

ASX RELEASE

25 November 2021

ASX CODE: BFC

Business Update 25 November 2021

Beston Global Food Company Limited ("Beston", ASX: BFC) has advised that a Business Update will be presented by management on Thursday 25 November 2021.

Accompanying this release is a copy of the Business Update presentation.

Details of how to attend the Business Update were advised on Tuesday 22 November, 2021. They are set out again below.

Shareholders and other interested parties will be able to attend this update online by following the instructions accompanying this announcement.

Details of the Business update are as follows:

Date and time: **Thursday 25 November 2021 at 9:30am AEDT, 9:00am ACDT**

The presentation will be conducted via Microsoft Teams as a live event. Anyone can attend a Microsoft Teams live event for free—no license is required.

This ASX release was approved by the Board of Beston and authorised for release by Dr Roger Sexton AM, Chairman.

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ABOUT BESTON GLOBAL FOOD COMPANY LIMITED

Beston Global Food Company is a proud South Australian multi award-winning company taking the best of Australian produce to the world with fresh milk supplied by valued farmers. The company provides direct and indirect employment for nearly 300 people. For more information please visit: www.bestonglobalfoods.com.au

Attachment

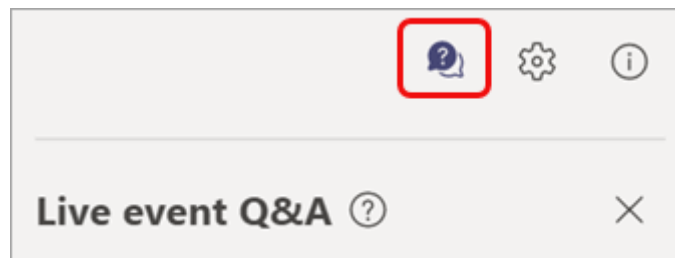
Instructions for logging on to Beston's Business Update via Microsoft Teams.

1. Click on the following link, or copy the following link into your web browser.

https://teams.microsoft.com/l/meetup-join/19%3ameeting_NWFhYTIzMdAtYzZjOC00NjkwLWI2ZDEtMDMyMjNjNzVmNmIz%40thre.ad.v2/0?context=%7b%22id%22%3a%22a35a7150-2785-49af-85b7-b89b93e82bdc%22%2c%22Oid%22%3a%22af618900-8651-4e0c-9094-1c6f6f0b57fe%22%2c%22IsBroadcastMeeting%22%3atrue%7d&btype=a&role=a

Note: Beston will open the meeting approximately 3 minutes before the scheduled time. If you login before Beston activates the meeting you will receive a message indicating “The live event has not started”. If this occurs, please wait until the meeting opened.

2. Once you have successfully logged on, you will be able to hear management's discussion of the presentation and see the presentation slides.
3. To ask questions of management in real time, use the live event Q&A function:



Questions submitted will be answered by management at the end of the presentation.



BESTON
GLOBAL FOOD COMPANY

Business Update

25 November 2021

Beston Global Food Company



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 e.g.
lamb shanks
Alternative meats

Extracting more value from every litre of milk processed

Growth potential

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

Value proposition

Traditional dairy products

Current State

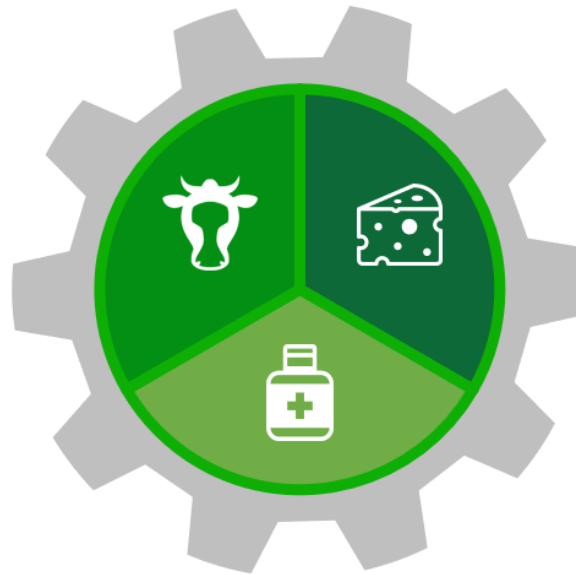
Milk supply of ~155 ML in FY22 is ~33% of SA milk pool and underpins capacity utilization at Jervois

Mozzarella, whey powder and cream production are traditional dairy products providing foundation for value growth

Lactoferrin protein plant expansion is first step towards increased production of higher value dairy nutraceuticals

Growing reputation as a reliable supplier of quality products

We have built our dairy platform to extract the most value from every litre of milk processed



Extracting more value from milk to generate strong operating cash flow and fund further investment in higher value products

Dairy Nutraceuticals

FY23 and beyond

Increase milk supply to drive growth in base earnings and maximise capacity utilization – target Jervois milk supply 170ML-180ML pa

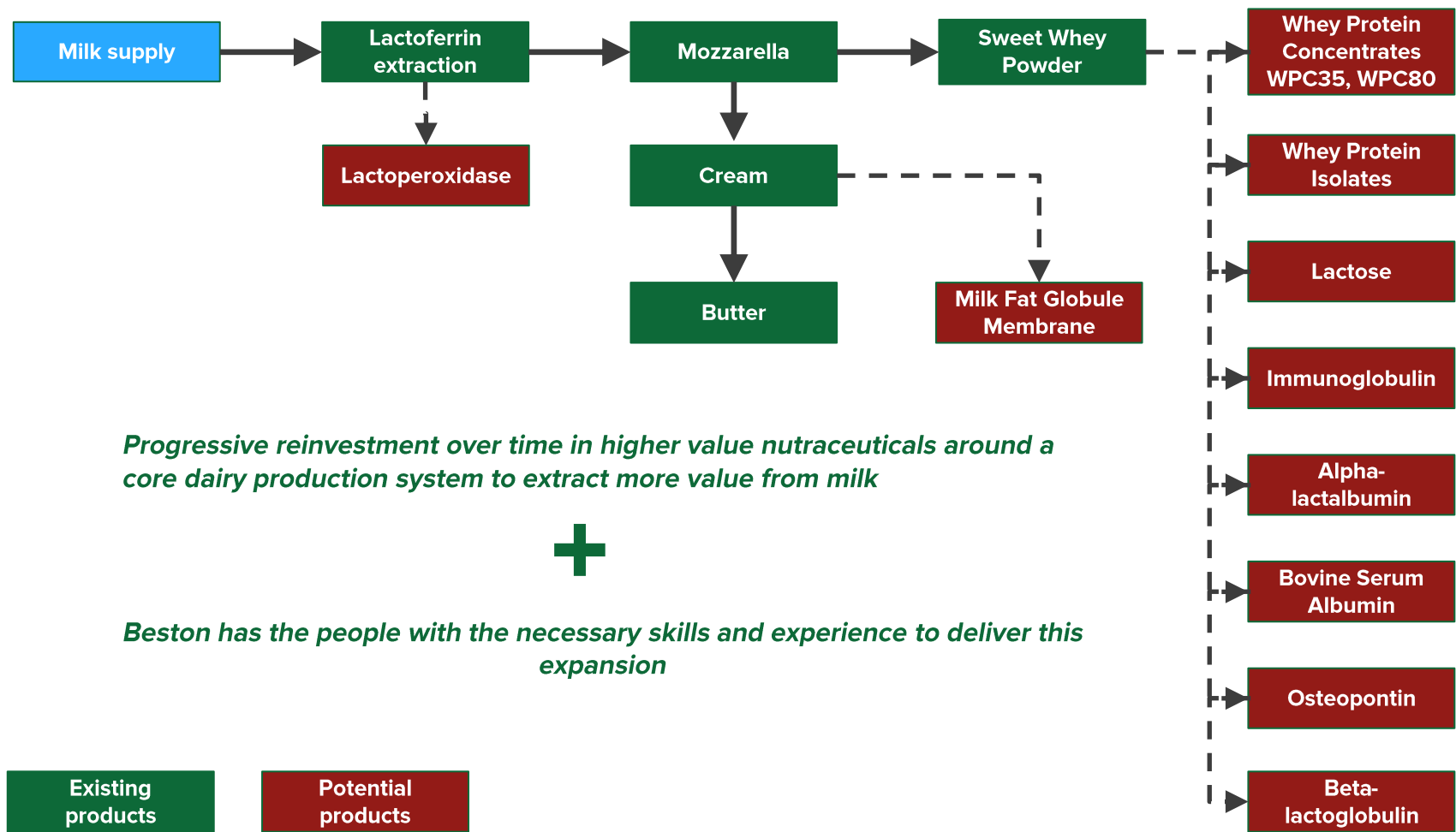
Dairy nutraceuticals products expansion a key feature of Beston's earnings growth strategy

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

Extracting More Value From Milk at Jervois



The production system lends itself to modular expansion of nutraceuticals production



Lactoferrin and Immunity



Bioactive

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

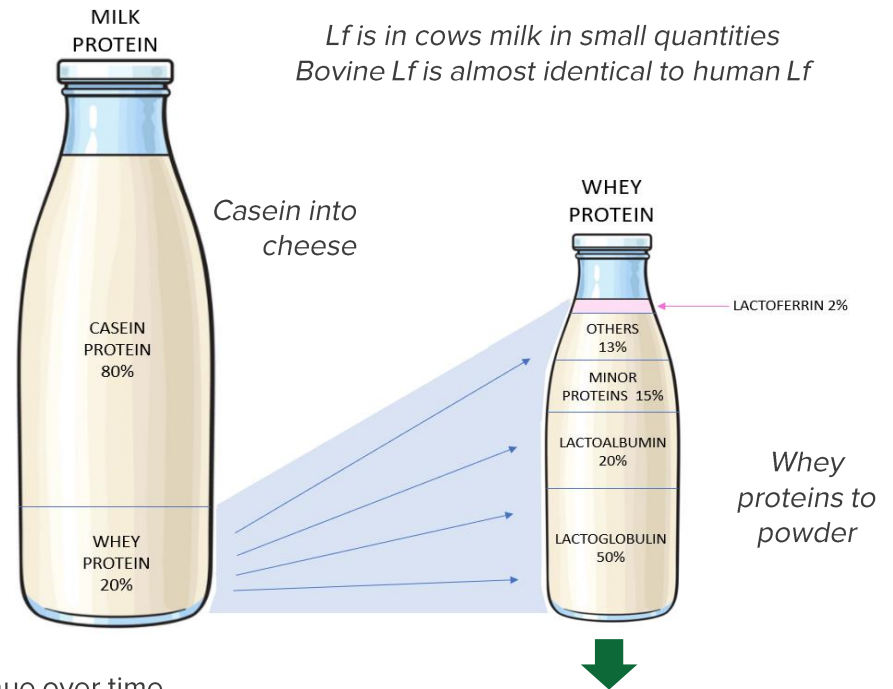
- World demand c. 600Tpa. CAGR has been c.8%pa and expected to continue over time
- BFC to sell B2B as an ingredient. Pricing varies on quality, term and market segment
- Beston seeking c.70%pa volume sold under long term supply contract.

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

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

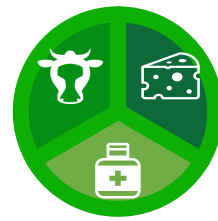
Components of Milk

3.5% protein
4.0% fat



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

Business Conditions



Signs of improving business conditions evident, but COVID-19 risks remain high

Domestically

- Milks supply remains tight with competition for milk supply at an all time high.
- Tight milk supply pushing up dairy commodity prices.
- COVID-19 lockdowns have caused uncertainty especially in food services channels resulting in lower demand and market price pressures.
- As lock downs ease there are indications of stronger demand.
- Opening up of SA borders presents heightened risk of COVID-19 disruption to operations at Jervois and Murray Bridge. Risk reduction practices are in place.

Internationally

- Shortage of milk supply globally pushing up dairy commodity prices.
- Steady flow of inquiries from international customers, especially from south-east Asia, seeking supply of Australian product.
- COVID-19 uncertainties remain with recent escalation of outbreaks in Europe.
- China general trade restrictions and COVID-19 has impacted demand for dairy products in this major consumer market.

Operating Update



Strong operating performance over the first four months of FY22

Milk Supply

Despite cold start to season causing peak milk flow to be later (in Nov). Indications are supply is on track to deliver c. 155ML in **FY22**.

Solids in milk, especially fat, slightly down on prior years.

Mozzarella

Plant is operating well. Good run rate with no major reliability issues and consistent quality product. Meeting major contract supply requirements. YTD Oct production 4,986T, up 32% on prior YTD 3,780T

Whey Powder

Some reliability issues at powder plant. Supply of spare parts from overseas inhibiting operations, currently running at c. 90% efficiency. YTD Oct production, 2,203T up 24% on prior YTD 1,779T

Lactoferrin

Plant is performing well. Nearly all milk received has been processed to extract Lactoferrin. YTD Oct production 5.1T plus c. 0.8T powder equivalent in liquid concentrate yet to be dried. Supplemental contract drying in place.

Sales Prices

Sales run rate now in line with production. Most mozzarella is sold under term contracts. Prices realised for uncontracted mozzarella volumes have been slightly below expectations due to impact of Victoria and NSW lock-downs on food service channels.

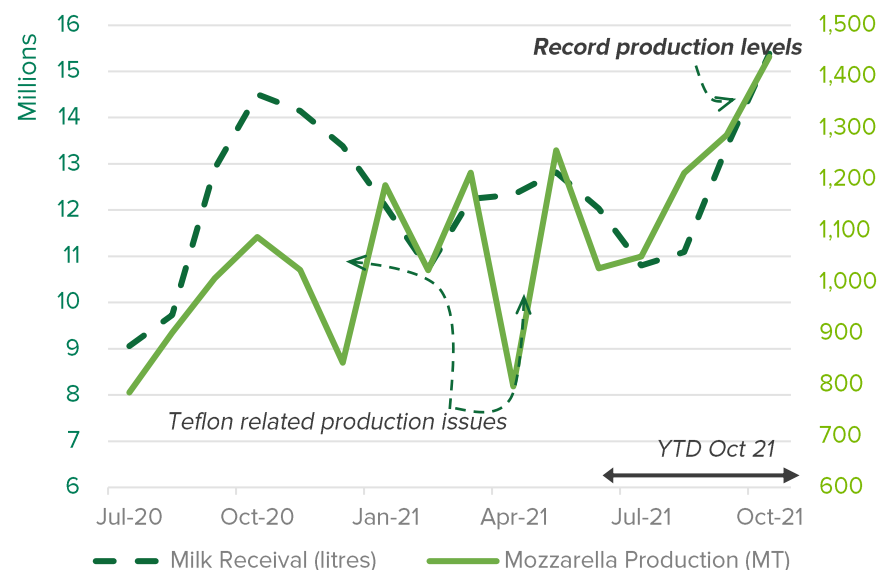
Dairy commodity prices beginning to rise, especially whey powder and fat (cream/butter), due to tight domestic and international supply.

Meat

Sales growth in the meat division has lagged internal targets. New business activities have continued to be inhibited by the extended COVID-19 lock downs in key Victorian and NSW markets.

Positive signs are apparent as the lock downs are eased. The business has obtained new premium burger contracts with sales of c. \$1m pa and orders are increasing.

Milk supply vs mozzarella production



Operating Update



Stablised operating environment allows focus on improvement and opportunities

With the mozzarella plant at Jervois running well, attention is being directed to improving manufacturing practices and reducing costs.

The growth in scale of operations in recent years has increased the absolute operating cost base largely proportionately. Scale now provides opportunity to pursue efficiency gains.

Examples of the many activities underway using continuous improvement principles to drive value gains are:

Mozzarella Yields

Driving further improvements through the use of different rennets, recipes and other improvements to the manufacturing process. A 0.5% yield improvement adds 750T of product available for sale.

Energy

Gas and Electricity accounts for about \$3.5m pa of production costs at Jervois.

Solar power at Jervois: A detailed project scope has been developed and we are now pursuing this with minimum savings of \$250k pa indicated.

Energy efficiency: Operating practices are being refined to reduce energy consumption in high use areas. An example is reducing gas usage in the powder plant by more efficiently managing the flow of whey through the drying process. Replacing aged boilers with more efficient and reliable boilers is in progress.

Chemicals

Process chemicals are a large area of expenditure, including for cleaning (CIP) processes. A tender is being concluded to improve both service delivery and reduce costs by up to \$150k pa

Water

Increased water usage has driven unit water costs higher. Increasing recycling and improvements in water treatment and quality will reduce onsite water usage and costs.

Shred, cut and pack

Shred cut and pack services are presently sourced externally. With increased volumes there is scope to install this capability at Murray Bridge to deliver cost reductions of up to \$500k pa.

Capacity Utilisation

Initiated negotiations to extract Lactoferrin from third parties milk during off-peak periods to maximise infrastructure value.



Beston is well placed to meet customer needs in an evolving market

Market

- Expanding use of Lactoferrin in nutraceutical and pharmaceutical products is driving increased demand for higher specification products.
- Technological development on the supply side is increasing the availability of higher specification products. However, the existing older production facilities of some competitors will struggle to upgrade to supply higher specification products.
- China's demand for use in infant formula has driven strong growth in Lactoferrin demand in recent years. Softer demand due to COVID-19 impacts on birth rates in China has created a short-term demand/supply imbalance reducing prices. This situation is expected to revert in the next 12-18 months.

Beston

- Beston's plant utilises the latest available technology to produce 95% (GB) specification product.
- **We are currently refining our production processes to be able to produce High Purity (98%+) Lactoferrin to meet the anticipated growth in demand for this higher grade product.**
- Sales of Lactoferrin to customers has been slower than initially anticipated. The softer China market has meant customers have been slower to run down existing inventories ahead of placing orders with Beston. There has also been a knock-on effect in the broader Lactoferrin market due to the China market situation. As a result, sales of Lactoferrin in FY22 will be skewed to 2H22.
- Beston is seeking over time to have 60%-70% of its Lactoferrin sold under long term contracts. To date, one customer has signed for off-take over 3 years of 3T, 5T and 7T. We have existing recurring customers and confirmed demand from new customers accounting for the balance of our lactoferrin production in FY22.
- Lactoferrin protein in our milk supply is currently c. 9% lower than expected, which appears to be due to seasonal conditions. This is likely to impact the total volume of Lactoferrin produced in FY22. Forecast production has been reduced to c. 17T.

Technologies Update

Collaboration with partners continues. Good progress towards commercialisation

Undertaking blockchain Proof Of Concept trials

- Focus on Traceability and Provenance of products to protect against food fraud utilising Beston patents (Australia and USA).
- Many potential applications of OZIRIS software coupled with relevant product scanning technologies to ensure authenticity of products. Digital watermarking can be used on high volume packaged goods. Techniques such as hyperspectral analysis can be used to identify the unique characteristics of a high value item.
- Provides the ability with Smart Contracts to trace a product from point of manufacture to point of consumption, for food quality and contractual purposes.
- Proprietary OZIRIS software continues to be enhanced with assistance of University of Technology Sydney, University of Adelaide and CSIRO Data 61 to be able to provide a Software As A Service s (SaaS) solution
- Proof of Concept trials in progress with several parties in different fields

Applications being developed with potential users

- Dairy products including high value nutraceuticals
- Imported meat products: ensuring the source and quality of imported meat products can be tracked
- Retail product recall: to allow retailers to more readily identify location and relevant product details eg batch numbers of products in store should there be a need to recall products reducing risks and costs associated with a recall process
- Exported high value retailed minerals: ensuring often substituted and undervalued products can be tracked to end customers.
- Waste packaging recycling: to allow manufacturers and retailers to fulfil their responsibility for recycling rates of the products they produce and sell.
- Carbon credits: potential to facilitate aggregation of farm generated carbon credits to improve farmer access to broad markets to realise higher prices for their credits.

Objective is to achieve commercial launch with one or more users on a SaaS or royalty basis in the near term

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	16 - 19	14	350%	New lactoferrin plant on-line for the full year. Guided down on lower Lactoferrin % in milk YTD.
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	8 – 12	-2	-10%	Plant infrastructure and reliability spend timing
Net Debt	\$m	32	29	-3	-9%	Guided higher \$5m mainly on working capital timing

Questions and Answers

Appendices

Future Value Extraction: Other whey proteins and their properties



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



Bio**lactive**

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 Lactoferrin extraction. Has anti-microbial properties 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

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.

While Beston Global Food Company believes that the expectations reflected in the forward looking statements in this presentation are reasonable, neither Beston Global Food Company nor its directors or any other person named in the presentation can assure you that such expectations will prove to be correct or that implied results will be achieved. These forward looking statements do not constitute any representation as to future performance and should not be relied upon as financial advice of any nature. Any forward looking statement contained in this document is qualified by this cautionary statement.

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, international 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
- Milk is a natural product and composition of milk solids can vary due to a number of factors which can impact product yields



Lactoferrin facility

- Potential performance and reliability issues with recently 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