

FY23 Full Year Results with Strategic Progress Being Delivered

- Group Net Sales up 34% vs FY22, reaching \$170m from Continuing Operations
- >150ML of milk collected and processed during FY23, stable vs FY22
- Dairy business performance accelerating and delivering resilient results
- Group Gross Margins from Continuing Operations \$26m, up 175% vs FY22
- Record Lactoferrin sales growth and further customer expansion continued in FY23
- Total Lactoferrin sales at 21.5tonnes, up 172% vs FY22
- Group trading EBITDA^{1,2} loss of \$1.7m from Continuing Operations
- Refinancing initiative successfully completed providing the ability to secure growth
- Intention to discontinue and divest non-core businesses

Beston Global Food Company Ltd (ASX:BFC) (**Beston** or the **Company**) provides its unaudited trading results for the FY23 period ending 30 June 2023. During a year marked by significant volatility brought by record breaking farm gate milk prices, climate disasters, declining national production of milk, heightened inflationary pressures and rising costs of funding, Beston has emerged more resilient, having delivered meaningful progress on its turnaround trajectory.

Beston Foods Chief Executive Officer Fabrizio Jorge commented:

"FY23 has been a year of extremes. In a testament of our resilience, we have managed volatility and delivered over \$14.5 million in Trading EBITDA^{1,2} improvements vs FY22 and continued to take actions to accelerate our profitable growth by investing in our hero product lines such as the expansion of Lactoferrin production and discontinuing our Meat, Water and Technology businesses, which have impacted our performance in the past.

In light of the ongoing challenges posed by declining Australian milk production and the growing disconnect in milk prices compared to global markets, we remain committed to taking assertive and strategic steps to bolster our performance. Our focus will be on accelerating sales growth within our high-margin portfolios, including Lactoferrin, Retail Cheese, Cream Cheese, and Foodservices. These initiatives are vital to ensure our resilience and competitiveness in an ever-evolving operating landscape."

Beston has achieved a significant improvement in the profitability of its Dairy portfolio by maintaining a strong focus on enhancing its product mix and optionality, particularly through the growth in Lactoferrin sales, and by promoting sales within its acclaimed Mozzarella, Cheddar, and Cream Cheese product lines. During the latter part of the fiscal year 2023, however, profit margins were influenced by rapid fluctuations in Whey Protein pricing, driven by increased milk production in the Northern Hemisphere and further competition for fresh milk in Australia, which led to a late season milk price step up of \$0.10 per kilogram of milk solids (KgMS).

Our Milk volumes have displayed remarkable resilience, with over 150 million litres of milk collected and processed during FY23, maintaining stability compared to FY22. This achievement is particularly noteworthy given the challenges posed by a national dairy production decline of over 5% and the disastrous Murray River floods which impacted many of our farmers. Moreover, the actual milk price paid to Dairy Farmers soared to unprecedented heights at \$9.84KgMS, which included a late season step up of \$0.10KgMS, costing Beston approximately \$1.1M in non-forecasted costs. This has resulted in more than \$105 million being injected into local communities.

We are delighted to report that Beston has successfully onboarded additional farmers and milk solids for our FY24 season, underpinning our continued growth trajectory. Furthermore, we've established milk solids sourcing partnerships for FY24, effectively mitigating supply risks and adapting to ever-changing seasonal conditions. Beston is now well placed to make the most of its manufacturing flexibility to arbitrage milk solids costs throughout milk seasons.

Financial Results Overview

Beston provides the following FY23 Full Year Results with \$170m in Net Sales from Continuing Operations, up 34% vs FY22 and Group Trading EBITDA^{1,2} from Continuing Operations at a loss of \$1.7m including the Dairy Division, Corporate Costs, and International Operations.

As previously disclosed ([ASX Release 25 August 2023](#)), Beston has been successful in accelerating the performance of its Dairy portfolio. The Gross Margins from continuous operations (Dairy) were approximately \$26M, up 175% vs FY22 and the Dairy Trading EBITDA^{1,2} of \$4.1M was significantly up vs FY22.

In a significant achievement, the Group's trading EBITDA^{1,2} showed a substantial improvement of \$14.5 million compared to the previous fiscal year, FY22. This improvement is a result of our dedication to operational excellence and the successful implementation of strategic initiatives. Additionally, it's worth noting that our operating cash position remained neutral during the latter half of the fiscal year, further affirming our commitment to financial stability and prudent resource management. These outcomes are a testament to the collective efforts and resilience of our team, and we look forward to continuing this positive trajectory in the upcoming fiscal periods.

¹ EBITDA is a non-IFRS measure that the company believe is an important indicator of performance

² Trading EBITDA excludes non recurring items

Dairy Division Performance Accelerating

Beston's Dairy Division is experiencing an acceleration in performance across various product lines. The Lactoferrin business has been on a significant growth trajectory, thanks to strong customer relationships, substantial improvements in production yield, and recognition for quality across overseas markets. FY23 saw record-breaking Lactoferrin sales growth and continuous expansion of our customer base, with an outstanding production yield of 18.4 tonnes, surpassing our guidance. Total Lactoferrin sales reached 21.5 tonnes, marking a substantial 172% increase compared to FY22. This growth is further fueled by the upward trend in pricing, driven by China's new regulatory framework for Infant Formula products.

Our strategic Lactoferrin capacity expansion remains firmly on track, both in terms of schedule and budget, with the third extraction column set to be operational by the end of October 2023. Additionally, we have already secured 100% of Lactoferrin FY24 volumes through long-term supply agreements with leading Infant Nutrition and Wellness companies in Australia, China, South Korea, India, and European countries, with positive pricing indicators for FY24.

Beston's Mozzarella operations have been scaled up and will be complemented by the introduction of a premium range of hard cheeses, including aged Cheddar, Gouda, Romano, and Parmesan, to be marketed under the "Farmers Tribute" brand at South Australian retailers starting in late October 2023. We have successfully renewed multi-year supply agreements with key domestic partners, including Woolworths Group Limited and McCain Foods (Aust) Pty Ltd, and our Mozzarella exports to Thailand, Philippines, China, South Korea, and Singapore remain on track.

Furthermore, our Murray Bridge facility is poised for the ramp-up of hard cheese production from September 2023 onwards. Notably, Retail Cream Cheese sales have jumped by 165% in FY23 compared to FY22, and we anticipate Retail & Foodservices channels to contribute between 5% to 10% of Net Sales by the end of FY24. These achievements underscore our commitment to delivering quality dairy products to our customers while driving sustainable growth as we now become a focused and dedicated Dairy company.

Financing and Capital plan on track

Beston recently advised ([ASX Release 24 August 2023](#)) that funding agreements have been reached with the National Australia Bank (NAB) and Scottish Pacific (Scot Pac) in relation to senior debt, working capital, trade finance and plant and equipment facilities.

Beston recognised that financial markets are extremely dynamic at present, and hence, in conjunction with BCP, the Company is taking an approach of continuous improvement and will work alongside the selected and new funding partners to reduce the size and cost of its debt funding over time.

Group operations have been streamlined and in June ([ASX Release 22 June 2023](#)) Beston advised that it intends to discontinue and divest its Provincial Food Group (PFG) meat and plant-based meats secondary process business, its Aqua-Essence water assets and business and its Technology business.

Since our announcement in June, Beston is pleased with the substantial interest expressed by numerous market participants in our Meat business. Discussions regarding the divestment of this business have been progressing well, with active engagement from a number of well-regarded companies. We are confident about finalising the divestment of our Meat business before the close of CY2023.

Additionally, we have made significant headway in divesting our Water business, with a clear and positive intention from our minority partner at AQUA-Essence to acquire Beston's 51% shareholding in this venture. We anticipate the successful conclusion of this divestment in the coming months.

Upon completion of our divestments, Beston will focus its resources and efforts on its Dairy and Dairy Nutrition business where the Company has built world class capabilities and capacity.

-ENDS-

Released with the authority of the Board.

For further information on the Company, please visit:
bestonglobalfoods.com.au

CONTACT

Fabrizio Jorge

Chief Executive Officer
+61 8 8470 6500

fjorge@bestonglobalfoods.com.au

Nick Martin

Chief Financial Officer
+61 8 8470 6500

nmartin@bestonglobalfoods.com.au

Mark Flynn

Investor Relations
+61 416 068 733

mark.flynn@irxadvisors.com

ABOUT BESTON FOODS

Beston Global Food Company (ASX:BFC) is the largest South Australian Dairy company and the 7th largest in Australia. We are a proud South Australian multi-award-winning company taking the best of Australian produce to the world with fresh milk supplied by our valued Farmers. Our Company provides direct and indirect employment for nearly 300 people. BFC has been building strong relationships in our domestic markets, as well as overseas. We know that we have excellent products and continue to make significant inroads into key market segments.