

ASX RELEASE

19 October 2022

ASX CODE: BFC

**BESTON TO RAISE APPROXIMATELY \$28.2 MILLION
VIA A PLACEMENT & NON-RENOUNCEABLE ENTITLEMENT OFFER**

- **The Capital Raising will consist of;**
 - A Placement to raise approximately \$3.3 million via the issue of approximately 130.2 million New Shares at \$0.025 per share within the Company's available Placement capacity under ASX L.R 7.1 ("Placement").
 - A Non-Renounceable Entitlement Offer to raise approximately \$25.0 million via the issue of approximately 998.5 million New Shares at \$0.025 per share. Under the Entitlement Offer, eligible shareholders will have the opportunity to subscribe for 1 New Share for every 1 BFC shares held as at the Record Date of Friday, 28th October 2022 ("Entitlement Offer").
- **The Placement and the Entitlement Offer together are referred to as the "Offer".**
- **The proceeds will be used to:**
 - Retire debt and reset the balance sheet to accelerate earnings growth, post the challenges of the COVID-19 era, and pursue future growth opportunities
 - Invest in several high ROI manufacturing projects to accelerate profit and sustainability improvements including the vertical integration of our cheese processing capabilities
 - Expand innovation and leadership in the bioactive protein and nutraceuticals space
- **The capital raised will accelerate growth in the revenues and earnings of BFC, while consolidating our position as South Australia's largest and leading dairy company.**
- **New Shares issued under the Placement will be cum entitlement. Investors allocated New Shares under the Placement will also be required to commit to subscribe for their entitlement under the Entitlement Offer.**
- **The Directors have indicated their intention to participate in the Entitlement Offer to an extent not exceeding their respective entitlement. Key executives from the management team have also indicated their intention to more than take-up their rights and have provided commitments of support.**

Beston Global Food Company Limited (ASX: BFC, "Beston" or "Company") is pleased to announce that it has launched a capital raising, to raise approximately \$28.2 million through an unconditional placement to sophisticated and professional investors ("Placement") and a pro-rata non-renounceable Entitlement Offer to shareholders ("Entitlement Offer"), together the "Offer". The Company has received strong indications of support from new and existing shareholders and have firm binding commitments for \$27.3 million of the targeted amount under the Offer.

Under the Entitlement Offer, Eligible Shareholders have the opportunity to subscribe for 1 New Share for every 1 share held as at the Record Date. All shares under the Offer will be issued at a fixed price of \$0.025 per New Share (Offer Price).

Eligible Shareholders who accept their entitlement in full can also apply for Additional New Shares more than their entitlement. These Additional New Shares will be available should all Shareholders not take up their full Entitlement (subject to scale back at the sole discretion of the Company).

New Shares will not be offered to the general public.

Pricing

The New Shares at an Offer Price of \$0.025 per share represents:

- 59.7% to the Company's closing share price on ASX of \$0.062 on 14 October 2022 (which was the last full day of trades on the ASX before the announcement of the Entitlement Offer);
- 60.4% discount to the 5-day VWAP of \$0.063 as at 14 October 2022
- 59.6% discount to the 10-day VWAP of \$0.062 as at 14 October 2022
- 39.2% to the theoretical ex-rights price ("TERP") of \$0.041 as at 14 October 2022

The offer price reflects market conditions and the decision of the Board to reward the loyalty of the Company's shareholders.

Purpose of Offer

The purpose of the Offer is to reset the balance sheet and accelerate earnings growth for the Company post the debilitating effects of the COVID 19 period. Beston will pay down debt to enhance profitability, expand capacity to grow sales, execute projects that will optimise operations and continue to grow gross margins.

Use of Funds

- Retire debt and reset the balance sheet to accelerate earnings growth, after the impact of COVID-19, and pursue future growth opportunities (\$16 million)
- Invest in several high ROI manufacturing projects to accelerate profit and sustainability improvements including vertically integrating our cheese processing capabilities (\$7.5 million)
- Expand innovation and leadership in the bioactive protein and nutraceuticals space via targeted investments (\$3 million)
- Costs of the offer (\$1.7 million)

In the event that the amount raised in the Offer does not reach the targeted amount of \$28.2 million, expenditure on the capital projects identified in this announcement will, after retiring debt, be prioritised to those with the shortest payback to accelerate the drive to increased profitability.

ROIC positive projects to drive profits (\$7.5m)

BFC business teams have identified a range of low risk, high returning initiatives to unlock savings, deliver additional profits and accelerate our environmentally sustainable journey. These opportunities fall into three areas:

- Vertical integration of processing to capture lost margin
- Water recycling and energy capture
- More mozzarella from the same amount of milk (i.e. 'stretching our milk')

Vertical integration: Our Murray Bridge site is our central hub for storage as well as being our secondary processing site for Mables cream cheese. This site is also the home for some of our great specialty flavour cheeses such as a Vintage Cheddar, Gruyere and Provolone.

Opportunities exist to economically unlock latent capability and utility within the Murray Bridge site to add value and drive vertical integration (in house) for our bulk cheese, including as previously indicated to shareholders, the installation of a cheese shred and pack capability. The key value drivers for these investments are:

- Shortened innovation times as a result of more direct feedback from consumers and the market.
- Savings on working stock, storage and transportation
- Capture margin attributed to selling finished goods
- Expand and diversify the BFC product range.
- Integrated product grading and increased product control
- Minimise yield loss and increased flexibility and control over milk and raw material manufacture.

This investment is estimated to utilise approximately \$5 million of the capital raised.

Other key initiatives to be implemented with the funds from the capital raise are: Water recycling and energy capture: Some of the key initiatives, but relatively small cost capex projects, to be pursued with funds raised include a refit of the Company's water and energy plant. By fitting best in class, proven technology to current sites, the Company can drive a step change for our environment and IRR. For example, the current spend on water is a 7-figure sum: investment in a water recycling plant will have a payback of less than 1 year and has the potential to reduce water usage by more than 40% per annum. These savings will be recurring annually.

More Mozzarella from Milk: The Company has previously advised shareholders of some steps which can be taken to 'stretch' milk via yield and efficiency improvements. These further opportunities to extract more value from every litre of milk processed by expenditure of additional capital are low risk and provide a strong return on investment.

The Board of BFC considers that now is the right time to pursue these projects, given the substantial cost savings involved and given that both the mozzarella plant and the Lactoferrin plant are performing well. Management has a proven track record in delivering major capex projects within budget and within critical time paths.

Leadership in the bioactive protein and nutraceuticals space (\$3m)

The Company has given guidance that it expects to produce (and sell) 16 to 19 metric ton of Lactoferrin in FY23.

BFC will invest in a third Lactoferrin extraction column to enhance and unlock additional bioactive capability within the existing facilities. Several key areas of benefit which have been identified are:

- An increase in lactoferrin production of between 6 to 8 tons and a high return on investment.
- Accelerating commercial production of Immunoglobulins (IG).
- Recycling of minerals, saving cost but also reducing waste.

BFC is well advanced in trials to extract Immunoglobulins (IGs) from milk. IGs are high value bioactive proteins (antibodies) that play a vital role in human immune systems. Trials have already been run at scale. The next step is to embed the isolation and purification process as part of our daily scale operation.

The advancement of BFC's capabilities to capture, nurture and bring milk-derived bio actives to market is central to our Company's aspirations and strategy to gain maximum returns from every litre of milk processed. The project will enable BFC to expand its innovation and leadership in the bio active protein and nutraceuticals space.

Debt Reduction (\$16m)

The largest component of the proceeds of the Offer will be used to reduce debt (by \$16.0 million) to re-set the balance sheet of the Company after the debilitating effects of COVID-19 on our business operations. Debt funding was increased over the last few years to meet the challenges caused by COVID-19.

The pay down of debt will reduce gearing to less than 40%¹ (pro forma net debt² will reduce from \$48 million to \$32 million) and will drive improved returns while positioning BFC to be able to pursue high value growth opportunities. The balance sheet re-set will enable BFC to negotiate a new structure for its debt facilities which are more aligned with the needs of the business. It will also position the Company to pursue future high value growth opportunities and better navigate changes in future market conditions (including higher interest rate regimes).

Investor Presentation

Further details of the Entitlement Offer are contained in the investor presentation released on the ASX platform today.

Indicative Timetable

Key dates relating to the Entitlement Offer are identified in the table below. The dates provided are indicative only and subject to change. The Company, in consultation with the Joint Lead Managers, reserves the right to amend this indicative timetable subject to the Corporations Act and the ASX Listing Rules. In particular, the Company reserves the right to extend the Closing Date to accept late applications.

Key Events	Date
Placement opens	Monday, 17 October 2022
Placement closes	12.00 PM (Sydney Time) Tuesday, 18 October 2022
Announcement of Placement and Entitlement Offer	Wednesday, 19 October 2022
Placement Shares settlement date	Tuesday, 25 October 2022
Placement Shares allotment date	Wednesday, 26 October 2022
Quotation of securities issued under the Placement and commencement of trading	Thursday, 27 October 2022
Entitlement offer "Ex" date	Thursday, 27 October 2022
Record date	Friday, 28 October 2022

¹ Gearing calculated as net debt (loans & borrowings less cash) / equity. Refer to note 5(f) of FY22 Annual Report released to market on 30th September 2022

² As at 30 September 2022

Offer booklet and personalised Acceptance forms dispatched	Tuesday, 1 November 2022
Entitlement Offer opens	Tuesday, 1 November 2022
Entitlement Offer closes	Tuesday, 22 November 2022
Allotment of new securities issued under the Entitlement Offer	Tuesday, 29 November 2022
Announcement of results of the issue	Tuesday, 29 November 2022
Quotation of securities issued under the Entitlement Offer	Wednesday, 30 November 2022

Further Information

The Placement to sophisticated and professional investors will take place in a single tranche and falls within the Company's placement capacity under ASX Listing Rule 7.1.

The Entitlement Offer is non-renounceable and therefore entitlements are not tradeable on the ASX or any other exchange, or otherwise transferable. This means that existing shareholders who do not take up their entitlement will not receive any value for their entitlement, and their proportionate interest in Beston will be diluted.

The Entitlement Offer, when launched, will be open to all eligible shareholders who have a registered address within Australia, New Zealand, Hong Kong and Singapore (or other jurisdictions as agreed by the Company) and whom were on Beston's register as at 5:00pm (AEDT) on Friday, 28 October 2022. The launch of the Offer and its timetable is subject to the usual regulatory approvals from the ASX and ASIC. Upon launch of the Entitlement Offer, eligible shareholders will receive an Offer Booklet with further details, including how to subscribe for shares as well as the terms and conditions of the Entitlement Offer. This Offer Booklet is expected to be distributed shortly.

New shares issued under the Offer will rank equally with existing Beston shares from their date of issue.

The Offer is jointly managed by MST Financial Services and Shaw and Partners.

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