

30 August 2021  
ASX Market Release

## FY21 Full Year Results Investor Presentation

Nuchev Limited (ASX:NUC) attaches the Presentation to be delivered to Investors during briefings on the Company's 2021 Full Year Financial Results, which were released today.

**Chantelle Pritchard**  
**CFO and Company Secretary**  
**Nuchev Limited**

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

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**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.



**Nuchev Limited**  
**FY21 Full Year Results** 🌸  
**August 2021**

**Oli<sup>6</sup>**

# AN INTRODUCTION TO NUCHEV



## Established in 2013

Founded by CEO Ben Dingle, from four generations of dairy farming



## Experts in goat-milk infant formula

Rapidly growing segment of the global infant formula market



## Oli6® flagship premium brand

Trusted, premium Australian brand in multiple markets incl ANZ, New Zealand, China, Vietnam



## ASX listing Dec 2019

Major milestone in company's growth strategy, following successful IPO



## Capital raise Aug 2020

Completed \$15.2m capital raise, providing balance sheet flexibility to pursue growth



## Strong, talented leadership

Breadth of experience and deep knowledge of the infant formula market

# PRESENTING TODAY



**Ben Dingle**

CEO, Executive Director and Founder



**Chantelle Pritchard**

COO, CFO and Company Secretary

## AGENDA

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# FY2021 Review

## COVID-19 IMPACTS

FY21 saw the world continue to be challenged with the uncertainty and volatility created by the COVID-19 pandemic



### DAIGOU CONTRACTION

- Historically Daigou ~50% of total revenue
- Channel disruption occurred rapidly with border closures and travel restrictions
- Consumer purchase behaviour has shifted away from Daigou channel
- Fully offsetting Daigou revenue unrealistic in the short term



### CYCLING PANTRY STOCKING

- Volatile pantry stocking in FY2020 in China and Australia created inaccurate offtake signals
- Consumption domestically now reflecting pre-COVID volumes



### SUPPLY CHAIN

- Continued confidence in high quality safe outsourced supply chain
- Longstanding win/win partnerships with suppliers proven to be reliable and flexible



### PEOPLE

- Enhancing and building relationships with channel partners constrained due to travel restrictions
- Uncertainty/restrictions have impacted team



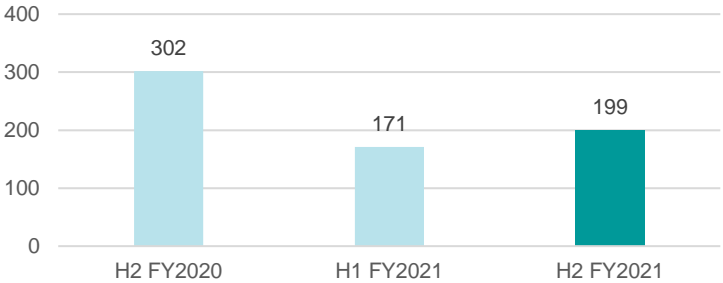
### CHINA & AUSTRALIA TRADE RELATIONS

- China trade relations have impacted investor sentiment with minimal operational impact
- Nuchev's distributor partnerships remain healthy

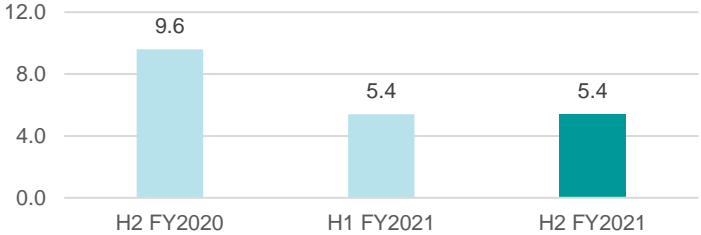
Nuchev responded swiftly with a refreshed business strategy to adapt to the rapidly-changing dynamics in the external market

# FY21 FINANCIAL & BUSINESS PERFORMANCE

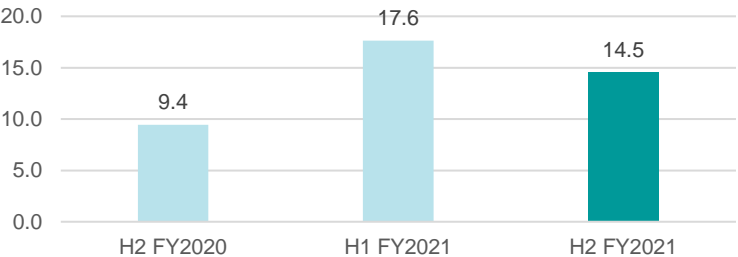
## Volumes (Metric Tonnes)



## Revenue (\$ millions)



## Cash Balance (\$ millions)



## Full Year Results

### The results for the year reflect the challenging market

- Net revenue of \$10.9M was down 39% and volume of 370 MT was down 35%
- Contraction of the Daigou trade had an adverse impact on the results, which was partially offset by growth in CBEC and Australian retail channels.

### Strong cash position of \$14.5m with no debt

- Reflects a disciplined approach to cash management, highlighting the resilience of Nuchev's capital-light business model.

### Positive momentum was achieved across a number of priority sales channels despite uncertainty in the external market environment

- Positive growth in the CBEC channel into China with offtake increasing and revenue growth of 13%
- Sustained momentum achieved in the Australian supermarket channel driven by significant increased distribution in Coles with revenue growth of 63%.

### Oli6® brand continued to deliver value growth across key sales platforms

- Refreshed brand positioning, leveraging superior nutrition credentials, led by science
- Unique product innovations launched during the year, including:
  - Introduction of Human Milk Oligosaccharides (HMOs) in Stages 1 & 2 - the first and only goat infant formula to include this
  - Star Nutrition, launched in late FY21, into the CBEC channel in China

NB: Revenue / volume reflects the sale of GIF, other goat nutritional products and raw ingredient sales.

# KEY FINANCIAL AND OPERATIONAL METRICS

	FY21	FY20	% change
Volume (MT) <sup>1</sup>	370.2	568.1	(35%)
Revenue (\$M) <sup>1</sup>	10.9	17.8	(39%)
ASP / MT (\$000) – core <sup>2</sup>	32.0	31.3	2%
Gross Margin % - core <sup>3</sup>	34%	35%	(1%)
EBITDA (\$M)	(11.3)	(9.6)	(18%)
Net Cash (\$M)	14.5	10.3	41%

## Commentary

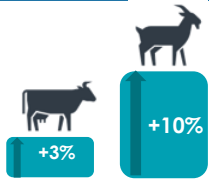
- Net cash position remains strong with cash on hand of \$14.5M
  - Operating cash outflow improved year on year by \$1.2M
  - The net cash position allows the company to continue to invest in the high-growth goat milk based infant formula and nutrition category
  
- Revenue and volume performance was down 39% and 35% respectively, due to impacts by COVID-19, which was partially offset by growth in CBEC channel and grocery
  
- Average Selling Price (ASP) over FY21 increased 2% from FY20 to FY21, excluding raw ingredients
  
- Gross Margin excluding raw materials was 34%, versus 35% in FY20
  
- EBITDA performance was a loss of \$11.3M, compared to a loss of \$9.6M in FY20, a 18% change, primarily driven by the drop in revenue
  - Result includes a one-off inventory provision cost of \$1.2M to provide for old formulation inventory held at 30 June 2021

### Notes:

1. Revenue / volume reflects the sale of GIF, other goat nutritional products and raw ingredient sales.
2. Average selling price (ASP) per metric tonne (MT) represents the revenue divided by the volume, excluding sale of raw materials
3. Gross Margin is calculated as revenue less costs of sales divided by revenue excluding raw materials, expressed as a percentage.

# BUSINESS STRENGTHS REMAIN IN PLACE

## GOAT INFANT FORMULA CATEGORY GROWTH



- Global GIF market is growing and forecast to grow at 10.7% CAGR<sup>1</sup>
- Goat milk is growing faster than total infant formula market
- Driven by premiumisation and increased share (more people using goat milk)
- In China, Goat Infant Formula is forecast to grow at +10% CAGR<sup>2</sup>, well ahead of the Total Infant Formula Market with growth forecast at +3% CAGR<sup>2</sup>.
- 3 child policy signals Government intention to increase birth rate in China



## GROWTH THROUGH NEW MARKETS



- China sales leading global trend of rapid transition to online with a portion shifting to CBEC and O2O
- Growth driven by fast evolving digital media.
- Brand success remains centred on the foundations of trust and rational functionality
- Key consumer needs of enhanced digestion and immunity provided by GIF functional benefits
- Global markets generally moving rapidly online reducing cost/complexity of entry
- Entry into diversified markets being progressed

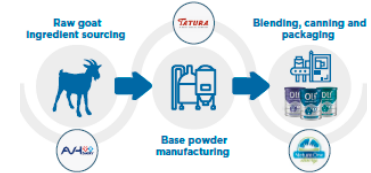
## PREMIUM AND TRUSTED BRAND

And the winner is Oli6.  
Voted best Toddler Milk Drink Australia.



- Oli6<sup>®</sup> ranked the no.1 Toddler Milk brand in fs021 for Product Review and has 5 star ranking on Trust Pilot
- Refreshed brand positioning underpinned by consumer research, elevates the brand's unique nutritional credentials, led by science.
- Unique product reformulation - the only goat infant formula to include human milk oligosaccharides in Stages 1 & 2 for enhanced nutritional and digestive benefits
- Australian made, continues to demonstrate success in Australian and Chinese markets
- Ongoing product innovation expected to fuel growth

## COMPANY WELL POSITIONED



- Flexible, capital light business model with flexible balance sheet
- Strong cash position. No debt - providing investment flexibility
- Capable experienced management team in place with industry expertise and strong networks.

1: 5 year CAGR growth forecast from 2020 – 2026. Source: Euromonitor  
2: 5 year CAGR growth forecast from 2020 – 2026. Source: Euromonitor



# STRATEGY, EXECUTION AND OUTLOOK

Fundamentals remain compelling with outlook bright for the goat milk-based infant formula and nutrition category



## BUILD BRAND EQUITY

### Attract new users to the brand

- Brand centred on leadership in goat nutrition
- Bring to life our differentiated brand story leading with science
- Integrated digital campaigns to drive conversion



## DRIVE GROWTH THROUGH INNOVATION

### Drive premiumisation through consumer led innovation

- Innovation pipeline expected to boost growth with a focus on premium toddler goat nutrition
- Expected to provide growing contribution of revenue growth, help to diversify and widen channel presence and build Oli6® brand awareness



## DRIVE PERFORMANCE IN EXISTING MARKETS

### Secure key markets of China & Australia

- Use TMall Flagship Store in CBEC as benchmark and lead Oli6® new user acquisition
- Align and integrate CBEC trade activity across stores to drive effectiveness and ROI
- Reactivated servicing C2C in China, investment in KOL's livestreaming to build awareness
- Further expand distribution in Australia through integrated trade activity and category education



## DEVELOP NEW BUSINESS

### Rapid growth through further market expansion

- Achieving access to China offline still a focus
- Unlikely to be achieved with Australian manufacturing partner
- Continued approach to pursue market diversification beyond Australia and China - South East Asia & other market opportunities



## BUILD A SUSTAINABLE PROFITABLE BUSINESS

### Positive net cash position

- Maintain disciplined approach to cash management and balance sheet flexibility
- Continue to maintain capital light business model

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# APPENDIX

# CONSOLIDATED STATUTORY PROFIT & LOSS

\$ millions	Notes	FY21	FY20
Revenue	1	10.9	17.8
Cost of sales	2	(7.4)	(11.8)
Gross profit		3.5	6.0
Other income	3	0.5	0.8
Distribution, warehouse and logistics expenses		(0.7)	(1.1)
Marketing and selling expenses		(6.1)	(6.6)
Employment expenses		(4.3)	(4.0)
General and administration expenses	4	(1.7)	(4.1)
Other expenses	5	(2.1)	(0.6)
Impairment of receivables		(0.3)	-
EBITDA		(11.3)	(9.6)
Livestock fair value adjustments	6	(0.3)	(0.3)
Depreciation and Amortisation		(0.8)	(0.3)
Impairment of intangible assets	7	(0.9)	-
Finance income		0.1	0.1
Finance costs	8	(0.0)	(0.8)
Profit/(loss) before tax		(13.3)	(10.9)
Income tax benefit	9	-	-
<b>(Loss) for the period</b>		<b>(13.3)</b>	<b>(10.9)</b>

## Notes

- Revenue** reflects the sale of GIF, other goat nutritional products, and raw ingredient sales.
- Cost of sales** include the costs to produce GIF and other goat products sold.
- Other income** comprises grants received and sundry income
- General and administration expenses** include travel and accommodation, consultancy, insurance, accounting, and administration costs
- Other expenses** include product related testing, quality, obsolescence, provisions and development.
- Livestock fair value** relates to movements in fair value of Nuchev's goat herd.
- Impairment of intangibles** relates to the impairment charges of license costs and development costs
- Finance costs** principally related to the interest on debt from ADM Capital. This was fully repaid at the time of the IPO in FY20, no charge was incurred in FY21
- Income tax** - Nuchev has incurred tax losses historically, with the income tax losses carried forward not recognised as a deferred tax asset on the basis that it is not yet probable future taxable profits will be available against which the losses can be utilised.

# CONSOLIDATED STATUTORY BALANCE SHEET

\$ millions	30 June 2021	30 June 2020
Cash and short term deposits	14.5	9.4
Trade and other receivables	1.1	3.3
Prepayments	0.4	1.4
Inventories	11.4	9.9
Other current assets	-	0.1
<b>Current assets</b>	<b>27.4</b>	<b>24.1</b>
Biological assets - livestock	-	1.0
Property, plant and equipment	0.1	0.2
Intangible assets	0.6	1.8
Right of use assets	0.2	0.3
Other non-current assets	0.1	0.1
<b>Non-current assets</b>	<b>1.0</b>	<b>3.4</b>
<b>Total assets</b>	<b>28.4</b>	<b>27.5</b>
Trade and other payables	1.1	1.6
Provisions	0.2	0.2
Lease liabilities	0.1	0.2
Other current liabilities	-	-
<b>Total current liabilities</b>	<b>1.4</b>	<b>2.0</b>
Provisions	0.1	0.1
Lease liabilities	0.2	0.2
<b>Total non-current liabilities</b>	<b>0.3</b>	<b>0.2</b>
<b>Total Liabilities</b>	<b>1.7</b>	<b>2.2</b>
<b>Net assets</b>	<b>26.7</b>	<b>25.3</b>
Issued capital	96.0	81.7
Other capital reserves	1.7	1.3
Accumulated losses	(71.0)	(57.7)
<b>Equity</b>	<b>26.7</b>	<b>25.3</b>

## COMMENTARY

- A successful capital raise was completed in August 2020 of \$14.3M (net of transaction costs), increasing issued capital and cash.
- Working capital increased from \$22.1m to \$26.0M.
- Intangibles assets decreased during the year as a result of impairment charges on licence and development costs for \$0.9M

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