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FY20 full year results and outlook

31 August 2020

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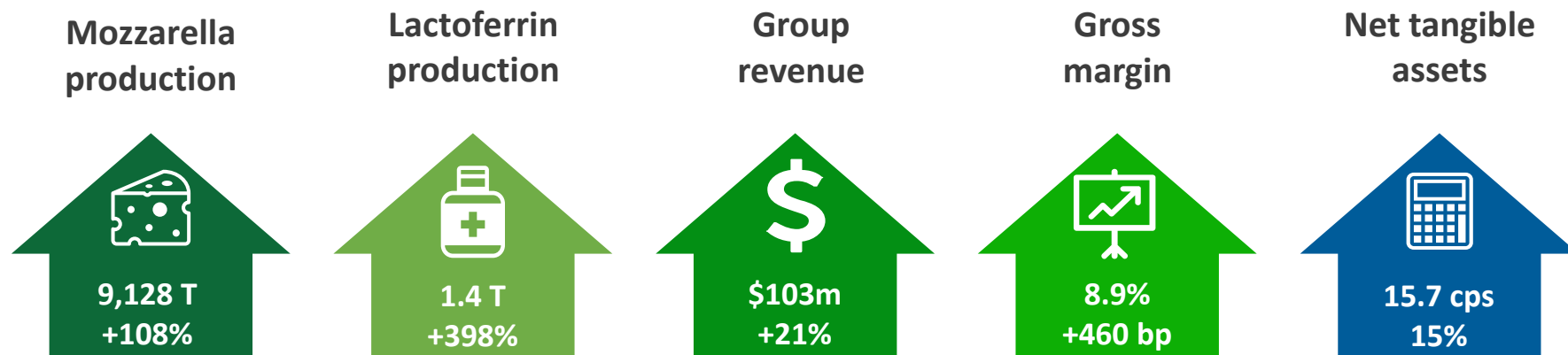
Highlights



FY20 an accretive but challenging year

Strategic imperatives achieved during a challenging year with COVID-19

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Building on our foundations....

- ✓ Continued transition to higher-margin products
- ✓ Lactoferrin production increased and capacity expansion underway
- ✓ Sale of dairy farms to significantly reduce debt
- ✓ Increased milk supply contracted for FY21
- ✓ Successful equity raise

....and navigating challenges

- Higher milk costs following two years of drought
- COVID-19 pandemic impacts
- Underperformance of PFG (resulting in management and operational changes)
- Non-cash impairments of non-core assets

FY21 step change

Increased milk supply, with focus on higher-margin product mix and sustainable free cash flow

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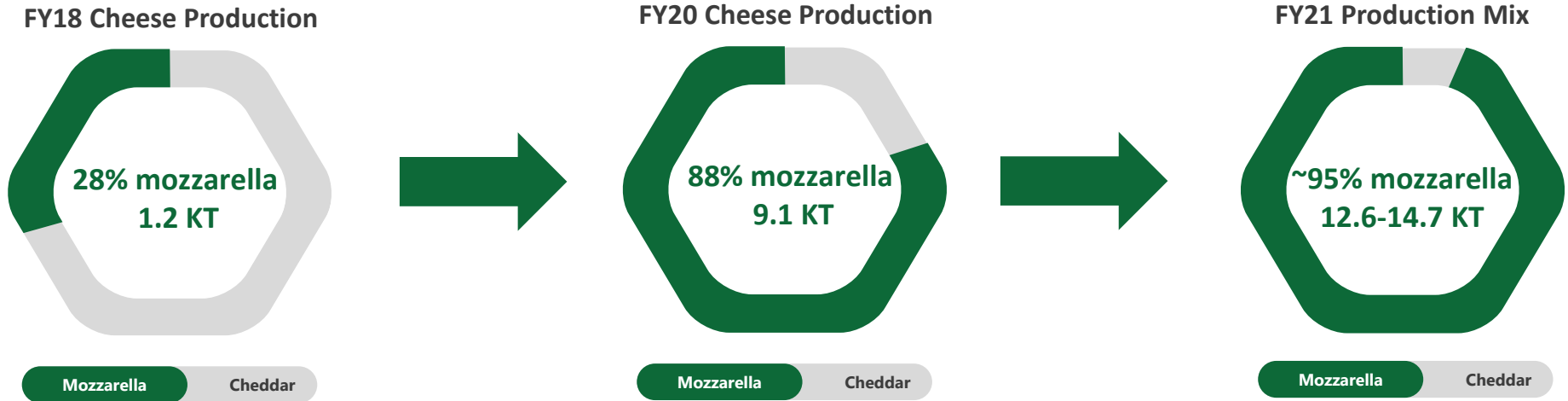
- Focused on increasing milk supply
- Improving utilisation of mozzarella facilities
- Strong growth in mozzarella production
- Lactoferrin plant capacity step-change
- Revenue growth to drive profitability
- Low gearing to support growth objectives

FY20		FY21
111 ML	➔	131-145 ML
46%	➔	~70%
9.1 KT	➔	12.6-14.7 KT
3 T	➔	12 T
\$103m	➔	\$130-145m
49%	➔	8-16%

Successfully transitioning to higher-margin production

Step-change in mozzarella production following installation of state-of-the-art processing equipment in 2018

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Clear benefits from strategy to focus on higher-margin mozzarella production

By products:	1 tonne of cheddar →	1 tonne of mozzarella →
Cream	• No production	• 175 litres (+175 litres)
Whey powder	• 480 kg	• 480 kg (n/c)
Lactoferrin	• 200 grams	• 350 grams (+75%) ¹

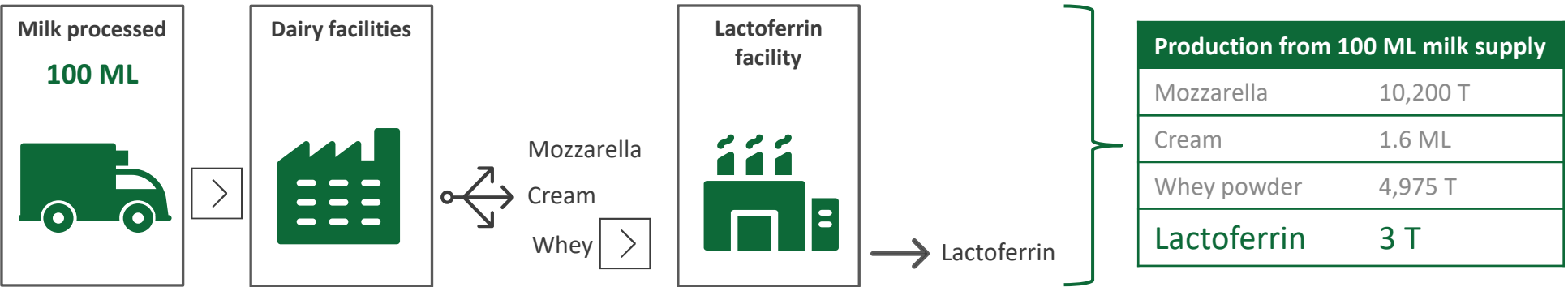
1. From existing whey-based extraction process

Lactoferrin plant expansion underway

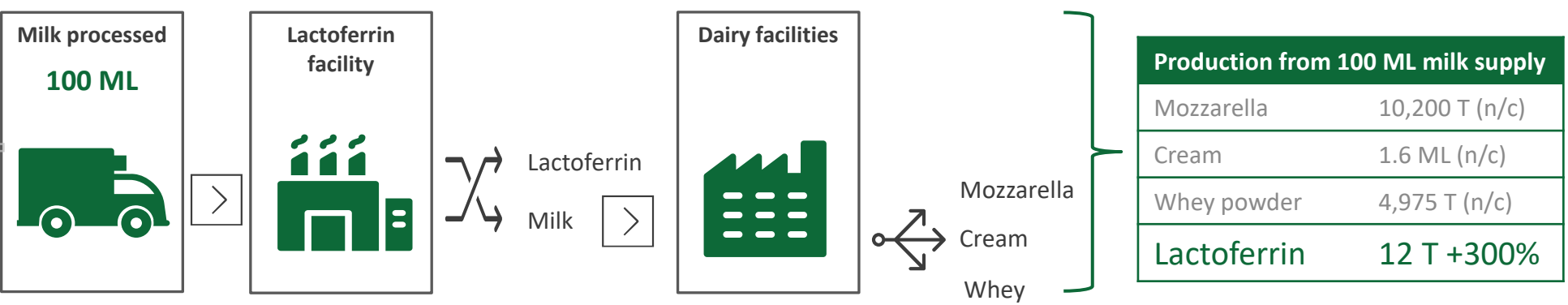
Conversion from whey input to skim milk input will deliver a step-change in lactoferrin production

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Current processing flow chart with whey input



Processing flow chart with skim milk input

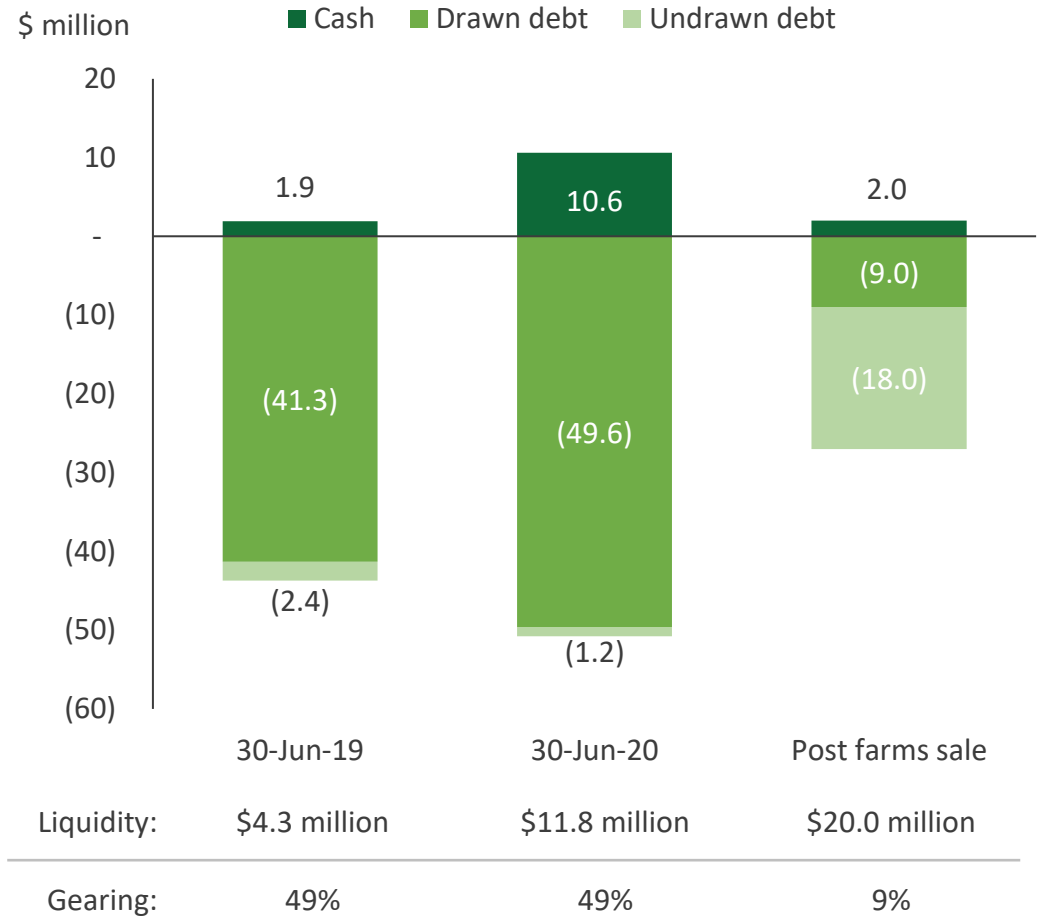


Annual lactoferrin production capacity of 12 tonnes post completion of expansion in Q3 FY21

Sale of dairy farms

Strategic reallocation of capital to reduce debt and deliver on strategic imperatives







- ✓ Sale completed on 31 August 2020
- ✓ \$40.4 million gross proceeds received
- ✓ Cash proceeds reduce gearing to 9%
- ✓ Milk supply from farms secured (~17 ML) for 10 years at arms' length prices
- ✓ Redeployed capital enhances capacity utilisation, cash flow and ability to secure additional milk
- ✓ Increases return on capital employed (ROCE)



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FY20 provided confidence to issue FY21 forecast around key drivers

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		FY20	FY21	Key drivers	Key risks
	MILK SUPPLY	111 ML	131-145 ML	Contracts in place to supply 138ML in FY21	Seasonal conditions
	MOZZARELLA PRODUCTION	9,128 T	12,600-14,700 T	Milk supply	COVID-19 impact on demand
	LACTOFERRIN PRODUCTION	1.4 T	4.0 - 6.0 T	Process efficiency; milk supply	Timing delay on new facility completion
	REVENUE	\$103m	\$130-145m	Milk supply and pricing	Mozzarella demand; timing delay on new facility completion
	GEARING AT YEAR END	49%	8-16%	Dairy farms sale completed	EBITDA and working capital changes
	CAPITAL EXPENDITURE	\$6.0m	\$17-22m	Lactoferrin expansion project ~\$12m	COVID-19 impact on demand

Notes: Provincial Food Group (Meat segment) FY21 result expected to be breakeven. Key Risks discussed on slide 23.

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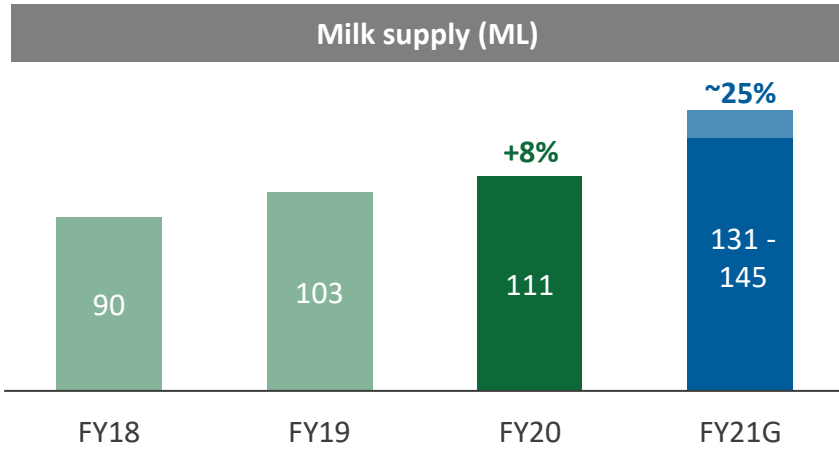
Operating and financial results



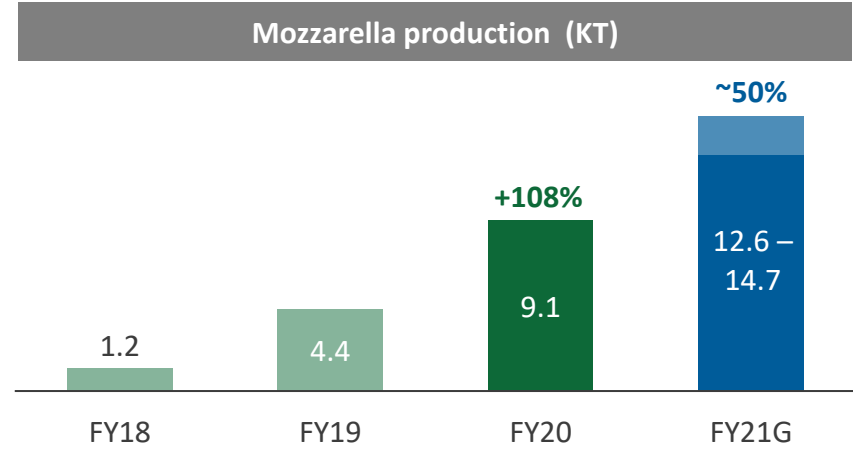
Dairy facilities

Production and revenue increase driven by growing sales pipeline and modest uplift in milk supply

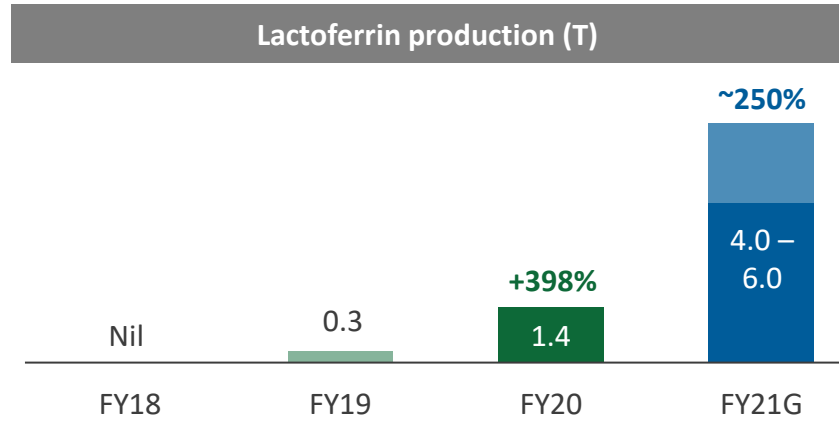
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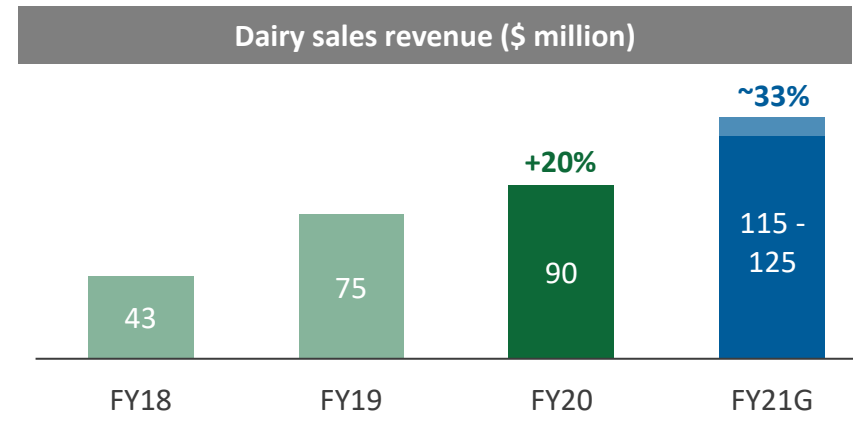
✓ Contracts secured to supply 138 ML in FY21



✓ Higher-margin mozzarella production driving growth



✓ Step-change in lactoferrin production underway

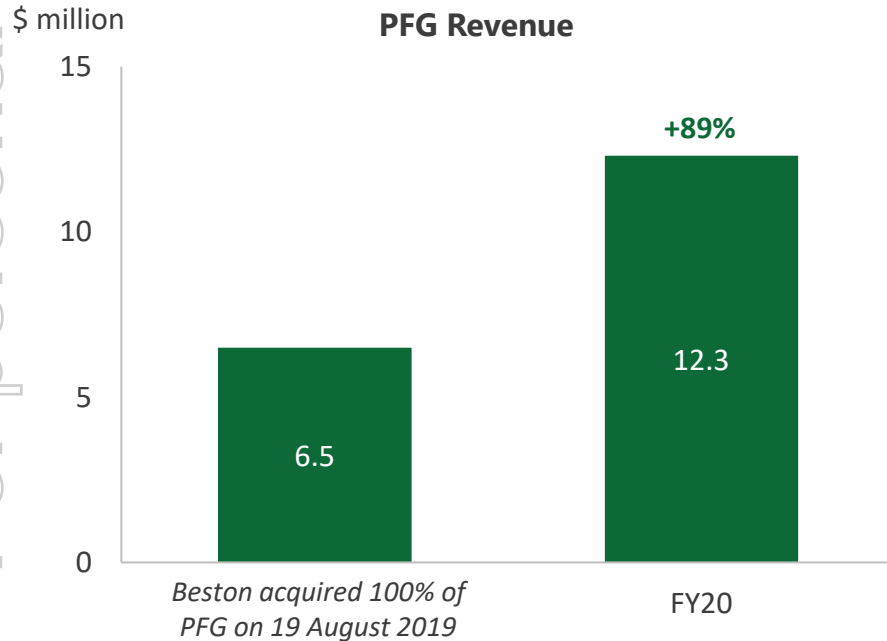


✓ Volume growth and transition to higher value products

Provincial Food Group

Positioning for a positive FY21 contribution

- Management and operational changes to generate positive contribution in FY21
- FY20 loss largely due to termination of significant contract which became commercially unviable
- New contracts in place to drive higher revenue in FY21 with focus on traditional meat processing



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Financial results

Transition to higher-margin products drives gross margin expansion

	FY19	FY20	Change
Sales revenue ¹	84.7	103.0	22%
Cost of sales	81.1	93.9	16%
Gross profit	3.6	9.1	153%
<i>Margin</i>	4.3%	8.9%	460bp
Other income	0.4	0.1	(300%)
Other expenses	36.1	28.8	(20%)
EBITDA	(30.4)	(14.3)	47%
Depreciation and amortisation	1.9	3.0	58%
Statutory NPAT	(27.0)	(11.6)	57%
Operating cash flow	(9.1)	(13.7)	(51%)
Capital expenditure	12.3	5.7	(54%)
Net debt (30 June)	39.4	39.1	(1%)
Total Assets (30 June)	140.6	145.3	3%
Equity (30 June)	80.1	80.0	(0%)
NTA ² - cents per share (30 June)	13.7	15.7	15%

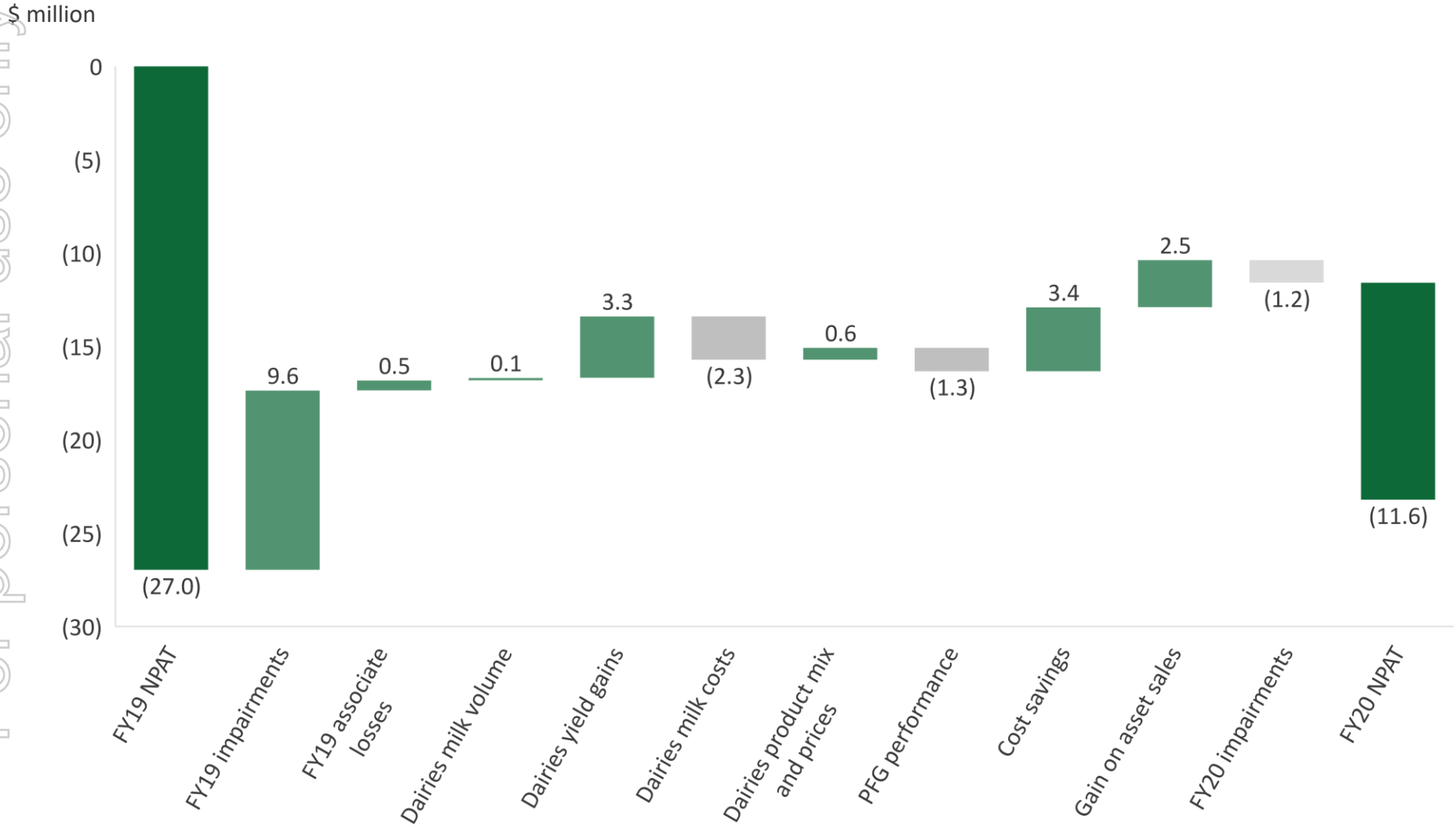
- Sales revenue increased 22% despite milk supply increasing by only 8% as more milk was processed to meet growing demand in customer sales
- Gross margin increasing, driven by Dairy segment (gross margin 10.5% up from 6.9%)
- Underlying NPAT (loss) improved 28% as a result of increased revenue and margins
- Statutory loss includes reduced impairment charges
- Operating cash flow lower but consistent with EBITDA due to working capital changes
- Net Tangible Assets increased 15% to 15.7 cents per share

1. Excludes other revenues

2. NTA is calculated on the book value of assets (i.e. historical cost less depreciation and impairments) and does not reflect the replacement value or the economic value of the assets

FY19 to FY20 NPAT bridge

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FY21 guidance and outlook

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Five strategic imperatives underpin growth objectives

Each additional 20 ML of milk supply expected to generate additional gross margin of ~\$5 million¹

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SALES PIPELINE

- Expanding customer base
- Diversifying product channels
- Driving revenue growth



MILK SUPPLY

- Security of raw material (contracts with dairy farms)
- FY20 111 ML; FY21 contracted milk supply of 138 ML; targeting ~180 MLpa
- Sourcing >20% of South Australian milk pool



DAIRY NUTRACEUTICALS

- Valuable infrastructure acquired in 2016
- Replacement cost well in excess of acquisition cost
- Lactoferrin produced from skim milk and whey by-product
- Current capacity 3 Tpa
- Expansion to 12 Tpa



CAPACITY UTILISATION

- Installed mozzarella production capacity of 20,000 Tpa
- Currently 46% utilisation and increasing to ~70% in FY21



Increasing returns per kg of milk solids



PRODUCT MIX

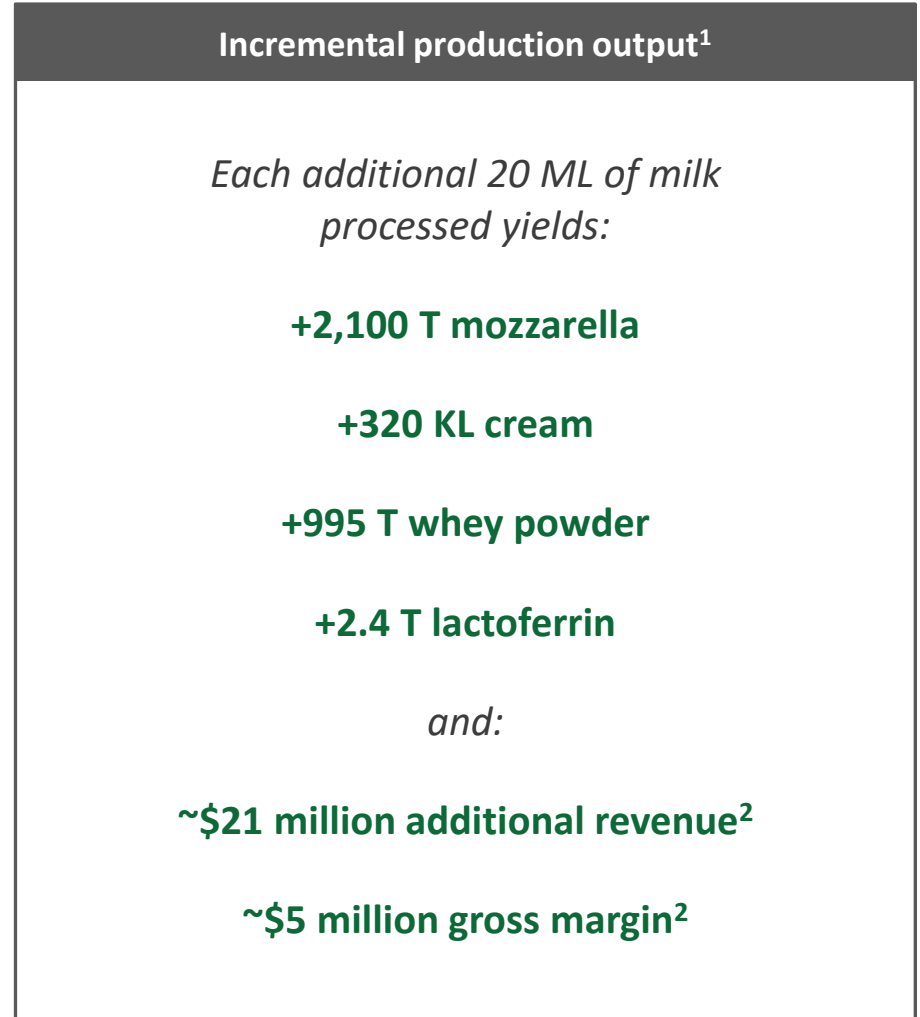
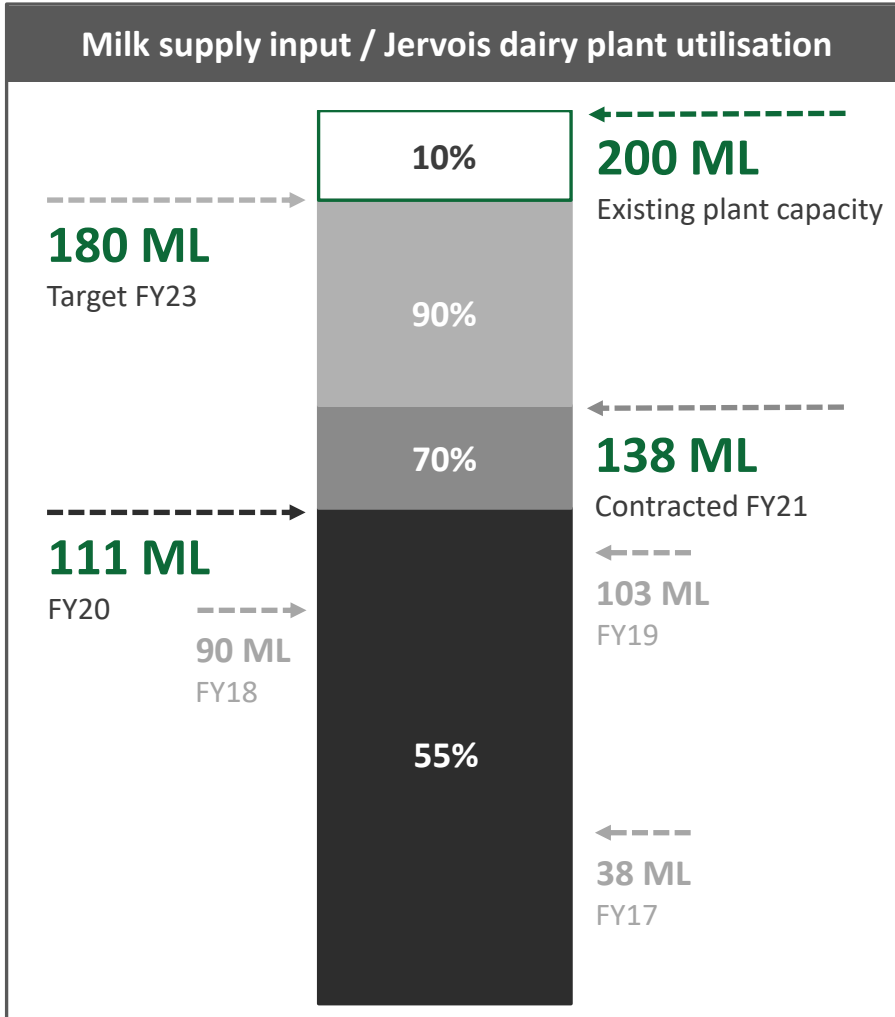
- Dairy, meat and value-added protein producer
- Transitioning to higher-margin product mix

1. Post Stage 1 skim milk lactoferrin facility construction

Driving growth through increased milk supply and plant utilisation

Ramp-up of Mozzarella plant utilisation gaining momentum

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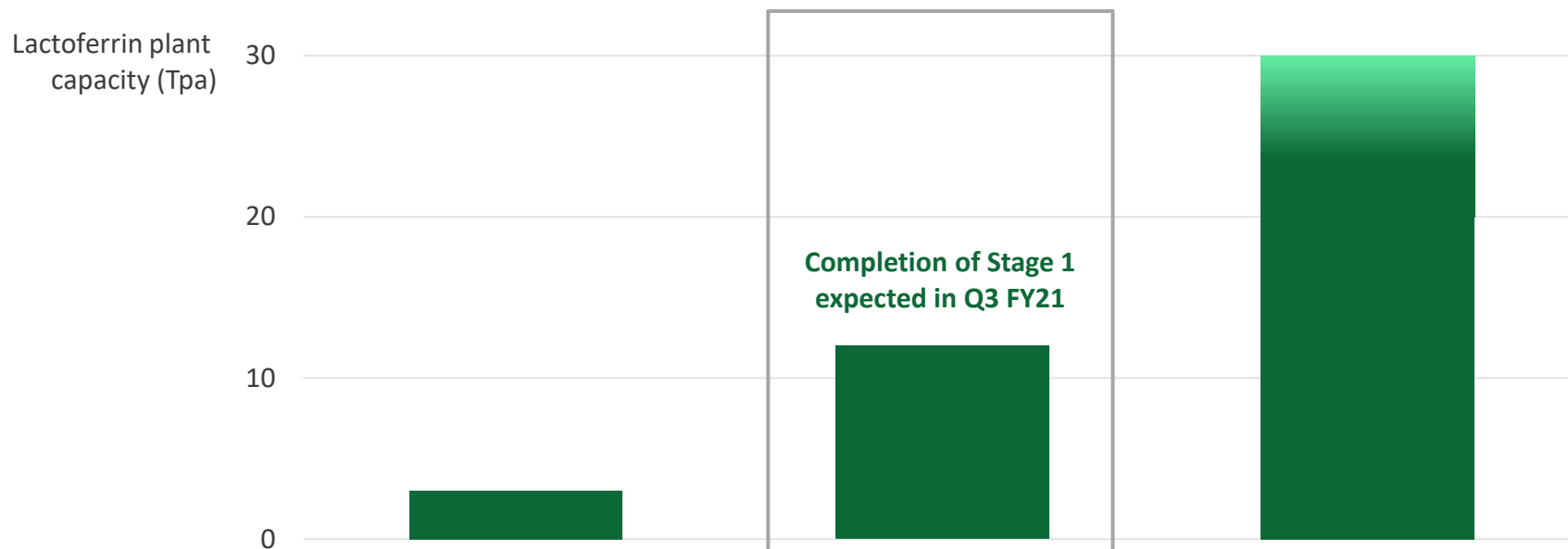


1. Expected incremental production post completion of lactoferrin plant construction and expansions

2. Based on average FY20 product prices and lactoferrin estimated at \$1,500/kg

Lactoferrin expansion a core strategic imperative for increasing returns

Expansion of lactoferrin production to potentially capture ~5% of the growing global market in FY22



Production metrics	Current	Stage 1	Stage 2 and 3
Production capacity	3 Tpa	12 Tpa	>20 Tpa
Production input	Whey	Skim milk	Skim milk
Milk supply	100 ML	100 ML	180 ML
Expansion cost	\$3 million	\$12 million	\$9 million
Revenue ¹	\$4.5 million	\$18 million	>\$30 million

1. Assumes full production capacity and lactoferrin price of \$1,500/kg

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Attractive lactoferrin market fundamentals

Growing demand and prices, with limited producers of scale globally



CURRENT DEMAND (2019)¹

352 Tpa



FORECAST DEMAND (2023)¹

+500 Tpa



GLOBAL PRODUCERS TO SERVICE DEMAND¹

<10



STRONG PRICING GROWTH¹



LIMITED AUSTRALIAN PRODUCERS

4

Current Australian producers

~5%

Targeted Beston global market share (FY22+)



FAVOURABLE GLOBAL MARKET DYNAMICS

- ✓ China regulation requiring lactoferrin to be added to infant formula
- ✓ Significant anti-viral, anti-bacteriological and anti-fungal properties
- ✓ Increasing awareness of health benefits in functional foods, cosmetics products and oral hygiene
- ✓ Increasing pharmaceutical product use, including immune system stimulation

1. Source: Strategic Insights into the Global Lactoferrin and Lactoferoxidase Market, UBIC Consulting 2020

Investment highlights

Becoming a leading supplier of dairy, meat and plant-based protein to domestic and international markets

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Appendix



Beston Global Food Company

Becoming a leading supplier of dairy, meat and plant-based protein to domestic and international markets

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DAIRY

- Production of cheese (mozzarella, cheddar), lactoferrin, cream, butter and whey powder
- Dairy processing facilities at Jervois and Murray Bridge
- >20% of South Australian milk pool processed



MEAT AND PLANT-BASED MEAT ALTERNATIVES

- Provincial Food Group facility at Shepparton, Victoria
- Current focus on core meat products
- Medium-term outlook for plant-based meat products



TECHNOLOGY AND INVESTMENTS

- BrandLok (anti-counterfeiting technology) and OZIRIS (end-to-end traceability technology) mobile phone apps
- Neptune Bio-Innovations (pharmaceutical and nutraceutical products) and AquaEssence (Eigh+ alkaline water)

Australia's 3rd largest mozzarella producer and growing

Dairy production facilities

Acquired out of receivership, with state-of-the-art mozzarella production facility installed at Jervois

Jervois facility (South Australia)

- New mozzarella facility installed for \$28 million (2018)
- Production of Beston's Edward's Crossing premium mozzarella, whey powder, cream and butter
- Intake capacity of 200 MLpa of milk, capable of ~20,000 Tpa of mozzarella
- FY20 production of 9,128 T of mozzarella



Murray Bridge facility (South Australia)

- Edwards Crossing hard cheese (cheddar, gruyere, colby, gouda) production, along with cream cheese
- Houses principal storage facility
- FY20 production of 1,221 T of cheddar
- Low-cost upgrade opportunity to improve production efficiencies



Replacement cost of facilities far outweigh acquisition cost

Provincial Food Group

Premium meat products and plant-based protein foods

- Extensive restructure and re-branding of operations completed in FY19 (formerly Scorpio Foods)
- Upgraded and re-fitted meat processing and storage facility in Shepparton, Victoria
- Broad range of tailored food solutions for the retail and food service channels
 - Raw, ready-to-eat and fully cooked meat products; plant-based alternative meat products
- Fully accredited production processes
 - SQF Level 8 certification; HACCP SGS accreditation; HALAL ICCV accreditation; meat export licence
- Raw inputs carefully selected from local suppliers, with a high-quality imperative
- FY20 revenue \$12 million
- 100% owned by Beston



Recognising the growing importance of food provenance and trusted origins

Disclaimer – Guidance caveats

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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, 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



Lactoferrin facility

- Risk of delay in delivery of already ordered long-lead items
- Construction delays could arise via importation issues or unforeseen site conditions
- Potential performance and reliability issues with new skim-based technology



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

Glossary

• Beston	Beston Global Food Group
• bp	Basis points
• BPAM	Beston Pacific Asset Management
• BPD	Beston Pure Dairies
• cps	cents per share
• HACCP	Hazard Analysis and Critical Control Points
• IMA	Investment Management Agreement
• FY	Financial year
• Gearing	Net debt divided by equity
• kg	Kilogram
• KL	Thousand litres
• KT	Thousand tonnes
• ML	Million litres
• NTA	Net tangible assets
• PFG	Provincial Food Group
• T	Metric tonnes
• pa	Per annum
• SPP	Share Purchase Plan
• SQF	Safe Quality Food
• YTD	Year to date

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