



For personal use only

## 1H18 HALF-YEAR FINANCIAL RESULTS

27<sup>th</sup> February 2018

### INVESTOR PRESENTATION

Sean Ebert (CEO)

Adam Rigano (CFO)



# 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.

But this *journey* doesn't end in a bottle.

For personal use only



**1H FY18 Financial Results**

# Revenue and earnings



**Record Group Sales Revenue of \$18.34m, up 84% vs pcp, which is 77% of the total revenues for FY2017**

	1HFY17	1HFY18	1HFY18 v 1HFY17 %	
	A\$m	A\$m		
<b>Group sales revenue</b>	<b>9.95</b>	<b>18.34</b>	<b>+84%</b>	
<b>Cost of goods</b>	<b>(8.65)</b>	<b>(11.50)</b>		
<b>Gross profit</b>	<b>1.30</b>	<b>6.84</b>	<b>+426%</b>	
<b>% Margin</b>	<b>13.06%</b>	<b>37.30%</b>		
<b>Other revenue and income*</b>	<b>1.58</b>	<b>2.78</b>		
<b>Operating expenses</b>	<b>(8.18)</b>	<b>(13.11)</b>		
<b>Share of Profit/(loss) **</b>	<b>(0.15)</b>	<b>(0.02)</b>		
<b>EBITDA</b>	<b>(6.11)</b>	<b>(2.98)</b>	<b>+51%</b>	
<b>Net Profit Before Tax</b>	<b>(5.45)</b>	<b>(3.52)</b>	<b>+35%</b>	
<b>Income tax benefit</b>	<b>1.73</b>	<b>0.46</b>		
<b>NPAT^</b>	<b>(3.66)</b>	<b>(2.96)</b>	<b>+19%</b>	

- Total Group revenue of \$19.2m, up 83% vs pcp
- Gross Profit increased by \$5.54m, up 426% vs pcp, due to increased milk supply and increased volumes in cheese produced
- Gross Margin for the 1HFY18 was a 185% increase vs pcp
- EBITDA improvement of \$3.13m, up 51% vs pcp
- Improved profitability, with a 35% increase in Net Profit Before Tax vs pcp
- All operating divisions, except Health and Nutrition, recorded profits

\*Includes other revenue, other income and net financial income

\*\*Share of profit/loss from associates

^NPAT excludes loss's attributed from Non-controlling interest of \$(0.58m) for 2H17 and \$(0.10m) in 2H18.

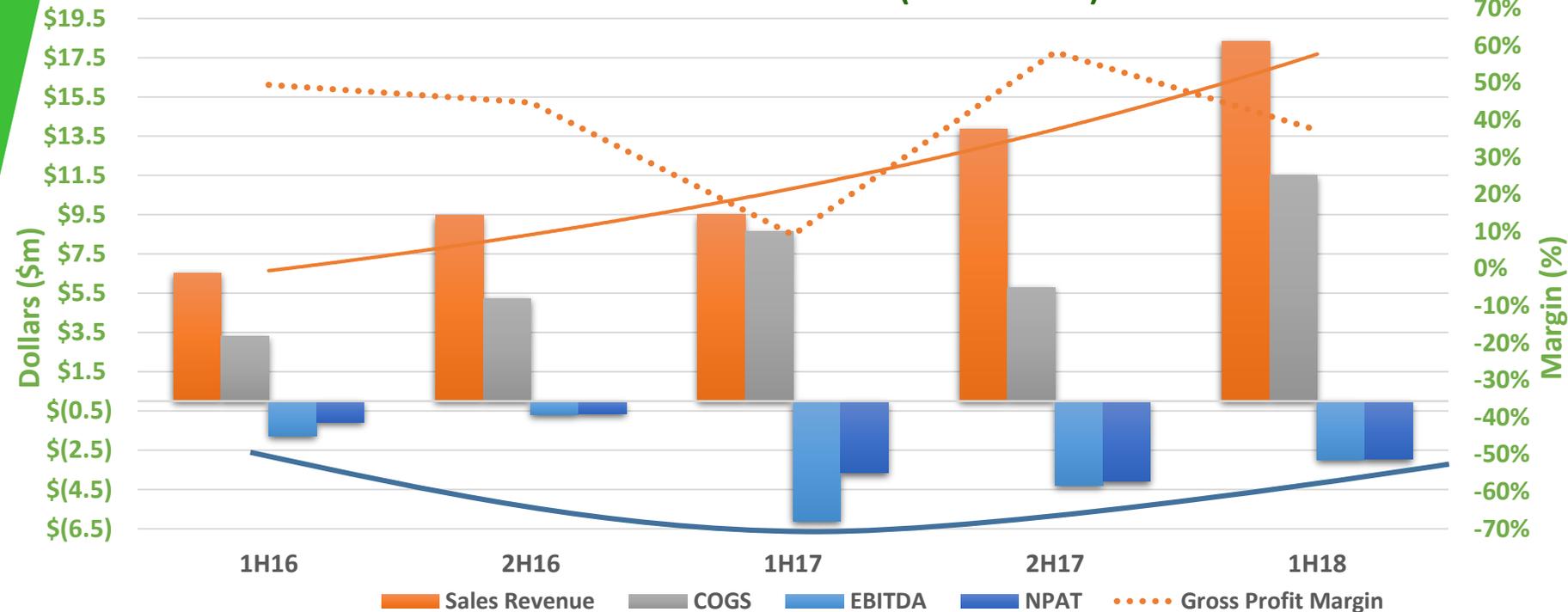
# Improved Financial Performance

For personal use only

## Three Drivers of improved financial performance:

- Increased procurement of milk, resulting in higher production of dairy products
- Increase in domestic dairy sales driven by food service and retail channels
- Turnaround in performance of Dairy, Meat and Seafood division

**BFC Financial Performance (Half on Half)**



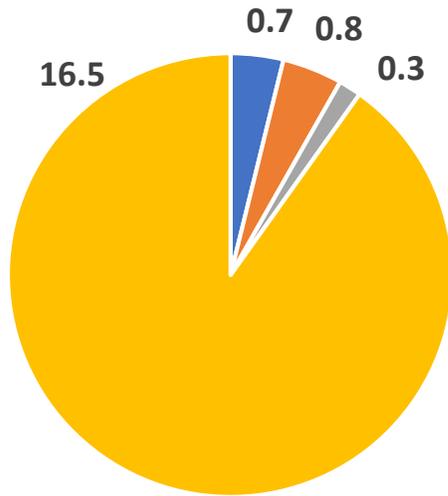
- The financial performance of BFC on a Half by Half comparison basis shows the continuing momentum of the business since listing. The First Half of 2018 financial year has produced a result in line with that of a typical start up company that is, a U shape earnings result. Growth in revenue, coupled with the maintenance of healthy margins, has led to improved profitability over the period since listing

# Markets and customers

The Australia dairy platform continues to drive growth

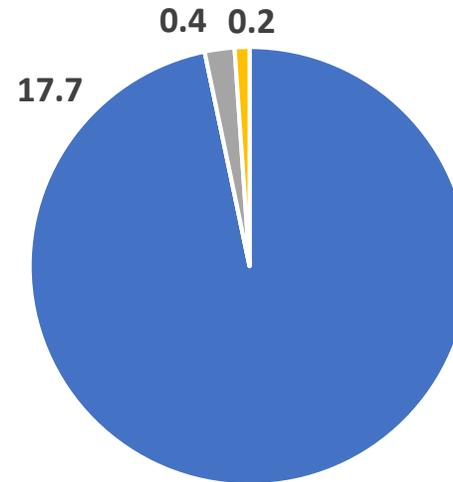
For personal use only

H1 FY18 revenue by region (\$m)



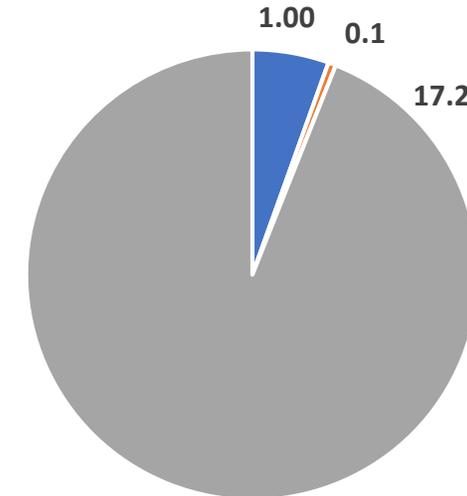
■ ASEAN ■ China ■ Europe ■ Australia

H1 FY18 revenue by division (\$m)



■ Dairy ■ Health ■ Meat & Distribution

H1 FY18 revenue by channel (\$m)



■ Retail ■ Other ■ Food service/ bulk

- Diversification across region, division and distribution channels
- Australian Dairy Food Service/Bulk channel and Australia Dairy Retail channel driving revenue growth, as the business continues to grow its portfolio of products and increases its customer base
- Growth in all divisions is expected to be driven by Australian Food Service/Bulk channel in 2HFY18

# Balance Sheet

2HFY17  
\$m

1HFY18  
\$m

1HFY18 v  
1HFY16  
%

	2HFY17 \$m	1HFY18 \$m	1HFY18 v 1HFY16 %
Cash and cash equivalent	28.70	5.20	-82%
Trade and other receivables	18.61	34.33**	+84%
Inventory	11.66	25.29	+117%
Assets held for sale	1.99	0.00	
Receivables	0.98	5.50	
Equity accounted investments	16.27	16.25	
Property, plant and equipment	44.22	50.99	+15%
Biological assets	4.40	4.40	
Deferred tax assets	5.89	6.21	
Intangible assets	13.57	13.53	
<b>Total Assets</b>	<b>146.31</b>	<b>161.71</b>	<b>+11%</b>
Trade and other payables	9.82	27.63**	
Employee benefit obligations	0.16	0.24	
Deferred tax liabilities	2.19	2.46	
<b>Total Liabilities</b>	<b>12.17</b>	<b>30.32</b>	<b>+149%</b>
<b>Net Assets</b>	<b>134.14</b>	<b>131.38</b>	

\*Total assets excludes insurance replacement values



Increase in total assets to \$160m\*, up 11% vs pcp driven by inventories



Cash decreased over the half due to:

- Major capital investments undertaken such as the Mozzarella plant, Hard Cheese line and Butter plant
- Funding of milk procurement to continue to grow the company's milk throughput, revenue growth and earnings growth
- Funding of working capital through this period of rapid growth



Increased inventory to \$25.60m, up +117% on previous half, due to increased production of cheese to drive sales in 2HFY18



Increased PPE to \$50.99m, up +15% vs pcp, driven by the purchase and installation of new plant and equipment in the capital investments projects



\*\*During the period, the Group significantly increased their production of dairy, specifically cheddar production, in line with their budgeted segment growth. This required a significant increase in supply of milk through the Group's milk swap arrangement with Warrnambool Cheese & Butter Factory Co Holdings Ltd and resulted in a considerable increase in the Trade receivables balance to \$12.0m and Trade payables balance to \$10.9m at 31 December 2017. These amounts are presented gross within the balance sheet due to their being no right to offset, and are settled on an annual basis.

For personal use only

For personal use only

# 1H18 Operational Result

## 1H18 Operational Highlights

### Milk Supply:

- 57 million litres of milk throughput, an increase of 34 million litres or 150% vs pcp\*
- Full half of annualized milk supply of 90 million litres

### Factory Production:

- Sales of over 1,680 tonnes of cheese, an increase of 307% vs pcp
- Cheese tolling of 1,660 tonnes, in line with pcp
- Sales of over 1,500 tonnes of whey powder, an increase of 50% vs pcp
- Sale of 65 tonnes of cream cheese
- Processing over 450 tonnes of LeRice

### Farms:

- Continued focus on maximizing herd output coupled with cost controls to produce their first operating profit since listing

### Capital Expenditure:

Completed installation and commissioning of the new Mozzarella line, which commenced production on the 9<sup>th</sup> February 2018.



## Segment - Dairy

Dairy sales revenues were \$17.71m, up 45% vs pcp, driven by domestic dairy sales into food services and retail channels.

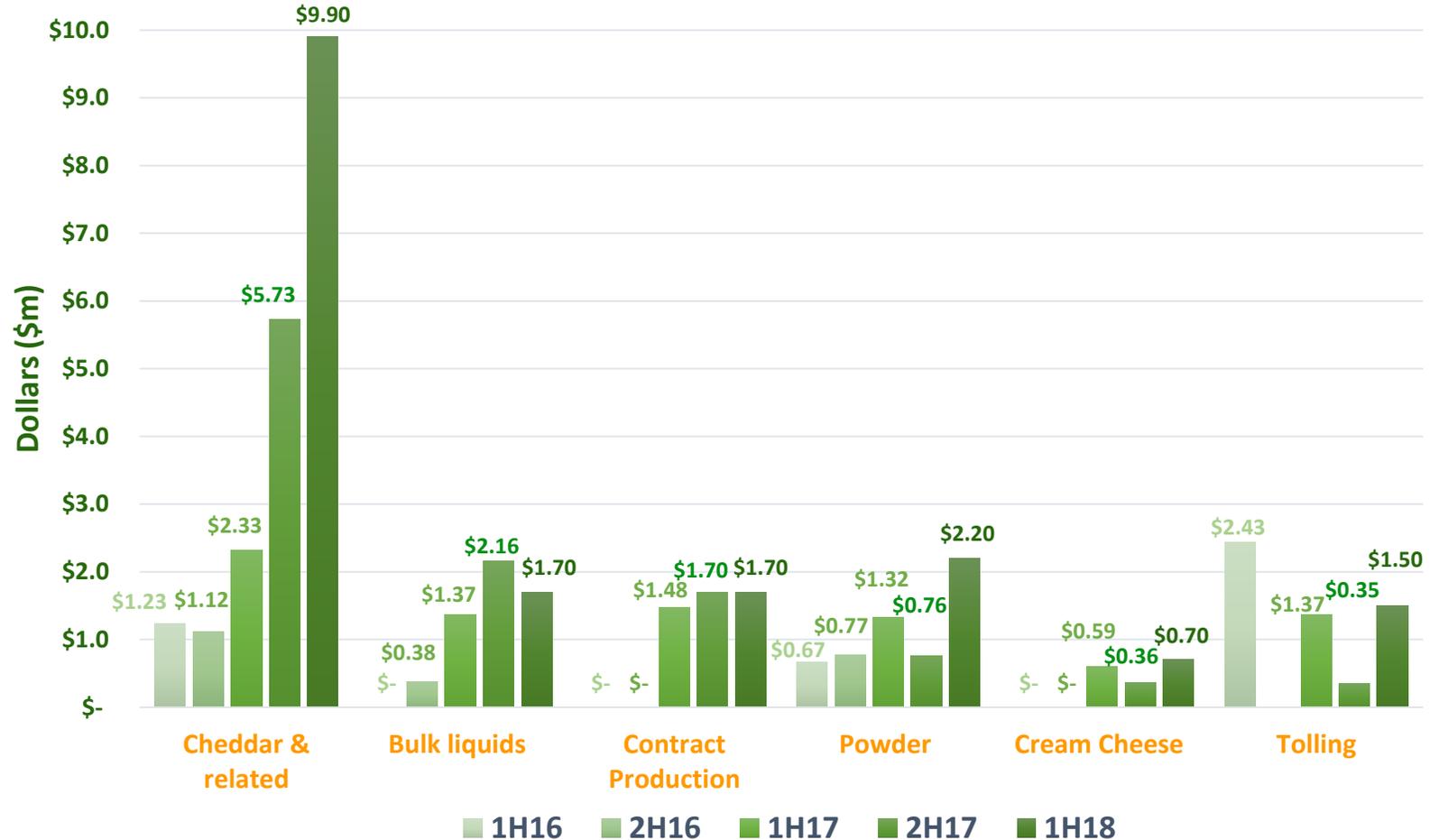
Dairy Segment contributed a profit of \$1.1m, a turnaround of \$0.8m from the full year dairy profit of \$0.3m, and a turnaround of \$2.5m from the dairy loss of \$1.4m from the first half of FY 2017

The result has been achieved through:

- Improved margins
- Implementation of a cost reduction program to offset increases in electricity and gas costs
- The significant increase in milk supply to 90 million litres, commencing in material volumes of inventory in the second quarter.

Edwards Crossing aged cheddar nominated as a Finalist in the Dairy Australia Grand Dairy Awards (more than 18 Gold and Silver medals for quality to date)

Dairy product revenue (Half on Half)



## Segment - Seafood

For personal use only



Contributed a profit of \$0.1m, a turnaround of \$0.3m from the \$0.2m loss from the first half FY 2017.

The result was predominately driven from the leasing of the lobster licenses to Ferguson Australia.

Seafood sales by Ferguson Australia are expected to increase in the second half of the year, in line with Chinese new year.

### Sales numbers achieved by Ferguson Australia:

- 228 tonne of live lobster
- 1.2 tonne of giant crabs
- 19 tonne of frozen lobster
- 8 tonne of kingfish
- 15 tonne of tuna
- 72 tonne of ocean jacket

## Segment - Meat

Contributed a profit of \$0.2m, a turnaround of \$0.7m from the \$0.5m loss from the first half FY 2017.

### Restructure of Scorpio Foods:

- Closure and sale of Colac facility
- Consolidation, upgrading and expansion of Shepparton facility
- New and experienced senior management team
- Beston Global Foods has operational control and ownership of the business in the second half of FY 2018

### Capital Investment:

- Improvements to Shepparton facility to meet needs of large multinational food customers
- Doubled the cooking capacity and improved factory utilisation

Scorpio has won a number of new customers, including Costco Australia for the company's Yara Valley branded ready to eat meal products.



# Segment - Health and Nutrition

## Neptune Bio-innovations

Restructure of BFC's \$12m equity investment in NBI to:

- \$5.94m Convertible Note, with at 3.75% interest rate
- \$6.06m Put Option
- The convertible note will convert at the end of a 5 year term, commencing 28<sup>th</sup> February 2018 or when NBI delivers an EBITDA profit of \$1.5m, whichever is the sooner

## Operational Developments

- NBI's product, Bio Lyte, has captured 1% of the \$140m p.a. oral rehydration market
- NBI to launch new pharmaceutical grade products during 2018 calendar year focused on urinary tract infections (UTI)
- NBI has applied for a license to manufacture medicinal cannabis
  - NBI's facility already meets Therapeutic Goods Administration (TGA) compliance requirements for a number of TGA approved health products.



For personal use only

## International Business

- Decreased costs associated with international offices
- Improved profitability of international operations for 2HFY18
- Shanghai office as at 31 December 2017, successfully listed Beston water, cheese and wine products in over 200 stores, with volumes across these stores expected to increase over the second half of FY2018
- Completion of Malaysian office in August 2017



关注奶牛健康的人性化管理



拥有超过3,000头牛



For personal use only

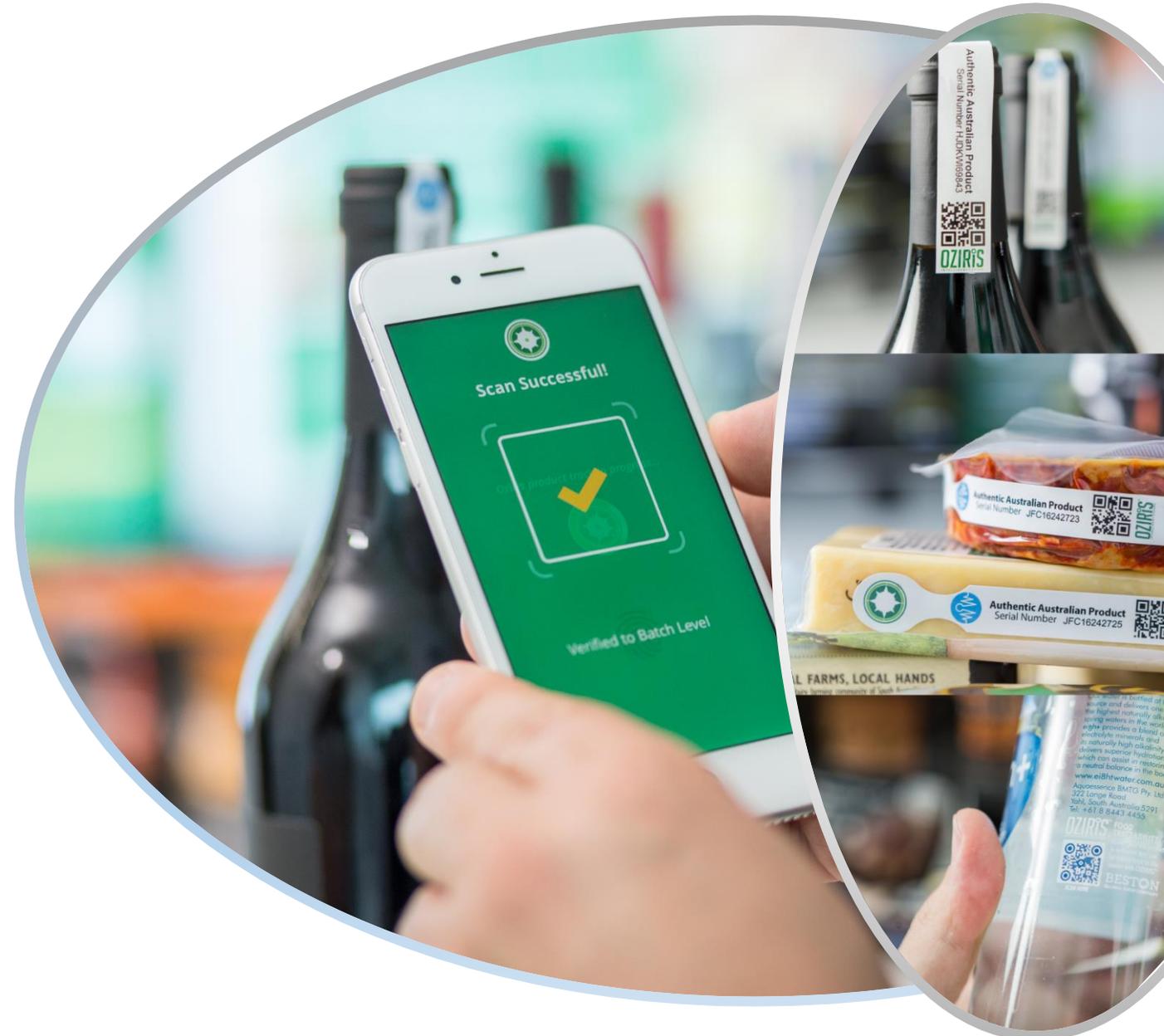
## Technology

### Beston Technologies Pty Ltd (BT) proposed merged with ASX listed DataDot Technologies Ltd (ASX:DDT)

- Proposed merger values Beston technologies at \$13.0m
- Assists BT to achieve critical mass through a combination of two complementary businesses with no product duplication
- Places BT at “arms length” from BFC, to provide potential B2B customers comfort of BT’s independence
- Removes BFC from ongoing cost of funding for future stages of growth
- If the transaction proceeds to completion, BFC anticipates it will book a profit on its investment on BT, in the range of \$8mto \$10m, with the final amount subject to several factors at completion, including any applicable adjustments required under accounting standards

### Operations Developments

- Beston Technologies delivered approximately 20% compound monthly growth rate (CMGR\*) in revenue over calendar year 2017



For personal use only



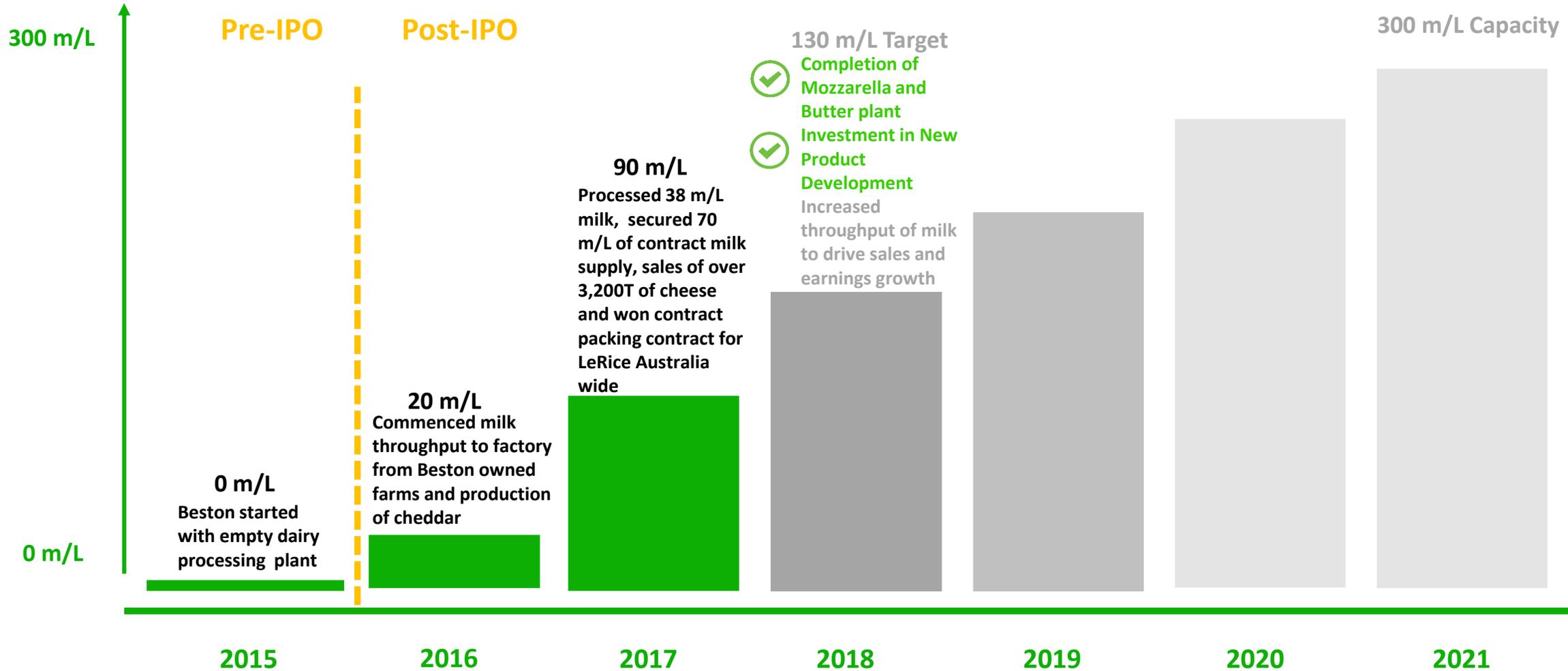
## Outlook



# Outlook – Beston well positioned to capitalise on its cheese production facilities

## Dairy division in line to achieve its 5 year strategic objective

For personal use only

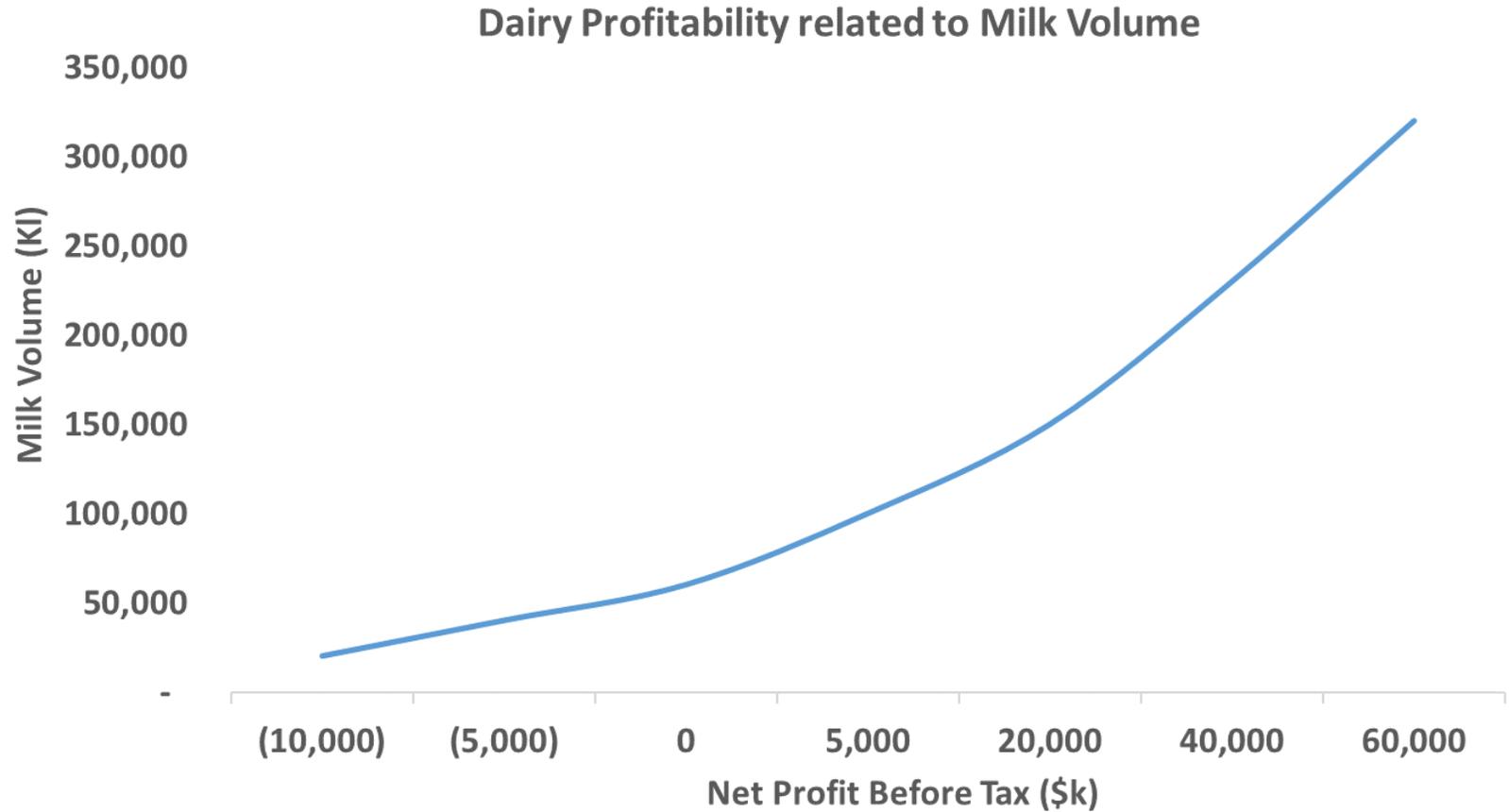




## Outlook – Beston well positioned to capitalise on its cheese production facilities

For personal use only

- In the company’s dairy division, as the milk supply continues to grow, so will the profitability for the Company.
- This increase in supply, coupled with the improved cash conversion cycle and premium price from Mozzarella, is expected to significantly improve the businesses overall cashflow and earnings for the full financial year.
- With the Mozzarella plant now in full commercial production, Beston’s cheese production facilities are now the largest available production assets outside of the multinational dairy companies.



**BEST**  **N** GLOBAL FOOD  
COMPANY

THANK YOU 谢谢

the natural direction

For personal use only

## Further information

### Media

Sean Ebert, Chief Executive Officer  
[sebert@bestonpacific.com.au](mailto:sebert@bestonpacific.com.au)  
+61 8 8470 6500

### Investors

Nicholas Rathjen, Investor Relations  
[nrathjen@bestonglobalfoods.com.au](mailto:nrathjen@bestonglobalfoods.com.au)  
+61 8 8470 6500