

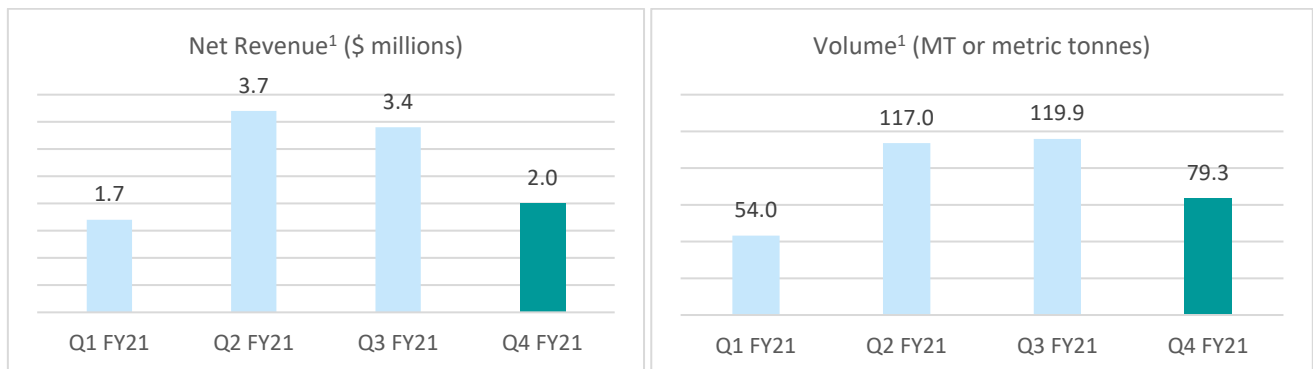
27 July 2021

ASX Market Release

## 30 June 2021 Quarterly Activity Report and Appendix 4C

### Quarterly Highlights

- Cash position of \$14.5M<sup>1</sup> with no debt reflects benefits of Nuchev's capital light business model and the ability to keep investing in the Goat Infant Formula (GIF) category, which continues to grow rapidly. The company is well placed to capitalise on this growth.
- Sustained positive performance in the Australian supermarket channel supported by increased ranging in Coles, with share of flagship goat infant formula brand Oli6<sup>®</sup> growing +28%, ahead of the category. New listing achieved for Oli6<sup>®</sup> on Woolworths online marketplace, scheduled to go live in Q1 FY22.
- Exciting new product innovations including our new Oli6<sup>®</sup> product formulation, the only goat infant formula to offer Human Milk Oligosaccharides (HMOs) and Student Milk, which are set to relaunch across all markets, informed by market and consumer research and well supported by key trade partners.
- Nuchev continues to focus on building the CBEC channel, with consumer offtake / sell-through growing vs prior corresponding period and Oli6<sup>®</sup> flagship store on TMall ranked number three in goat milk formula during the major 618 mid-year online shopping festival in China.
- Net revenue of \$2.0M<sup>1</sup> delivered in Q4 FY21, highlighting continued impacts to performance from the significant ongoing contraction of the Daigou channel, and delayed timing of customer orders due to active management of customer inventory levels in the Cross Border E-Commerce (CBEC) channel.
- Nuchev continues to execute its strategy to pursue disciplined growth, investing in key sales channels including Australia retail and CBEC, while pursuing market diversification beyond Australia and China, with sales listing achieved in Vietnam.



<i>Unaudited</i>	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Growth % (qoq)	Growth % (pcp)
Net revenue <sup>1</sup> (\$ millions)	1.7	3.7	3.4	2.0	(41.9%)	(38.7%)
Volume <sup>1</sup> (metric tonnes)	54.0	117.0	119.9	79.3	(33.8%)	(34.8%)
ASP / MT <sup>1</sup> (\$ thousands)	31.7	31.9	28.8	25.3	(12.2%)	(5.9%)

<sup>1</sup> Unaudited financial information

**Strong cash position of \$14.5M<sup>1</sup> with no debt, providing extended runway to execute the changes needed to reset opportunity to invest in the fast-growing goat infant formula category.**

Cash used in operations improved \$1.5M<sup>1</sup> in Q4 FY21 versus the prior quarter, driven by strong debtor collections and timing of manufacturing. Nuchev's strong cash position provides the opportunity to further invest in the fast-growing GIF category, reflecting the advantages of the company's capital light business model.

The global goat infant formula category is growing rapidly and in China is growing 12.5% on a MAT basis<sup>4</sup>, ahead of the broader infant formula category growth.

Furthermore, penetration of the goat infant formula category in the China CBEC channel is strong, growing in value by +8.4% on a MAT basis. Given its clear growth strategy, new Oli6<sup>®</sup> product reformulation and strong cash position, Nuchev is well placed to capitalise on this growth over the short and medium term.

**Quarterly revenue impacted by continued contraction of Daigou business, timing of CBEC orders, and focus remains on growth in CBEC and Australia retail platforms, with market diversification underway.**

Nuchev recorded total net revenue of \$2.0M<sup>1</sup> in Q4 FY21, down \$1.4M on the prior quarter. Quarterly performance was impacted by continued low sales in the Daigou channel due to the prolonged impacts of COVID-19 and associated international travel restrictions. In addition, a focus on reducing channel inventory impacted timing of customer orders in the CBEC channel. Revenue declined \$2.8M<sup>1</sup> versus the same quarter last year which was boosted by pantry stocking related to COVID-19, with contractions in the Daigou channel as well as active inventory management impacting the current quarter.

The business has continued to execute its strategy with a focus on sales platforms in Australia and China with the highest opportunity for growth, including the CBEC channel, Australian supermarket and pharmacy channels, which will offset the impacts of the restricted Daigou trade going forward.

Nuchev is working closely with its strategic distributor Blue Ocean to reduce and effectively manage channel inventory, and ensure supply is balanced with consumer pull through. The company is particularly focused on ensuring inventory levels allow for faster transition to its new Oli6<sup>®</sup> product formulation, the only goat infant formula to offer Human Milk Oligosaccharides (HMOs).

Beyond Australia and China, Nuchev continues to pursue market expansion and diversification, with sales listing achieved in Vietnam, and entry to other markets being explored. Market diversification has been affected by ongoing international travel restrictions, as well as Victoria state-wide lockdowns, impacting team travel.

**Nuchev's flagship brand Oli6<sup>®</sup> continues to drive demand amongst consumers, building momentum in key sales channels.**

Since May 2021, ranging of Oli6<sup>®</sup> in Coles significantly increased from 266 stores to 765 stores, representing 95% of all Coles outlets. This has led to continued strong performance in this channel, with Oli6<sup>®</sup> the fastest growing GIF brand in Coles and is ranked number three in market value in GIF with 31.6% share and growth of +28% on a moving annual total (MAT)<sup>2</sup> basis. Oli6<sup>®</sup> is the only goat infant formula brand to drive growth in Coles during this period.

---

<sup>2</sup> Unify to June 2021

In the CBEC channel accessing Chinese consumers online, Oli6<sup>®</sup> continued to grow in value on a MAT<sup>3</sup> basis at +5% versus last year and is the number four goat infant formula brand in this channel with 7.0% market share by value. Momentum continues across online platforms of TMall and JD, with +15.3% and +42.8% value growth respectively. Investment in major promotional periods have contributed to the brand's success, evidenced by the 618 online shopping festival during June, where Oli6<sup>®</sup> was ranked number three flagship store on TMall amongst all goat infant formula brands.

Average selling price for Oli6<sup>®</sup> in the CBEC channel has improved with the launch of the new formulation in China up to 264 RMB in the latest period<sup>4</sup>.

**Nuchev strategy is designed to offset the ongoing impacts of the contracted Daigou channel and drive growth in key sales channels of CBEC and Australia retail.**

Continued growth is expected in Coles following increased distribution of Oli6<sup>®</sup>, and Nuchev remains committed to driving momentum in the CBEC and Australia retail channels through recruitment of new users, price optimisation and promotion of the Oli6<sup>®</sup> new product formulation. While total revenue and volume growth will be impacted by ongoing challenges in the Daigou channel, Nuchev continues to pursue opportunities in the goat nutritional space through execution of its strategy, which focuses on positioning its premium Oli6<sup>®</sup> brand across its strongest sales platforms, as well as pursuing entry into new international markets.

Nuchev CEO Ben Dingle commented, "We are pleased to see early validation of our strategy, including the updated product formulation and the addition of Student Milk. Our strategy focuses on expanding our key sales channels, diversifying our markets and promoting the distinct nutritional product benefits of Oli6<sup>®</sup>. While the effects of COVID-19 on international travel restrictions and local lockdowns have impeded some of our momentum, we remain confident in the strength of our Oli6<sup>®</sup> brand, of our business and our team, which is uniquely positioned to capture growth in the goat infant formula category."

**Ben Dingle**  
**CEO and Executive Director**  
**Nuchev Limited**

*This announcement has been approved for release by the Board.*

**For further information please contact:**

Chantelle Pritchard  
[chantelle.pritchard@nuchev.com.au](mailto:chantelle.pritchard@nuchev.com.au)

**About Nuchev Limited**

Nuchev is an Australian based, globally oriented food business with a dedicated focus on developing, marketing and selling a range of premium Australian made goat nutritional products. Nuchev's primary products include its Oli6<sup>®</sup> branded goat infant formula and nutritional range, which are sold across multiple sales channels in Australia, China and the Hong Kong Special Administrative Region. Oli6<sup>®</sup> products are formulated with the benefits of goat, supported by ongoing scientific research. Nuchev operates a capital-light business model, leveraging leading raw goat ingredient suppliers and Australian-based manufacturers in an established, secure and scalable supply chain to deliver high quality products under a premium, trusted brand.

---

<sup>3</sup> SmartPath to May 2021

<sup>4</sup> SmartPath to May 2021

## Appendix 4C

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

## Name of entity

NUCHEV LIMITED

## ABN

54 163 225 090

## Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	3,681	12,556
1.2 Payments for		
(a) research and development	(28)	(232)
(b) product manufacturing and operating costs	(1,324)	(9,024)
(c) advertising and marketing	(1,712)	(6,035)
(d) leased assets	(71)	(222)
(e) staff costs	(867)	(3,947)
(f) administration and corporate costs	(752)	(3,111)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	69
1.5 Interest and other costs of finance paid	(9)	(32)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	79	327
1.8 Other (provide details if material)	(70)	135
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,069)</b>	<b>(9,515)</b>
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(17)
(d) investments	-	-
(e) intellectual property	(153)	(352)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	2
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	779	779
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>626</b>	<b>412</b>

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

<b>3</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from equity securities	-	15,221
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to equity securities	-	(944)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of selling shareholders	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>14,276</b>

<b>4</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	14,937	9,443
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,069)	(9,515)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	626	412
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	14,276
4.5	Effect of movement in exchange rates on cash held	22	(101)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>14,515</b>	<b>14,515</b>

<b>5</b>	<b>Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	14,185	14,607
5.2	Call deposits	330	330
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>14,515</b>	<b>14,937</b>

<b>6</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	209
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Item 6.1 includes Directors fees, CEO salary and related payments paid to the Directors and / or their associated entities

<b>Financing facilities</b>		<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<b>7</b>	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities		-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	250	-
7.4	<b>Total financing facilities</b>	<b>250</b>	<b>-</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>250</b>
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	Trade finance facility with ANZ bank		

<b>8</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,069)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	14,515
8.3	Unused finance facilities available at quarter end (Item 7.5)	250
8.4	Total available funding (Item 8.2 + Item 8.3)	14,765
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>13.8</b>

**Compliance Statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 July 2021  
Authorised by: the Board of Directors  
(Name of body or office authorising release - see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.