in H2 FY24.

As advised to shareholders in previous announcements, Beston has felt the negative impacts of the global inflationary environment and heightened economic uncertainty. Pleasingly, some of these challenges appear to be starting to unwind.

Appendix 4C cashflow report

Beston's Appendix 4C Cash Flow report for the quarter ended 31 December 2023 (Q4 FY 2023) has been released with this business activity report. Key points include:

- Q2 FY24 operating cash flow was negative \$11.72m (unaudited). Seasonality heavily impacted cashflows, with higher-than expected milk intake due to favourable on-farm conditions, thus contributing to a build of inventory.
- The high cash outflows in Q2 FY24, is consistent with prior corresponding periods. The company expects improvement in Q3 FY24 as milk supply normalises.
- A number of capital projects were completed during Q2, thereby adding to the cash outflows. The majority of FY24's capital programme is to be completed in Q3.
- Capital expenditure investments of \$1.95m in property plant and equipment were recorded during Q2 FY24.
- At the close of Q2 FY24, the Company had \$65.77m of available finance facilities, of which \$64.72m was drawn. Post the end of the quarter, Beston's senior lender agreed to provide additional funds through the overdraft facility to the value of \$7.7m. The PFG (Meat) processing business is currently in the advanced stages of negotiation for divestment and all proceeds will be used to further pay down debt.
- Cost/Price pressures in the dairy industry and persistent inflationary forces have impacted cash resources and profitability in Q2 FY24. The Company continues to respond to the cost/price pressures and inflationary impact by accelerating sales activities to generate further cash flow and reduce inventories.
- Beston expects to meet its H2 FY24 internal forecasts. These forecasts were based on internal assumptions around commodity prices, cost reduction activities, milk volumes, and prices, which the company expects to achieve.

Related Party Payments

In line with its obligations under ASX Listing Rule 5.3.5, the Company has advised in Appendix 5B for the period ended 31 December 2023 that the only payments to related parties of the Company pertain to payments to Directors for fees, salary and superannuation.

-ENDS-

Released with the authority of the Board.

For further information on the Company, please visit:

bestonglobalfoods.com.au

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ABOUT BESTON FOODS

Beston Global Food Company (ASX: BFC) is the largest South Australian Dairy company and the 7th largest in Australia. We are a proud South Australian multi-award-winning company taking the best of Australian produce to the world with fresh milk supplied by our valued Farmers. Our Company provides direct and indirect employment for nearly 300 people. BFC has been building strong relationships in our domestic markets, as well as overseas. We know that we have excellent products and continue to make significant inroads into key market segments.

DISCLAIMER

Unless expressly stated, none of the information included in this announcement should be considered individually material. All figures in this announcement are provided on an unaudited basis.

This Company announcement may include certain statements, estimates or projections with respect to the anticipated future performance of the Company and any ongoing or prospective projects or both. Those statements, estimates or forecasts are based on assumptions about future events and management actions that may not necessarily take place and are subject to significant uncertainties, many of which are outside the control of the Company. Those assumptions may or may not prove correct. No representation is made regarding the accuracy of those statements, estimates or projections.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Beston Global Food Company Limited

ABN

28 603 023 383

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	41,347	88,132
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(43,090)	(82,559)
(c) advertising and marketing	(21)	(54)
(d) leased assets	(171)	(280)
(e) staff costs	(5,943)	(12,437)
(f) administration and corporate costs	(2,362)	(4,453)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,481)	(2,735)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(11,721)	(14,386)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,951)	(4,009)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	538	538
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,413)	(3,471)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	14,554	20,510
3.6	Repayment of borrowings	(1,180)	(2,298)
3.7	Transaction costs related to loans and borrowings	(250)	(290)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	13,124	17,922

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	323	248
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(11,721)	(14,386)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,413)	(3,471)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	13,124	17,922
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	313	313

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	313	323
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	313	323

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	76
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Amounts shown under 6.1 represent directors' fees paid during the period.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000		
7.1 Loan facilities	(49,883)	(48,836)		
7.2 Credit standby arrangements	-	-		
7.3 Other (please specify)	(15,884)	(15,884)		
7.4 Total financing facilities	(65,767)	(64,720)		
7.5 Unused financing facilities available at quarter end		1,047		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.				
BFC Borrowings as at the 31 December are comprised of the following;				
Facility/Lender	Amount Drawn \$'000	interest rate	Latest maturity date	Secured/Unsecured
Business Overdraft – NAB	21,153	8.72%	Jul-24	Secured
Corporate Markets Loan – NAB	18,500	BBSY + 5%	Jul-24	Secured
Corporate Markets Loan – NAB	2,015	BBSY + 5%	Nov-24	Secured
Corporate Markets Loan – NAB	2,091	BBSY + 5%	Nov-24	Secured
Hire Purchase – NAB	4,026	Average 4.62%	Sep-29	Secured
Shadow Debtor Finance Facility – ScotPac	13,462	10.87%	Oct-26	Secured
Asset Finance Facility - ScotPac	1,051	14.07%	Oct-26	Secured
Insurance Premium Funding - Clearmatch	2,367	1.99%	Jun-24	Unsecured
Insurance Premium Funding – IQumulate	55	5.37%	Mar-24	Unsecured
Total	64,720			
Post the end of the quarter and in addition to the current business overdraft limit of \$22.1M BFC's senior lender has agreed to provide additional funds to the value of \$7.7M bringing the limit to \$29.8M.				
Financing facilities noted as "Other" in section 7.3 to the value of \$15.9M includes the Shadow Debtor finance facility which has an \$18M cap. This facility can only be drawn to the value of BFC's debtors applied against the concentration limits being 82% in the case of Domestic and 72% in the case of Export sales. This facility was drawn to \$13.5M at the end of Q2. In addition, other financing facilities also includes the insurance premium funding of \$2.4M.				
In addition to the above, the PFG business is currently in the advanced stages of negotiation for divestment with all proceeds going towards debt reduction.				

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(12,019)
8.2 Cash and cash equivalents at quarter end (item 4.6)	313
8.3 Unused finance facilities available at quarter end (item 7.5)	1,047
8.4 Total available funding (item 8.2 + item 8.3)	1,360
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.1
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer:</p> <p>The Q2 cashflows were heavily impacted by seasonality with peak milk flows occurring during the quarter and thus contributing to an inventory build. This is also coupled with this season's higher than expected milk flows due to favourable on farm conditions. The high cash outflows in Q2 FY24, is consistent with prior corresponding periods. The company expects improvement in Q3 FY24 as milk supply normalises.</p> <p>A number of capital projects were completed during Q2, thereby adding to the cash outflows. The majority of FY24's capital programme is to be completed in Q3.</p>	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<p>Answer:</p> <p>BFC has very recently secured additional funds of \$7.7M from its senior lender.</p> <p>BFC is currently in the advanced stages of negotiation for the divestment of the PFG business, with all proceeds going towards debt reduction.</p> <p>BFC has also appointed a Corporate Adviser to assist the Board and Management in evaluating and acting upon various potential corporate actions arising from ongoing changes in the Australian Dairy Industry.</p>	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Beston expects to meet its H2 FY24 internal forecasts.

These internal forecasts are based on assumptions around commodity prices, cost reduction activities, milk volumes, and prices, which the company expects to achieve.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:31 January 2024.....

Authorised by: The Board of Directors.....

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.