

ASX RELEASE

29 July 2022

TRADING UPDATE

- ***BFC has secured new sales agreements for the sale of 16.6MT of Lactoferrin, equating to almost the entire estimated Lactoferrin production for FY23***
 - ***The new sales come on top of the approximately 8MT sold in FY22***
 - ***BFC's Lactoferrin products are now being used by local and international infant formula companies supplying the US market***
 - ***Existing milk supply contracts have been retained for FY23 and some new contracts secured for additional milk***
 - ***Entire dairy division sales book is full for FY23 for all products including with repetitive orders from mainstream customers***
 - ***Positive unaudited operating results and cashflows in Q4 FY22 have set up the Company well for FY23***
 - ***BFC remains firmly on course to capitalise on opportunities in local and global markets where demand for food products remains high despite market volatility and supply challenges***
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Beston Global Food Company Ltd (ASX: BFC or "Beston") is pleased to provide this update on sales of its Lactoferrin products and other operational matters.

Lactoferrin Sales Performance and Business Development

In the Trading Update issued on 02 June 2022, BFC advised that we had sold 0.4MT of Lactoferrin in April 2022, had purchase orders on hand for 5MT and forecast that the total sales of Lactoferrin shipped and invoiced for FY22 would be approximately 8MT (representing total sales of Lactoferrin of approximately 50% of total production for the FY22 year). These sales were achieved by 30 June 2022, in line with the forecast in the 02 June 2022 Trading Update.

In the Operating Guidance update issued on the same date, the Company estimated that the production of Lactoferrin at BFC's Jervois factory in FY23 would be 16 to 19MT (ie comparable with the production volumes in the previous year, FY22).

BFC made significant progress in increasing overall sales in the business during Q4 of the FY22 financial year and in further improving business performance. In keeping with the sales and business development momentum achieved in Q4/FY22, BFC is pleased to advise that we have secured new sales agreements, as at 30 July 2022, for sales of 16.6MT in FY23. That is, our production of Lactoferrin for FY23 is now virtually fully committed. Our production and commercial teams are currently working on sales contracts with other potential customers which, if realised, will significantly surpass our previous expectations of selling only 10.0MT of Lactoferrin during FY23.

The results being achieved with Lactoferrin sales highlight the value of the decision which was made by the Company to expand the capacity and capabilities of our dairy nutraceuticals plant last year. Our Lactoferrin products are now being used by local and international Infant Formula companies which are making significant inroads into the USA market, given the recent product shortages in that country, as have been widely publicised in the media.

The completion of the “build-out” and “scaling-up” work undertaken as part of implementing Stages 1 and 2 of BFC’s 10 Year, three stage, Business Plan over the past years has enabled the business to move from a focus on volume performance to a focus on value performance, as explained in the June 2022 Investor Roadshow presentation (lodged with the ASX and found on our website at <https://bestonglobalfoods.com.au/investors-2/asx-announcements>).

Milk Supply, Milk Prices and Profitability

In the FY23 Guidance issued on 02 June 2022, BFC forecast that we expected our total milk intake for FY23 to be in the range of 155ML–175ML for the full year. Despite intense competition for milk across Australia (and significant increases in farm gate milk prices) in the lead up to 01 July 2022, we are pleased to advise that we have been able to retain all of our FY22 milk supply and to also win some new contracts for additional milk. Subject to seasonal factors and any other unexpected factors outside our control, we expect our milk supply to be within the Operating Guidance issued on 02 June, 2022.

Notwithstanding the additional milk price pressure experienced across the whole of the Australian dairy industry, BFC is pleased to reaffirm our overall EBITDA guidance for FY23 as previously provided to shareholders. The maintenance of this guidance is possible due to the deep focus of management on incremental Lactoferrin sales, operational performance, product mix and pricing recoveries in the marketplace.

Volatility in Market Conditions

The global economic and market conditions for all dairy manufacturing companies in Australia has been particularly challenging in recent times with, inter alia, the disruption of supply chains (and customer bases) due to the restrictions imposed by COVID-19, the war in Ukraine which has drastically curtailed production in one of the world's six food baskets (that supply three-quarters of the world's food) and rising inflation across the world (including dramatically increased prices for energy and fertilisers).

Commenting on the unprecedented volatility, the CEO of BFC, Mr Fabrizio Jorge said: "As a result of the hard work which has been done in successfully implementing all of the objectives in the first two stages of the Company's 10 year Business Plan, along with a number of managerial and other changes introduced in recent months, we believe that BFC is well positioned to deal with all these new challenges and capitalise on the opportunities which will undoubtedly emerge from them".

"Our confidence in the position of the Company has been re-affirmed by our operating results for the last quarter of FY22", Mr Jorge said. "The unaudited Group EBITDA for Q4 was positive (as forecast in the 02 June 2022 Trading Update), resulting in positive cash flows, which has helped provide a strong start for FY23".

Pleasingly the gross margins achieved in the unaudited results for Q4 averaged 15%, in line with the gross margin forecast in our 02 June 2022 Trading Update. As previously advised, in the 02 June 2022 Trading Update, the increase in margins in the Q4 period will not be sufficient to offset the negative results which were achieved in the first half of FY22, primarily because of the slower than expected uplift in sales and margins coming out of COVID and the slower than anticipated initial take up of Lactoferrin from the increased volumes produced by the newly expanded plant.

Mr Jorge advised that the FY23 sales book is full in the Company's dairy division, for all products, which has enabled an improved valorisation of the sales mix with a progressive shift from "spot sales" (when the Company first started operations in 2015), to a well-structured, repetitive order book comprising large mainstream customers and direct distribution of dairy products from the factory to the customer.

"Some promising new sales and customers have also been achieved in recent months in the meat (Provincial Food Group) and water (AquaEssence) divisions, which auger well for realising the potential of these divisions", Mr Jorge said.

“As a result of the uncertainties and disruption brought on by the global events of the past 6 to 8 months, the world is facing a food supply deficit much sooner than had been predicted simply from the growth of the world’s population. BFC is in a good place to play its part in supplying hungry consumer world markets”, he said.

BFC recently undertook a comprehensive review of its five year forward forecasts and growth objectives, as a result of which, the Company’s debt facilities with NAB have been renewed and extended to 30 August, 2023

This ASX Release was approved and authorised for release by the Board of BFC.

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