

Nuheara positioned for growth with scaled US retail network and next generation product developed

Quarterly activities report for the 3 months ended 31 December 2023 (Q2 FY24)

Q2 FY24 HIGHLIGHTS

- **US retail expansion completed with product display deployment to close to 5,000 retail stores, including the rollout to Walmart and Target stores together with additional Best Buy stores.**
- **Sales activities commenced in the latter part of the quarter, with initial in-store sales at Walmart, Target and FSAsore.com garnering solid reviews.**
- **Post quarter-end, Nuheara showcased its next generation product at the Consumer Electronics Show in Las Vegas (CES 2024), featuring a world leading single chip solution co-developed with Realtek.**

PERTH, AUSTRALIA: Nuheara Limited (ASX:NUH) (Nuheara) is pleased to present this quarterly activities report alongside its Appendix 4C for the quarter ended 31 December 2023 (Q2 FY24).

Commenting on the significant operational progress made over Q2 FY24, Nuheara Co-founder and Managing Director Justin Miller said:

“After much work from all team members, it was exciting to see our Over-the-Counter [OTC] self-fit hearing aids live in-store at Walmart and Target, our new major retailers in the US. With close to 5,000 retail stores in the US now displaying our medical devices for sale, we have a platform of scale to grow from.

“On a personal note, it was valuable to also spend time meeting our customers in these stores and demonstrating our leading OTC medical hearing aids to them. This has provided us with important insights into how to best market our existing and next generation of products to consumers over the coming quarters.



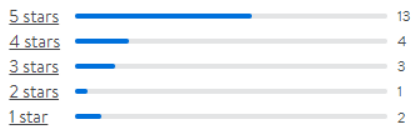
Figure 1: HP Hearing PRO by Nuheara, on display and demonstration at US Target and Walmart.

“We are pioneers of the earbud hearing aid as a lifestyle product, and combine the best audio experience with the best hearing experience. Being the only earbud medical device manufacturer selected to be stocked by both Target and Walmart is testament to this point.

“Witnessing our customers’ experience of our product first hand, it became abundantly clear how pivotal the OTC legislation has been in levelling the playing field to make hearing health affordable and accessible. Nothing gives you more of a buzz than seeing someone’s world open once they can hear clearly again. The early reviews from Walmart & Target customers have been very supportive.”

4.1 out of 5 Walmart*

★★★★☆ (23 reviews)



Write a review

★★★★☆

1/24/2024

HP OTC Hearing Aids

For the hard of hearing, my husband is able to hear me talk without facing me to read my lips while also being able to hear the TV. The app allows use as earbuds to listen to music. Comfortable enough to wear for long periods but not so much for all day use. For the hearing sitting next to person using them, a high pitched beeping is heard. It can be ignored if there is enough outside sound to drown it. We are working on the controls to limit that exterior sound.

ImaDIYer Incentivized Review ⓘ

👍 0 🗨️ 0

★★★★★

1/8/2024

HP HEARING PRO, SELF FITTING MAKING EARS...

I saw these and quickly grabbed them for my son who has constant ear infections and consequently his hearing is compromised. He to them and easily was able to pair to his pc and his tablet and phone and like a miracle he could hear properly again. He was easily able to fit them into his ears and said they were not uncomfortable.

Talia Incentivized Review ⓘ

👍 0 🗨️ 0

Most helpful positive review

★★★★★

Very useful

These HP hearing aids come with a charging case, a usb-c charging case, a charge cable and several tips of different sizes and materials. I would think it very unlikely that anyone could have a hard time not finding a fitting that would work for them. These are available over the counter. I would say these are more like the in ear type of headphones. They are bigger than hearing aids can be but I feel they are targeting a certain need. They are noise canceling so I can see someone using them for part time use. Perhaps for a conference or noisy events. I forgot to mention the most important feature is that there is an app that works along with the hearing aids. HP seems to have come up with an innovative product.

Kate Incentivized Review ⓘ

★★★★☆

1/15/2024

An Affordable Hearing Aid

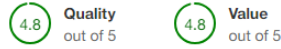
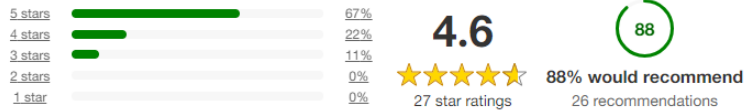
The HP Hearong Pro OTC Hearing Aids requires an APP on your phone. Once the APP is downloaded and the hearing aids are paired to your phone through bluetooth it will take you through the setup, which is very easy. The hearing aids fit snugly in my ears and are comfortable to wear for long periods of time. They also come with assorted sized tips, in both silicone and memory foam, a carrying bag, charging case, cord and a small cleaning brush. The hearing aids do a good job of minimizing the background noise. At times I still hear the high pitched feedback noise. When wearing the hearing aid I can easily accept a phone call by just touching the center of the left ear bud. I can also listen to music with them.

BethA48 Incentivized Review ⓘ

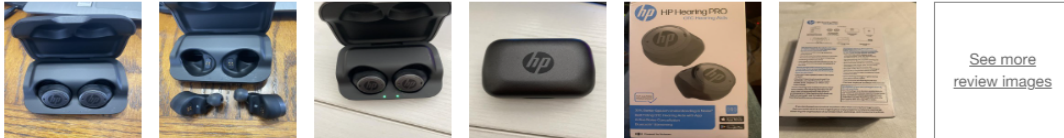
👍 0 🗨️ 0



Guest Ratings & Reviews

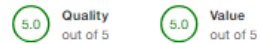


Review images



Easy to set up, Easy to use, Clear Sound

★★★★★ | Would recommend
Joan - 4 days ago
 reviewer



At first I was worried about having to download an app and trying to figure out how to use the hearing aids, but I am so glad I overcame my fears and jumped in and downloaded the app and set them up. I have been struggling with hearing conversations for almost 5 years, so I am excited to start using these. It gets really old to keep asking people to repeat things they have said.

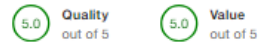


Did you find this review helpful?

[Report review](#)

Great do it yourself hearing aids

★★★★★ | Would recommend
Julid - 5 days ago
 reviewer



Wonderful for do it yourself hearing aids! If you have mild to moderate hearing loss, these are a good option. The guide is easy to understand and has a code to download an app to get started. There are plenty of sizes of tips to choose from. Something for everyone. They come in a very nice case that clearly shows how much charge they have as well. A very good option!

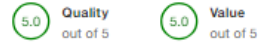


Did you find this review helpful?

[Report review](#)

HP hearing aids

★★★★★ | Would recommend
Treehugger - 6 days ago
 reviewer



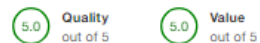
I was recently diagnosed with mild hearing loss and was told that I could get hearing aids if I felt I needed them. I did not get any and after trying these I would never even bother to try other ones. I asked my daughter to whisper to me and told her to get lower and she said mom that's as low as I can go! These are great though my only complaint is they are a little bulky for my smaller ears.

Did you find this review helpful?

[Report review](#)

Finally a hearing aid available OTC

★★★★★ | Would recommend
Ca8179 - 6 days ago
 reviewer



This is a high quality product. I have trouble hearing in situations where there is a lot of background noise such as malls and restaurants, and these hearing aids helped out through some of that noise and made sounds more clear. I was surprised how much of a difference these made.



Did you find this review helpful?

[Report review](#)

The historical rule change by the US Government that created an OTC market for hearing aids will forever upend the hearing aid industry and unlock historical barriers to entry for the estimated 38 million Americans who experience some hearing loss.

Currently in the US, hearing aids are sold at an average cost of US\$4,726 per pair and can be as much as US\$10,000 per pair through licensed audiologist and licensed hearing aid retailers. With the ability for those with perceived mild to moderate hearing loss to purchase OTC now, this cost is now only US\$499 for the HP Hearing PRO by Nuheara.

NUHEARA SHOWCASES NEXT GEN PRODUCT AT CES 2024

As a pioneer of the medical device hearing aid in an earbud form factor, earlier this month Nuheara displayed its next generation product at CES 2024, featuring a world leading single chip solution which was co-developed with strategic investor Realtek – a leading global semiconductor company with over US\$3.8 billion in sales.

Nuheara developed its next gen hearing aid to further enhance hearing for people with mild to moderate hearing loss. Just in the US, there are 38 million people with this level of hearing loss. Nuheara’s yet to be named next gen product is expected to be available for sale in the US later this year once it receives Federal Drug Administrator (FDA) certification.



Figure 2: Nuheara’s next generation product on display at CES 2024 in Las Vegas, USA.

Commenting on CES 2024, Mr Miller said:

“Nuheara’s next generation hearing medical device featuring a single chip solution, means reduced size and increased performance to meet, and in some instances exceed, the performance of much more expensive products from the five global hearing aid manufacturers. All the while providing feature rich performance, from an audio and communications perspective, that you would expect from a traditional earbud.

“Through this single chip solution, Nuheara is progressing multiple opportunities to supply interested OEMs with their own branded solutions, further increasing our revenue streams. The demonstration of our next gen product at CES 2024 – which was previewed to OEMs under a non-disclosure agreement – was incredibly well received.”

Over the last 18 months Nuheara and Realtek have invested heavily to design and implement a single chip solution, creating a lighter and more functional hearing aid at a lower cost of production. During the quarter initial prototypes of this product were developed, taking Nuheara's total investment in its next generation product to more than \$5 million. This ongoing R&D investment solidifies Nuheara's position as a first-choice OTC hearing device at US retailers and with prospective OEM partners.

\$1.4 MILLION CASH R&D TAX REBATE

In December 2023, Nuheara received a Research and Development Tax Incentive cash rebate from the Australian Tax Office of \$1.4 million. The rebate is representative of Nuheara's ongoing commitment to provide research leadership in the rapidly changing landscape of global hearing healthcare and leading-edge medical devices.

CAPITAL RAISING TO SUPPORT EXPANSION WITH US RETAILERS

Over October / November 2023, the Company undertook a capital raising to support expansion with US retailers via a pro rata accelerated non-renounceable entitlement offer. Nuheara's two largest shareholders – Realtek and Farjoy – took up their full entitlements. In total, \$4.1 million (before costs) of funds were raised from institutional and sophisticated shareholders, as well as retail shareholders.

CASH RECEIPTS

With the quarter's focus predominantly on the initial launch in Nuheara's expanded US retail store footprint, cash receipts from customers remained relatively low at \$497k. A significant milestone within this amount were the Company's first cash receipts from both Walmart and Cardinal Health (FSAstore.com) in the quarter.

As noted above, Nuheara also received an R&D tax incentive cash rebate of \$1.4 million from the Australian Tax Office during the quarter relating to R&D expenditure in FY23.

CASH EXPENSES

Product manufacturing and operating costs

With the material increase in US retail stores' distribution, Nuheara increased the levels of production of HP Hearing PRO ahead of expected ramp up in sales orders, with product manufacturing and operating cost cash outlays of \$724k incurred during Q2 FY24.

Advertising and marketing

Advertising and marketing spend in Q1 FY24 was \$351k. This was primarily incurred with retail partners to support the rollout of HP Hearing PRO at their stores, including the balance of costs associated with the Walmart 4,239 points-of-sale roll out (majority of costs incurred in Q1), together with costs to roll out to 104 Target stores. Q2 also included spend related to Nuheara's attendance at CES 2024.

Cash flows from investing activities

Research expenditure that is directly attributable to development activities is capitalised as an intangible asset under Australian Accounting Standards. As a result, expenditure of \$951k was capitalised in Q2 FY24 and is shown as “Payments to Acquire Intellectual Property” at item 2.1(e). Expenditure is mainly attributable to work on Nuheara’s next generation product. In addition, \$394k was paid during the quarter for capitalised assets relating to the development of the next generation product, shown as “Payments to acquire property, plant and equipment” at 2.1 (c).

This brings the Company’s total next generation product investment to more than \$5 million by 31 December 2023.

Staff costs

Consistent with R&D expenditure noted above, employment expenses related to employees working on R&D activities are capitalised as an intangible asset under Australian Accounting Standards. Staff costs also include corporate, operations, finance, administration, and marketing employees, including related party payments for non-executive Director fees, and salaries paid to executive Directors during the period (refer item 6.1). Staff cash costs included within cash flows from operating activities of \$872k were incurred in Q1 FY24.

Administration and corporate costs

Administrative and corporate cash payments during Q1 FY24 totalled \$763k.

Cash flows from financing activities

During Q2 FY24, the Company received \$3.7 million net proceeds from issue of shares after costs, relating to the pro rata accelerated non-renounceable entitlement offer announced in October 2023.

Payments to related parties

Payments to related parties in Q2 FY24 were \$120k, which related to fees paid to non-executive directors and the executive director’s cost of payroll for the period.

INVESTOR BRIEFING TO BE HELD MONDAY 5 FEBRUARY 2024

Co-founder & Managing Director Justin Miller, Chief Financial Officer Ivan Kelly, and Head of Regulatory Compliance, Quality Compliance & Legal Catherine Morgan, will participate in a webinar covering the Company’s quarterly update at 11:00am AEDT / 8:00am AWST on Monday, 5 February 2024. Participants will have an opportunity to ask questions at the end of the webinar.

To attend, please pre-register at:

https://us02web.zoom.us/webinar/register/WN_EochZCmYRnS4dy1SWsn41Q

-ENDS-

AUTHORISED BY:

Justin Miller
Managing Director and CEO
Nuheara Limited

INVESTORS:

Ronn Bechler, Automic Markets
Email: ronn.bechler@automicgroup.com.au
Phone: + 61 400 009 774

ABOUT NUHEARA

Nuheara is a medical device company with smart hearing technology, designed to change people's lives by enhancing the power to hear. As a global pioneer in Hearable products, Nuheara has developed proprietary, multi-functional, personalised intelligent hearing devices that augments a person's hearing. Nuheara is headquartered in Perth, Australia and was the first consumer wearables technology company to be listed on the Australian Stock Exchange (ASX).

In 2016, the Company released its revolutionary wireless earbuds, IQbuds, which allow consumers to augment their hearing according to their personal hearing preferences. In 2020 Nuheara released its third generation IQbuds² MAX, recognised by Time Magazine as one of the Best Inventions of the year. In 2021, Nuheara transformed its operations to include medical device manufacturing for its hearing aid products to meet global demand for mild to moderate hearing loss. Nuheara products are now sold Direct to Consumer (DTC) and in major consumer electronics retailers, professional hearing clinics, pharmacies and speciality retailers around the world. In April 2022, Nuheara submitted an FDA 510(k) for its self-fit hearing aid and signed a worldwide trademark licensing agreement with HP Inc to sell its hearing aid products under the HP brand name.

The Company's mission is to transform the way people hear by creating smart hearing solutions that are both accessible and affordable. For further information, please visit <https://www.nuheara.com/>.