

Friday, 1 March 2019

Dear Shareholder

As a follow up to my letter of introduction sent on 11 February 2019, whereby I invited you as a shareholder to join me on a visit to our factories at Murray Bridge and Jervois, South Australia, I am pleased to advise that the following dates have now been selected for these visits:

- Thursday 28th March 2019
- Wednesday 3rd April 2019
- Wednesday 10th April 2019

While participation is limited to 30 persons per group, we still have some places available on each of these dates. Therefore, if you would like to join us please contact Katie Sobecki at ksobecki@bestonglobalfoods.com.au

Katie will be in contact with everyone over the next week who have already registered to hopefully book you into one of these abovementioned dates.

I would like to take this opportunity to update you on some developments at Beston Global Food Company ('BFC') since the commencement of my tenure in early January 2019.

Over the past three years, BFC has rebuilt its dairy factories at Murray Bridge and Jervois and installed plant and equipment which are world class. Further to well-placed investment in facilities and personnel, BFC has developed a capability both in producing high quality dairy goods at the Murray Bridge and Jervois sites and developing a global customer network. The Group has a rapidly developing capability with manufacturing, value added, heat and eat meat products at the Provincial Food Group ('PFG') facility located in Shepparton, Victoria.

The Dairy Division (Beston Factories & Farms) and Meat Division (Provincial Food Group) are the two 100% owned businesses that have the installed capacity and largely the capability to drive material and sustainable increases in both revenue and profitability.

The focus of our BFC business will be Dairy and Meat. As the new CEO, I am taking the opportunity to build on the work of the past six months and 'clear the decks' so that there is a transparent and clearly communicated path forward with both our business focus and financial reporting.

We have provided for our minority interest in the health food business Neptune Bio-innovations (NBI) in our first half results for 2018-19 and are working with the Ferguson Family to achieve a timely sale of seafood business, Ferguson Australia, and exit our investment in that business.



We have also made a number of adjustments for one-off, non-recurring costs incurred over the last six months. The normalised financial result, after adjusting for non-cash impairments, restructuring and other non-recurring costs, reflects a significant improvement in the underlying operating performance of the Company and is a step-change improvement on the 2017-18 result.

My commitment for BFC's future success focuses on a strategy based around **Volume, Value and Velocity (V3)**. On commencement, I commissioned a full, "top to bottom" **Commercial and HR Review** across BFC focusing on our major costs and value drivers within our business with the purpose of identifying further costs savings and improved productivity and efficiencies.

The intention of the Review has been to capitalise on the *Restructuring Changes* implemented over the previous six months to reduce operating costs and enhance profitability. The V3 strategy is designed to further reduce costs across the business and increase earnings by having everyone in the Company focused on underlying performance through their inputs and actions, based around a robust and reliable sales and operations planning process.

The Company has previously reported that it expects to achieve cost savings of at least \$1.0 million in a full year from the Restructuring Changes implemented in the first half. I believe that the further operational improvements and commercial controls being introduced via the V3 strategy will achieve *as a minimum* the same amount of savings again in a full year (i.e. a total of at least \$2.0 million on an annualised basis). Other changes and activities to be delivered from the V3 strategy (such as improved commercial positioning, internal controls, reduction in double-handling and centralised purchasing) will assist in increasing our sales margins and overall profitability.

I am excited about the future of BFC. The prospects for the business, as we progress into the next stage of our development, are significant.

The business is on a firm footing as a result of the work done to date. We now have our own sales team with a representative based in each mainland state who are dedicated and energised to drive our revenues and margins across all of our customer target areas along with an ever growing reach into global dairy markets through the development of a series of strategic sales platforms.

As stated above, the Dairy and Meat assets are the two 100% owned businesses that have the installed capacity, the capability and the opportunity to drive material increases in both revenue and profitability. The realignment of the Company to focus on these two businesses, along with the critical focus of management on *Volume, Value and Velocity*, will support significant profit improvement in the near term.

I will continue to keep you updated on progress and look forward to meeting those of you who are able to join one of our scheduled plant tours.

Kind regards
Jonathan Hicks



Chief Executive Officer
Beston Global Food Company Ltd