



BESTON
GLOBAL FOOD COMPANY

FY21 Full-Year Results

27 August 2021

Beston: who we are and what we do

We are a dairy, dairy nutraceuticals and meat processing company based in South Australia
We provide Australian and global customers with healthy choice dairy and meat proteins



DAIRY

Jervois and Murray Bridge, South Australia
90% of group revenue



Mozzarella
Whey powder
Cream
Butter
Cheddar



Lactoferrin



Milk supply from
south eastern
Australian dairy
farmers

MEAT

Shepparton, Victoria
10% of group revenue



Dice and grind
ingredients
Premium hamburgers,
meatballs
Retail products eg
lamb shanks
Alternative meats

Where have we come from?

Start-up business in 2012

IPO August 2015

*Three stage growth strategy
requiring substantial investment
to build productive capacity and
achieve economies of scale*

*Initially China facing (ChAFTA),
now focused on Australian dairy
and meat markets*

*Brand building – 130+ awards for
dairy product quality and
innovation*

*Dairy nutraceuticals expansion to
extract the “hidden value” from
the “goodness of milk”*

Extracting more value from every litre of milk processed

Technology: Core operating assets supported by development of track and trace software

Fastest growing food and beverage company in Australia¹

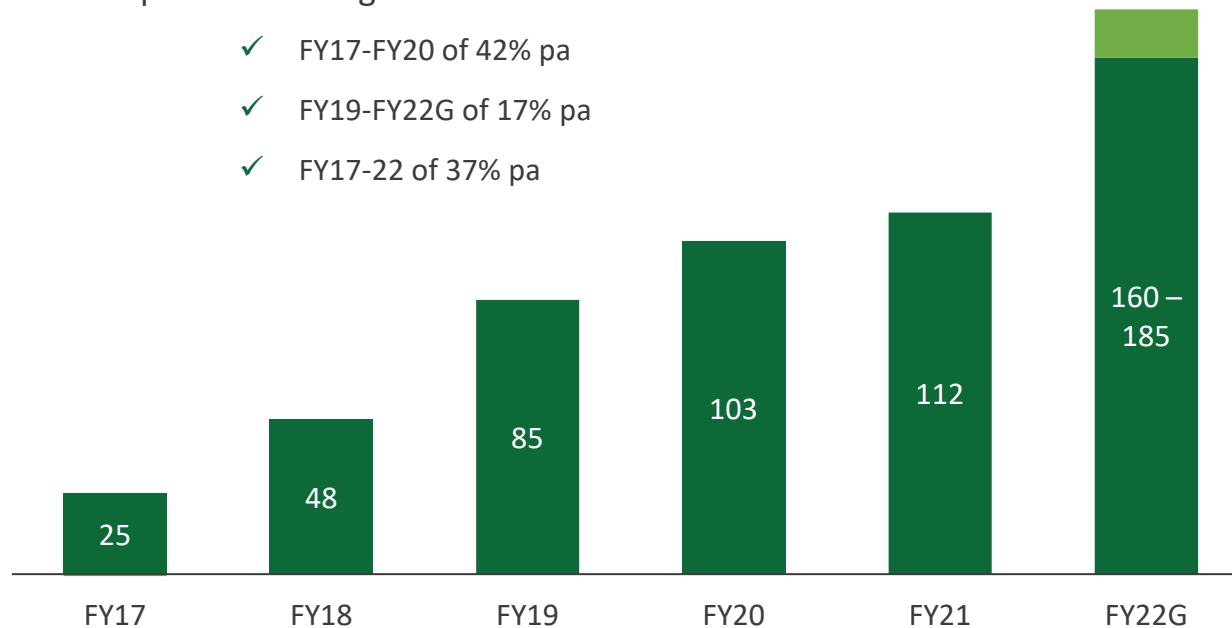
Second fastest growing food and beverage company in Asia Pacific 2016-19
Continuing to grow significantly in FY22



Group Revenue (\$ million)

✓ Compound annual growth rates:

- ✓ FY17-FY20 of 42% pa
- ✓ FY19-FY22G of 17% pa
- ✓ FY17-22 of 37% pa



Executing our strategic plan has driven revenue growth since 2017

Fix, focus and build out the dairy assets

Increased milk supply to achieve:

- Capacity utilisation
- Economies of scale

Built mozzarella plant, built brands and grown sales

Invested in people capabilities

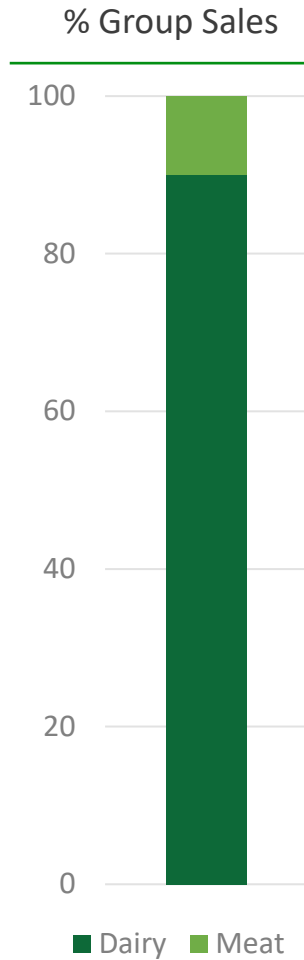
Nutraceuticals production capacity increased

Upgraded and expanded production facilities at Provincial Food Group to grow sales of ready-to-eat meat meals

¹ Report by Financial Times in conjunction with Nikkei Asia (Japan) and Statista (Germany) on Asia's Top 500 Fastest Growing Companies 2016-2019

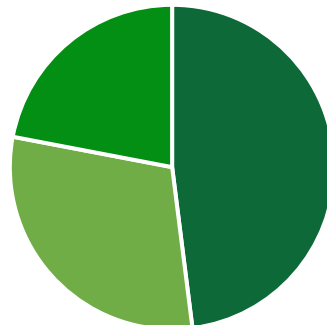
BFC have built a strong sales book

Lactoferrin plant expansion adds a significant revenue stream in FY22



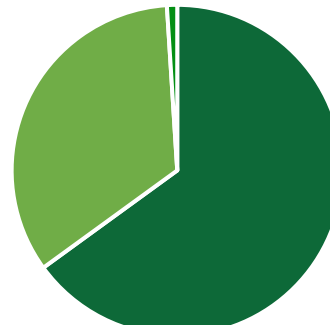
Dairy Sales: FY21

Sales Channels %



- Aust Industrial/Retail
- Aust Foodservices
- Export

Product mix %



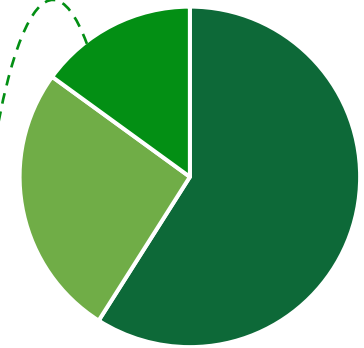
- Mozzarella
- Other Dairy
- Lactoferrin

Domestic Customers: Woolworths, Metcash, Costco, McCain

Export Markets: Thailand, Philippines, Vietnam, China, Malaysia, South Korea

Extracting more value from milk

FY22 Mix %



- Mozzarella
- Other Dairy
- Lactoferrin

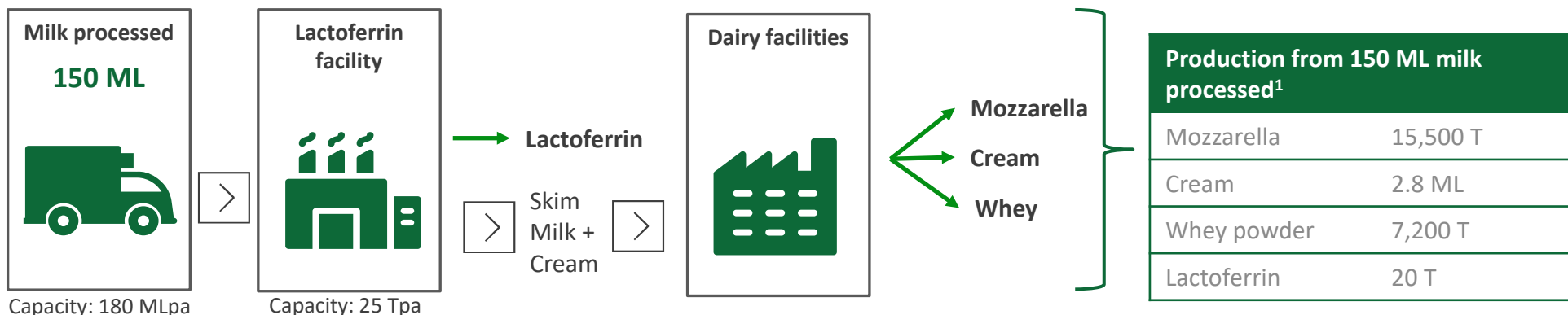
+15-20 cents per litre revenue

Lactoferrin delivers more revenue and earnings for every litre of milk processed following recent completion of plant expansion

Dairy operations at Jervois

Expansion of lactoferrin production facility adds significant value to the Jervois site in FY22: Producing ~20T in FY22

Processing flow chart



Key drivers to deliver long term value creation



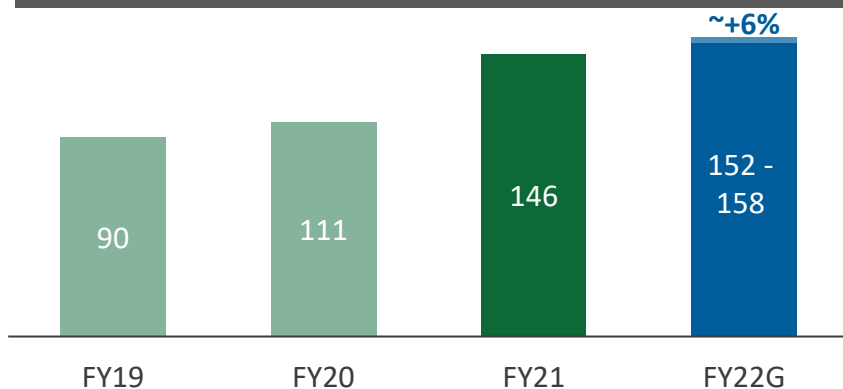
- SECURE MILK SUPPLY** Record milk supply for FY21 of 146 ML and contracted c. 155 ML for FY22
 Greater value extraction per kg of milk solids allows for competitive pricing for suppliers
- LACTOFERRIN** Lactoferrin plant expansion has increased capacity by at least 7x to c. 25Tpa
 Global Lactoferrin demand has grown significantly in recent years and expected to continue over time
- MOZZARELLA** State-of-the-art mozzarella production plant commissioned at Jervois in 2018
 Also producing whey powder, butter, cream
 Supporting infrastructure upgrades to ensure reliable 24/7 site operations

¹ Estimate based on current operating assumptions

Dairy facilities transformation nearing completion

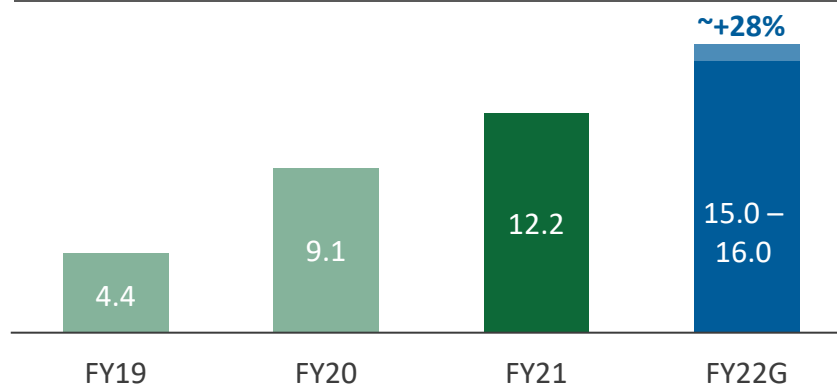
Revenue growth in FY22 ~54% driven by higher production and additional lactoferrin sales

Milk supply (ML)



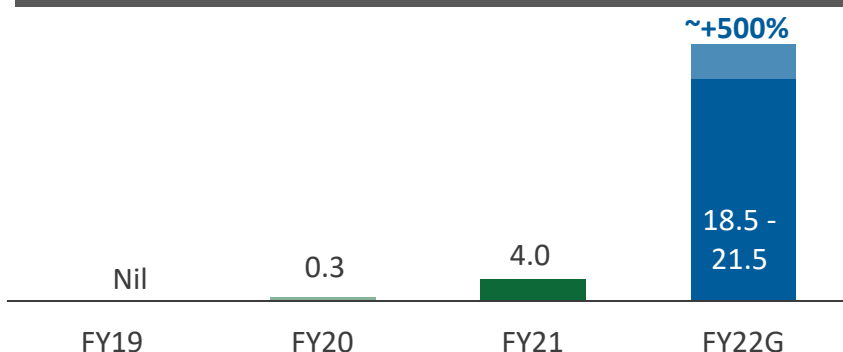
✓ Contracted supply should deliver ~158 ML in FY22

Mozzarella production (KT)



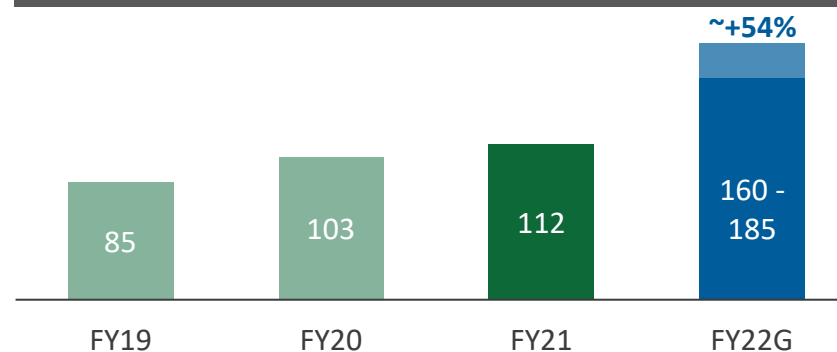
✓ Higher-margin mozzarella production driving growth

Lactoferrin production (T)



✓ Step-change in lactoferrin production completed

Group revenue (\$ million)

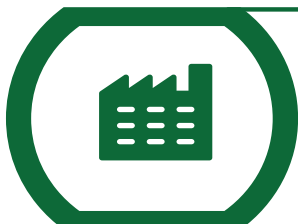


✓ Volume growth and transition to higher value products

FY22 to deliver positive operating cash flows and bottom line profit

FY21 Highlights

Execution of major milestones in a challenging COVID-19 impacted year



Lactoferrin Expansion

Initiated stages 1 and 2 of the lactoferrin expansion project to bring total capacity to 25 T from 180 ML milk; two extraction columns installed



SA Government Grant

Awarded \$2 million South Australian Government grant for Stage 2 lactoferrin expansion and secured second column for this stage



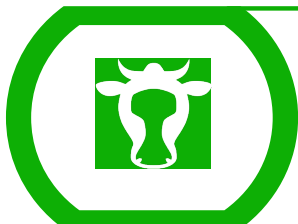
Dairy Farms Sale

Sold the dairy farms and redeployed the capital to pay down debt and increase ROCE



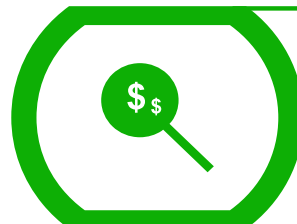
Jervois Infrastructure Review

Jervois infrastructure review identified requirements for the facility to operate more reliably as it moves toward 24/7 operations



New Milk Supply

~30% increase in milk supply including from Aurora Dairies on 1 September 2020



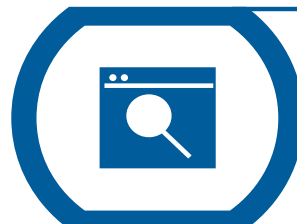
Initiation of Rights Issue

\$15.6m rights issue (completed in February) to fund Stage 2 lactoferrin expansion, and further upgrades of infrastructure at the Jervois facility



Building Dairy Experience

Key experience and skills in operations and nutraceuticals added to the dairy business



IMA Termination

Agreement to terminate the IMA received shareholder approval at EGM held on 28 May 2021; Termination on 28 August 2021

Have entered FY22 ready to capitalise on these fundamental changes to our business

Lactoferrin and Immunity

An iron-binding glycoprotein. Lactoferrin (Lf) acts as one of the bodies first defense mechanisms against bacterial attack by boosting your immune system with strong anti-microbial, anti-virus, anti-fungal properties

The general immune supporting anti-bacterial and anti-viral properties of Lf have been known for many years. Lf has been shown to inhibit viral impacts on the body through a number of studies

Lf is in all human secretions (tears, saliva) and is in high concentrations in breast milk to support baby's development and immune system

Markets / Uses

- Infant formula
- Health supplements
- Immune support in medical settings eg cancer treatment
- Nutritional foods
- Personal care products

Demand

- World demand c. 600Tpa. CAGR has been c.8%pa and expected to continue over time
- BFC to sell B2B as an ingredient. Pricing varies on quality, term and market segment
- Beston seeking c.70%pa volume sold under long term supply contract.

[Lactoferrin - the protector in a modern world - YouTube](#)

[Lactoferrin And COVID-19: Previous Evidence And Mechanism Against COVID-19 – YouTube](#)

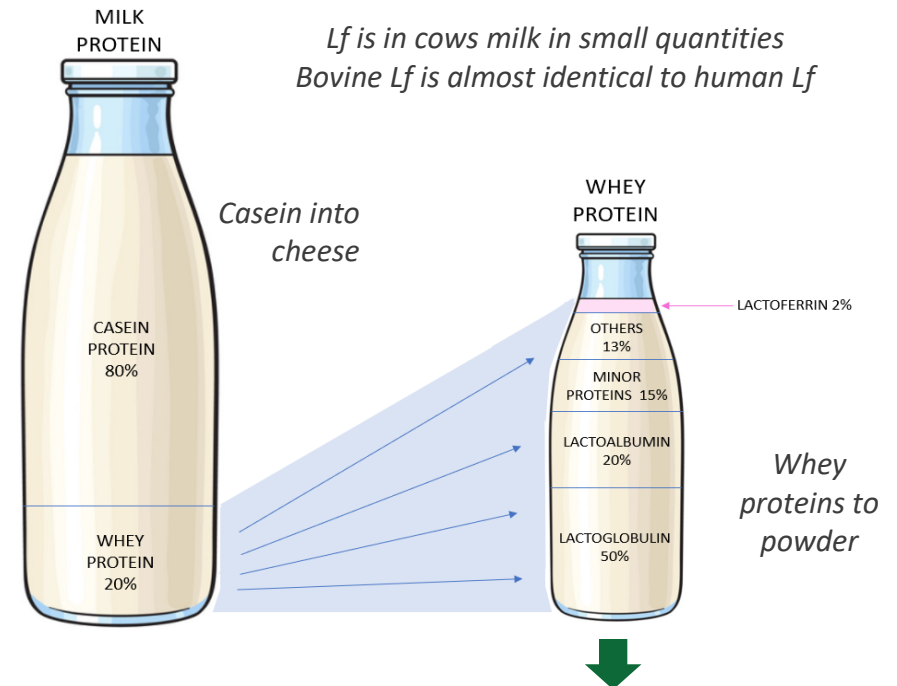


Biolactive

Components of Milk

3.5% protein

4.0% fat



Further opportunities to create additional value from the whey protein stream will be pursued

Lactoferrin : Delivering High Quality Products

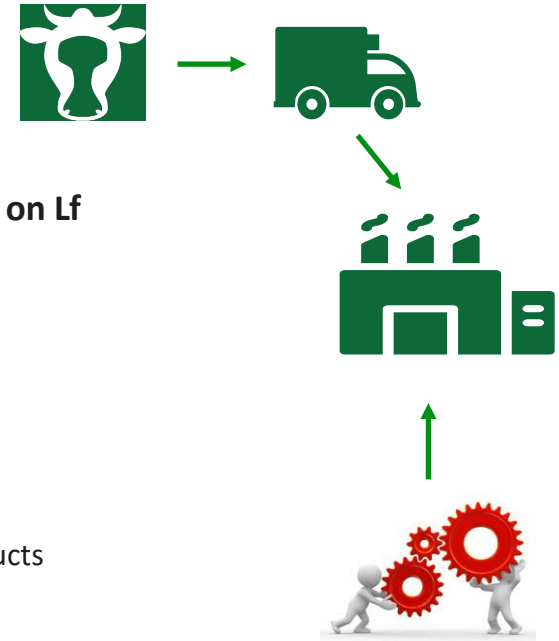


Biolactive

Latest extraction and process control technologies plus experienced team to deliver high quality products

Lactoferrin capacity and quality is influenced by:

- **Volume of lactoferrin within the raw milk can be impacted by**
 - Health of the cows
 - Timing within the lactation cycle
 - Generally follows the protein curve in milk
- **Processing technology and processing understanding can have a significant influence on Lf**
 - Technology adopted for extraction efficiency – not all Lf plants are the same
 - Process understanding – not all processes are the same, some less efficient than others
 - Product quality - can be influenced by the technology and process used
- **Beston Process**
 - Utilizes current best practice technology and processes to achieve high yielding Lf
 - New product development pipeline working with technology suppliers on differentiating Lf products
- **Beston Team**
 - Industry experience with multiple Lf plant startups
 - Onsite laboratory with expert staff that are able to provide an understanding to our operations team daily, for fine tuning of the process in real time



Well positioned heading into FY22

Building blocks in place to deliver profit with strong operating cash flow



Mozzarella sales

- ~7,600 T (~50% of volume) under several longer-term supply agreements (~25% at start of FY21). Including regular, repeat customers ~85% of mozzarella production accounted for at start of FY22

Lactoferrin sales

- Plant expansion completed; product quality and yields exceeding expectations
- Significant new high margin revenue stream for FY22
- First order delivered

Operating reliability

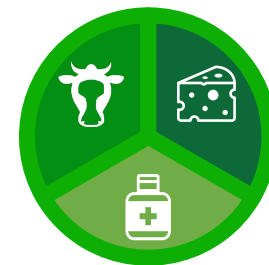
- Teflon issues at Jervois mozzarella plant rectified
- Boiler control systems improved; replacements purchase for installation in FY22
- Multivac upgraded; replacement planned for FY22
- Maintenance regime overhauled; increased spend on preventative maintenance
- More staff with deep dairy experience

Financial Position

- Operating cash flow positive
 - FY22 activities fully funded
-

FY22 Outlook

FY22 Outlook is driven by increased production including lactoferrin sales

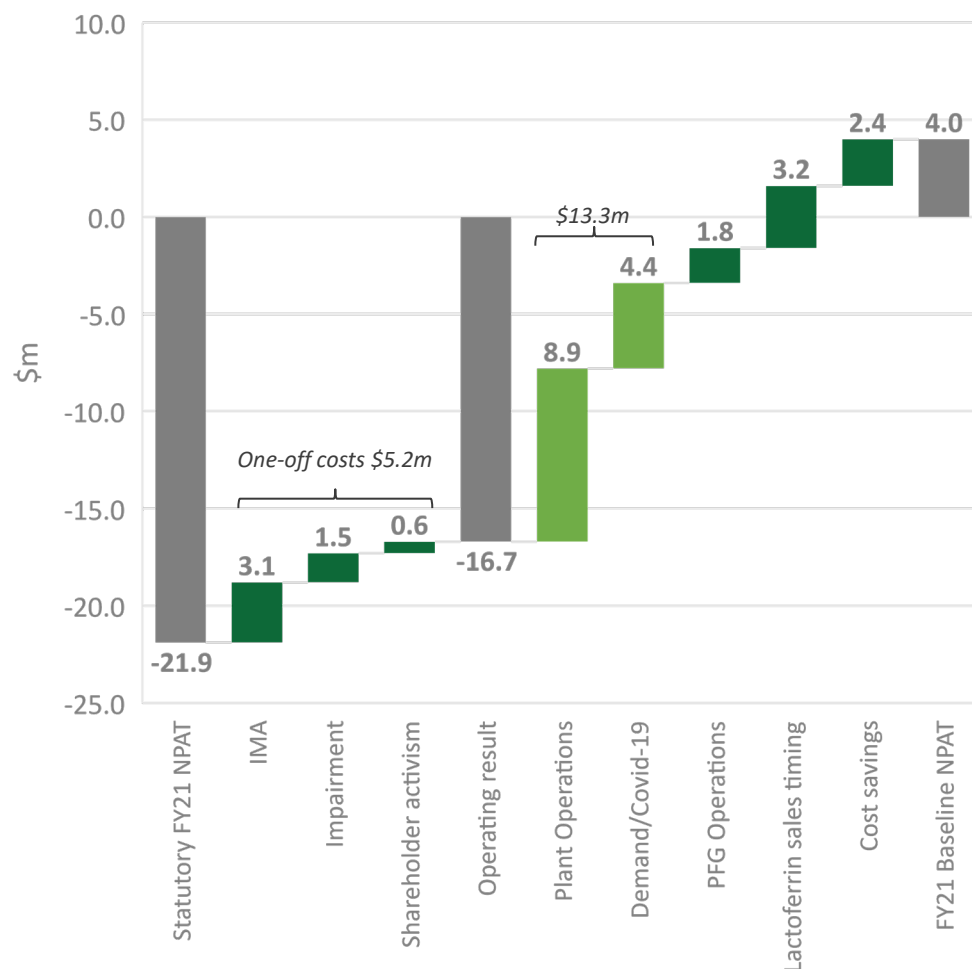


Extracting more value from every litre of milk processed						
Measure	unit	FY21A	FY22G	Change (midpoint FY22)	%	Comment on Guidance
Milk	ML	146	152-158	9	6%	Contracted supply forecast to deliver c. 155ML
Mozzarella production	MT	12,150	15,000 – 16,000	3,350	28%	Increase is due to: higher milk 6%; operating performance 22%. Whey powder and cream production also increase proportionately.
Lactoferrin production	MT	4	18-5 – 21.5	18	500%	New lactoferrin plant on-line for the full year
Group Sales	\$M	112	160 – 185	60	54%	Driven by increased production of mozzarella, powder, cream and lactoferrin
EBITDA	\$m	(25.5)	ng	Large	↑	Increased sales including contribution from lactoferrin; improved operating efficiency
NPAT	\$m	(21.9)	ng	Large	↑	Higher EBITDA
Revenue/litre milk	\$/l	0.77	1.05 – 1.17	0.34	44%	Increased lactoferrin sales adds significant value per litre of milk processed.
Capex	\$m	17	14 – 16	-2	-10%	Increased plant infrastructure and reliability spend
Net Debt	\$m	32	24	-8	-25%	



FY21 Profit Analysis – Driving To A Profitable FY22

FY21 NPAT was impacted by poor operational performance, COVID-19 and Lactoferrin sales timing
One-off costs total \$5.2million



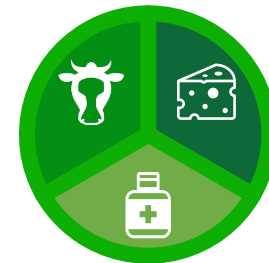
FY22 result will build from FY21 baseline:

- Increased milk supply
- Increased cheese, powder, cream production
- Full year of lactoferrin production and sales from new facility

	FY21 \$m
Plant operations:	
Lower sales due to lower production (lost margin)	(3.4)
Losses on disposal of milk	(0.9)
Production/yields below target	(4.7)
Losses on sale of down-graded product	(1.3)
Higher repairs and maintenance and quality control costs	(0.8)
Closure of old Lactoferrin plant	(1.6)
	(12.7)
Demand/Covid-19:	
Lower sales prices	(4.1)
Reduced demand/shipping delays/cancelled orders	(2.2)
Total pre-tax impacts	(19.0)
Total after-tax impacts	(13.3)

Funding

BFC has secure funding for FY22 activities and beyond



In August 21 the Group's banking facilities were restructured to better match the needs of the business through FY22 and beyond.

The table shows the new facilities with the debt drawn as at 30 June 21 as though the facilities were in place at 30 June 21.

The Group has access to sufficient funding to be able to execute its business plans

Facilities Types	Limits	Drawn
	\$m	30 June 21 \$m
Mortgage	3.0	3.0
Term Loan	23.0	23.0
Equipment Lease and Hire Purchase	13.0	5.0
Working Capital	15.3	2.2
	54.3	33.2

Future Value Extraction: Other whey proteins and their properties



We will expand the range of nutraceuticals made at Jervois and marketed under our brand



Biolactive

Sweet whey powder is a lower value whey product in its current form, yet it has the most potential to drive further value within the business.

The whey proteins are highly valuable when extracted and purified.

Alpha-lactalbumin

Most abundant whey protein in human breast milk, high demand in infant formula as abundant in essential amino acids and replicates breast milk

Whey Concentrates – D40, D90, WPC, WPI

Used in a variety of products, Infant Formula, health and sports powders and drinks

Lactoperoxidase

An enzyme isolated during the Lactoferrin extraction process. It has anti-microbial properties and used in cosmetics, oral hygiene and medical cleaning products

Immunoglobulins (IgG, IgD, IgE, IgF, IgM)

Boosts immune function and promotes healthy gut environment by binding some pathogenic bacteria

Osteopontin

Found in high levels within human milk, this glycoprotein has strong calcium binding properties (low levels in bovine milk)

Bovine Serum Albumin

583 amino acids within its structure, used as a media in chemical labs with fatty acid binding properties

Beta-lactoglobulin

Rich in branched chain amino acids (BCAA) and used in sports nutrition, aids in muscle repair and growth

Value proposition

Implementation of strategic imperatives have positioned Beston to deliver on its value proposition:

Entering FY22

- **Growing milk supply** to ~155 ML in FY22 to underpin mozzarella and lactoferrin production
- **Lactoferrin capacity increased** to ~25 Tpa, with FY22 production expected to be ~20T. Global demand has grown significantly in recent years and expected to continue over time
- **Streamlined Mozzarella production** with remediation of supporting infrastructure nearing completion
- Built depth with **new hires in dairy and nutraceuticals** to ensure that skills are fit-for-purpose, match growth objectives, and support 24/7 operations
- **Operating cash flow** positive post-commissioning of lactoferrin project



FY23 and beyond

- **Leveraging assets** to deliver growth in earnings – focus on Jervois milk supply 170ML-180ML pa
- **Dairy nutraceuticals** a key feature of Beston's earnings growth strategy to extract more value from the "goodness of milk" – starting with Lactoferrin
- **Growing reputation** as a reliable supplier of quality products
- **Extracting more value from every litre of milk processed** to generate strong positive operating cash flow and fund further investment in higher value products

Nutritional Food & Beverage market is estimated to grow from \$10bn to \$20bn by 2030

Disclaimer

This presentation includes both information that is historical in character and information that consists of forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. 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 Global Food Company operates, any applicable legal requirements, as well as matters such as general economic conditions.

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Guidance disclaimer



COVID-19

- COVID-19 continues to disrupt industries and economies globally
- Beston's guidance is based on current, known circumstances regarding COVID-19 and its impacts
- Guidance may be impacted adversely if COVID-19 continues longer than expected and/or has larger effects on demand and supply chains than presently anticipated



Market conditions

- General market conditions, such as market downturn, recession, industrial disputes and interest rates, could impact Beston's performance
- Certain risks are beyond the control of Beston; wherever possible Beston seeks to reduce or mitigate exposure to negative impacts of operating risks, whilst competing effectively in the market



Operating performance

- Dairy facility performance may be below expectations resulting in unplanned down time, higher repair costs and lost production
- Other key operating costs include electricity, gas, freight and insurance costs (some of which are not fixed and without forward contracts in place)



Milk supply

- Milk supply is subject to agricultural risk, for example, a repeat of the drought conditions experienced in FY19 and FY20 could reduce the supply below contracted levels
- A reduction in milk supply may lead to increased milk prices



Lactoferrin facility

- Potential performance and reliability issues with newly completed facility



Other risks

- Adverse weather events, new global pandemics, unplanned increases in costs, mechanical failures, human errors, industrial action and other unforeseen events, all have the potential to impact on Beston guidance