

ASX RELEASE

31 August 2022

FY22 Results Release & Market Update

- **Group Net Sales up to \$139M, up 24% vs FY21**
 - **Milk Supply intake up 4% vs FY21, reaching over 150ML**
 - **All milk processed and sold to Domestic and International clients**
 - **Group Gross Margins 5.8X higher than FY21**
 - **Group Positive EBITDA in Q4 FY22**
 - **Dairy Division Positive NPAT in Q4 FY22**
 - **Record Mozzarella production, reaching close to 15,000 tonnes in FY22 (up 22%)**
 - **Record Lactoferrin production, reaching approximately 15 tonnes in FY22 (8X higher than FY21)**
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FY22 Results – A Transformative Year

Beston Global Food Company Limited (ASX: BFC) advised shareholders in its Trading Updates on 02 June 2022 and 29 July 2022 that the Company would report a statutory loss for FY22 as a result of the NPAT loss recorded in H1/FY22 as well as the early months of H2/FY22.

As also previously reported, the Q4 results for FY22 have shown both positive EBITDA as well as positive operating cash flows, reflecting the significant improvements achieved in the Company's factory operations and the progress achieved in implementing a range of initiatives to lift trading margins.

Pleasingly, the momentum achieved in Q4 has continued into Q1 of FY23 and has provided the basis for confirmation of the earnings guidance as detailed in the trading update dated last 29 July 2022.

Financial Results Overview

The FY22 financial performance of BFC was significantly impacted by a number of Covid-related events in the first nine months of the year. These events included:

- A dramatic reduction in food service sales as restaurants and various outlets in the hospitality sector were closed because of government-imposed lockdowns.

- Significant increases in supply chain related costs, especially to international markets. For some of our international trading routes, the increases in shipping costs were over 300%. Under the terms of the contracts in place with many of our overseas customers, some \$2.2 million of these increases were not able to be recovered in H1/FY22.
- Stock write-downs due to the delayed delivery of Mozzarella shipments to a number of overseas clients, as a result of the disruption in container shipping.
- A slowdown in global Lactoferrin sales due to declines in birth rates over the COVID-19 period as well as reduced demand for Infant Formula, particularly in China.
- Significant staffing & absenteeism implications for our Shepparton meat and plant-based meat processing plant for a substantial part of FY22 due to COVID-19.

The financial impacts of these Covid related events were exacerbated in H1/FY22 by the under performance of the whey powder plant at Jervois and the delayed take-up of Lactoferrin sales following the completion of the plant expansion (as potential customers took time to independently assess and approve the purity and technical quality of the Lactoferrin produced in our new plant).

Global supply chain delays and costs, energy pricing shocks, the Russian-Ukrainian war, truck and driver shortages, tight labour market conditions, all contributed to the significant input cost inflation experienced during the FY22 year.

New Management Team – delivering sustainable operational and margin improvement

The Company made a number of operational and management changes during FY22 which resulted in substantial improvements in margins, profits, and cash flows during Q4 including the appointments of Fabrizio Jorge as Chief Executive Officer and Cameron Woods as Director, Food and Beverages Business Unit. These changes have been critical in enabling the company to cope with the challenges to the business presented by the impacts of Covid and the significant increases in input costs which arose from geopolitical events and other unexpected events.

During Q4 FY22, the newly established management team put in place a series of actions to review our market, customer, product, and pricing mix positionings, all of which contributed to an uplift in margins and bottom line results in Q4. Over 50% of the Company's FY22 margins were delivered in Q4 alone.

A substantial portion of the Company's production in FY23 is now subject to ongoing customer sales contracts. Price increases have been put in place across all customers and channels

Momentum in margins and profits set to continue in FY23

The continuous improvement initiatives which were put in place across the Company in FY22 (via management changes, operational improvements, cost efficiencies, channel-led value creation etc) as we have valorised our business model, has generated significant momentum. The outcome of these initiatives will be reflected in FY23 and in future period financial results.

The sales of production from the newly expanded Lactoferrin plant at Jervois (completed in July 2021) are now on track. As previously reported, the whole of the scheduled FY23 production was sold and contracted to customers in the month of July, 2022. The Company has excess demand for its range of dairy products and now has a sales mix which, is more broadly spread than previously.

BFC is strategically well positioned for both the short-term (food shortages and high prices) and the long-term (with the rapidly increasing demand for protein as the world's population grows toward 9.8 billion people by the year 2050).

Commenting on the Company's forward outlook, the Chief Executive of BFC, Mr Fabrizio Jorge said "We are confident that BFC is in a better position than at any time in the last three years and is very well placed to continue its positive growth trajectory in revenues, margins and profits".

Strategic Partnership Update

BFC provided an update on 05 August 2022 on its discussions with KCG Corporation in Thailand ("KCG") in relation to a potential strategic partnership under the terms of a Memorandum of Understanding (MOU) between KCG and BFC.

BFC and KCG have now completed their mutual due diligence, within the target date of 31 August 2022, and neither party have identified any issues of concern that would preclude the strategic placement from proceeding.

However, as at 31 August 2022, several matters remain unresolved. These relate particularly to the terms and conditions of the Supply Agreement which is to be put in place between KCG and BFC as per the signed MOU.

Until such time these matters can be resolved, BFC has advised KCG that it has withdrawn its offer, under the terms of the MOU, to make a strategic placement of shares to KCG.

Given the excess demand which BFC is experiencing for its products in the current global food markets and the significant volatility of dairy prices, BFC is acutely aware to ensure that any Supply Agreement is not disadvantageous to BFC or to its

shareholders. Similarly, KCG is conscious of the need to ensure security of supplies for its customers in a way that it is not disadvantageous to its shareholders.

The management teams of KCG and BFC will continue to focus on the terms and conditions of the Supply Agreement and they both acknowledge that this is not a matter to be "rushed". Any such Supply Agreement requires that the interests of both parties be properly balanced, so as to ensure the longevity and viability of the Agreement.

BFC wishes to ensure that the momentum which is expected to be generated from this long-term Supply Agreement is self-sustaining and is protective of the interests of the BFC shareholders, while also maintaining our upward growth trajectory.

Discussions on these matters are to be held between BFC and KCG in Bangkok during September and until any terms and conditions of a Supply Agreement and other aspects of the Strategic Partnership are finalised, both parties will continue to focus on their own corporate goals and objectives. For BFC, this means attaining the key objectives detailed in the third phase of the Company's ten-year business plan, which includes maximising the return on capital employed (ROCE) on our production assets to generate sustainable free cash flows, further exploiting our Dairy Nutraceutical capabilities, capitalising on the product and production capabilities within our wholly owned Provincial Food Group, and pursuing vertical integration acquisition opportunities.

Employee Share Issue

The Board of BFC has resolved to pay STI bonuses to key members of the senior management team in recognition of the transformative work which was done in Q4 of FY22 to achieve the profit targets for that period, as the Company recovered from the impacts of COVID-related events and other factors which led to under performance in prior months, and particularly in H1. Such bonuses in previous years were met by way of cash payments made by the Investment Manager at that time, ie Beston Pacific Asset Management Pty Ltd.

The recipients of the STI bonus payments in respect of Q4/FY22 have opted to receive the payments in BFC shares, rather than cash. Accordingly, the following new shares have been issued on 30 August, 2022:

Fabrizio Jorge, Chief Executive Officer	1,036,270
David Isherwood, Chief Manufacturing Officer	777,200
Cameron Woods, Director, Food & Beverages	777,200
Nick Wagner, Chief Financial Officer	712,435
Hamish Browning, Director, Agribusiness & Milk Supply	712,435
Adrian Bartsch, Director, People & Culture	466,320

The share price used for determining the number of shares to be issued was 9.65 cents, being the same price as agreed with KCG under the terms of the MOU signed between KCG and BFC as announced on 23 July, 2022.

“The decision by these senior managers to elect to receive shares over cash for their STI bonus payment is indicative of their commitment to the Company and their keenness to have “skin in the game” as BFC progresses forward”, the Chairman, Dr Roger Sexton said.

Targets have been set for STI and LTI entitlements for management in the FY23 financial year around five key performance indicators: financial objectives, operational objectives, strategic objectives, growth objectives and people and culture objectives. The award of any eligible STI or LTI entitlements in FY23 will be made under the terms of the Beston Global Food Company Limited Employee Incentive Plan (BFCEIP) approved by shareholders at the Annual General Meeting on 26 November 2021, and will be subject to certain “gates” determined by the Board whereby no payments will be made under the Plan unless the gates are satisfied (including a requirement that the Company is profitable).

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

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ABOUT BESTON GLOBAL FOOD COMPANY LIMITED

Beston Global Food Company is a proud SA 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