

## Quarterly Activity Report and Appendix 4C New Strategic Partnership Provides Strong Platform for Growth

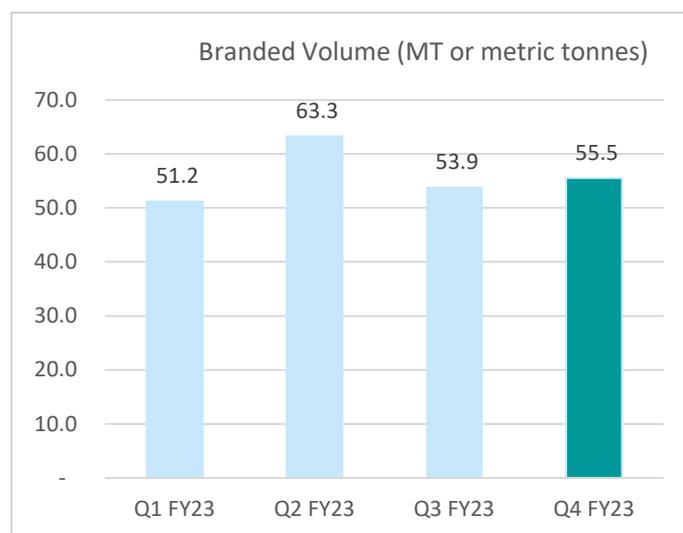
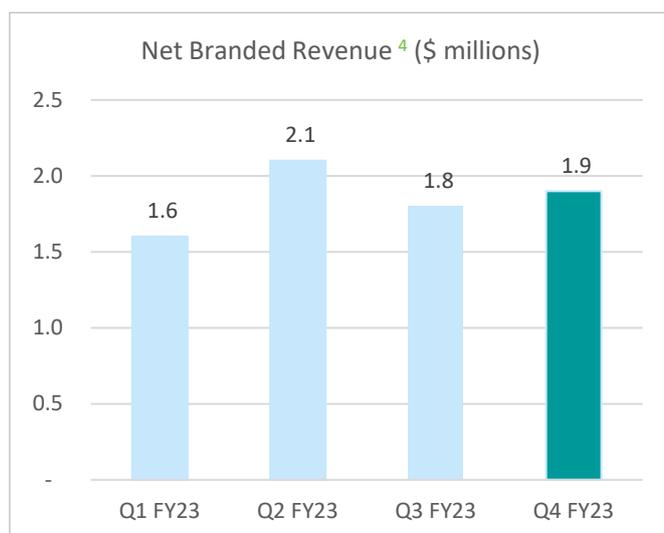
### Quarterly Highlights

- Successfully negotiated a new strategic distribution agreement with H&S Group<sup>1</sup>, for an initial 3-year period commencing 1 July 2023. This will serve as a platform for growth in China and South-East Asia;
- Successfully completed entitlement offer to raise approximately **\$4 million** and a further placement of 12.7 million shares to H&S Group raising an additional **\$2.5 million**. The capital raised combined with cost control delivered a closing cash position at 30 June 2023 of **\$7.5m**;
- Revenue from branded sales<sup>2</sup> of **\$1.9m** for the quarter, up **5%** quarter on quarter (“QoQ”).
- Changeover of distributors in China has proceeded smoothly combined with responsible inventory management has ensured an efficient transition;
- Oli6<sup>®</sup> continues to drive strong momentum in the Australian Retail Goat Infant Formula (“GIF”) Market, up **+11% in value prior period comparative**<sup>3</sup> (“pcp”) measured on a Moving Annual Total (“MAT”) basis;
- Disciplined inventory and working capital management has enabled the Group to reduce its inventory holdings by **42%** in FY23 without significant exposure, and provides a strong base from which to grow sales in ANZ, China, and Vietnam;
- Oli6<sup>®</sup> ranked **Number One** Australian goat milk infant formula brand on Tmall Flagship Stores trading in the China Cross Border E-commerce Channel (“CBEC”); and,
- New product development opportunities in China and other markets will become a key priority under the H&S strategic partnership.

<sup>1</sup> H&S Group is comprised of H&S International (Aust) Pty Ltd ACN 621 762 285 (H&S International) and H&S Investments Australia Pty Ltd ACN 643 475 601 as trustee for the H&S Investment Unit Trust ABN 62 122 826 764 (H&S Investments) (collectively H&S Group)

<sup>2</sup> Oli6<sup>®</sup> branded sales are core business, and exclude sales of raw materials

<sup>3</sup> Source: Iqvia Scan Data - MAT quarter to 30 June 23



<i>Unaudited</i>	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Growth % (qoq)	Growth % (pcp)
	<i>Jun 2022</i>	<i>Sep 2022</i>	<i>Dec 2022</i>	<i>Mar 2023</i>	<i>Jun 2023</i>		
Net branded revenue (\$ millions)	2.0	1.6	2.1	1.8	1.9	5%	-5%
Raw materials revenue (\$ millions)	0.6	0.3	0.3	0.7	0.0	-99%	-99%
Total revenue (\$ millions)	2.6	1.9	2.4	2.5	1.9	-23%	-28%
Volume - branded (metric tonnes)	62.1	51.2	63.3	53.9	55.5	3%	-10%

### Revenue from branded sales of \$1.9m for Q4 FY23, up 5% on the prior quarter

Nuchev delivered net revenue of **\$1.9m** for Q4 FY23 from branded sales, in comparison to \$1.8m for Q3 FY23 and \$2.0m for Q4 FY22, with the business continuing to grow in Australia.

Sales were impacted during the quarter as a result of the changeover from the previous distribution arrangements to the new, exclusive distribution agreement with H&S Group.

### Sustained growth in Australian Retail channel

Over the past 12 months, Oli6<sup>®</sup> has grown its total market share of the Australian GIF Market by 9 percentage points. Oli6<sup>®</sup> scan sales were up **+11% in value<sup>5</sup>**, with Oli6<sup>®</sup> the fastest growing brand.

Growth was achieved in the Australian Retail channel with higher Pharmacy sales, predominantly through Chemist Warehouse. Total sales in the Australian Pharmacy channel were up **+8% pcp**.

Oli6<sup>®</sup> sales revenue generated in Australian Grocery was down **4% pcp** and **4% QoQ** due to supply chain delays impacting the timing of production.

### Gross margins maintained in core business

Gross margins for branded sales remain in line with prior periods, demonstrating the strength of the Oli6<sup>®</sup> brand, and our strong pricing discipline across all channels. It also evidences our strategic approach to CBEC channel competition and responsible inventory management with distributorship changes.

<sup>4</sup> branded sales are core business, and exclude sales of raw materials

<sup>5</sup> Source: Iqvia Scan Data - MAT quarter to 30 June 23



### **Inventory holdings reduced by 42% YTD FY23**

Our disciplined approach to inventory and working capital management has seen the Group's net inventory holdings reduce from \$9.4m at the beginning of FY23 to **\$5.4m** at 30 June 2023<sup>6</sup>, an overall reduction of **42%** over the last twelve months. Inventory investment commenced in Q4 and will continue in FY24 to support H&S growth.

### **Establishing a strategic partnership that will provide a platform for growth in China and South-East Asia**

As previously stated, our strategy is to retain a presence in the Infant Formula market within the China CBEC channel. Although sales in China CBEC have continued to be impacted by strong competitor activity, our focus on cost control has enabled the Company to deliver an improved return on investment whilst maintaining moderate sales across this channel.

During the quarter, the Company announced it had entered into an exclusive distribution agreement with H&S Group for Nuchev's Oli6<sup>®</sup> goat milk products in all channels in the Peoples Republic of China (including Hong Kong & Macau) and Vietnam (with limited exceptions).

### **Capital raise and tight cost control measures delivered a closing cash position of \$7.5m at 30 June 2023**

Net cash raised from the 1 for 2.59 pro rata non-renounceable entitlement offer and the Placement to H&S Investments raised approximately **\$6.5m** before costs associated of **\$0.5m**.

Net cash used in operating activities was **\$0.5m higher pcp** predominantly due to investment in product manufacturing and operating costs incurred in building stock levels to support the growth forecast due to the change in offshore distribution to H&S Group.

Management have continued to maintain strong focus on achieving improved ROI and reducing expenditure on selling and marketing.

The Group continues to maintain a robust and flexible balance sheet, with positive working capital and net assets including **\$7.5m** in cash with no debt.

Based on the net cash used in operating activities during the quarter, Nuchev's total cash and cash equivalents together with unused finance facilities available are sufficient to fund operating activities for **7.0** quarters.

### **Focusing on the future**

Nuchev CEO Greg Kerr commented: "FY23 was a transformative year for Nuchev, during which we entered into a strategic partnership with H&S Group. This deal will enable us to leverage H&S Group's proven capabilities and accelerate growth in China CBEC as well as in other new markets in South-East Asia.

I am also pleased that the business has made significant improvement in terms of working capital and operations, with inventory levels at 30 June down **42% pcp** and total cash used in operations for FY23 down **\$4.9m** or **59%** lower yoy."

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<sup>6</sup> Unaudited financial information

**ASX Additional Information**

Pursuant to ASX Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent \$1.0m on product manufacturing and operating costs, \$0.7m on advertising and marketing, \$1.0m on staff costs and \$0.6m on administration and corporate costs during Q4 FY23. Details of the business activities are found within this report.

Pursuant to ASX Listing Rule 4.7C.3, the Company advises that payments to related parties consist of \$93,051 to key management personnel.

The Nuchev Limited Appendix 4C Quarterly Cashflow Statement for the period ended 30 June 2023 is attached.

For and on behalf of the Company

**Greg Kerr**  
**Chief Executive Officer**  
**Nuchev Limited**

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

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**About Nuchev Limited**

Nuchev is an Australian based functional foods business built on the purpose of *Food for a Better Life*. Nuchev's products are branded under the Oli6® name and are sold in key Australian Pharmacy and Grocery channels as well as in China and Vietnam markets, through online and general trade retail. Nuchev is committed to sourcing world class ingredients and manufacturing under industry leading Australian manufacturing facilities that ensure the best possible products for our consumers.

## 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 2023

Consolidated statement of cash flows	Current quarter	Year to date
	\$A'000	(12 months) \$A'000
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	2,217	9,742
1.2 Payments for	-	-
(a) research and development	(20)	(72)
(b) product manufacturing and operating costs	(969)	(3,856)
(c) advertising and marketing	(736)	(2,493)
(d) staff costs	(964)	(3,778)
(e) administration and corporate costs	(653)	(2,994)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	27
1.5 Interest and other costs of finance paid	(1)	(10)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	76
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,125)</b>	<b>(3,358)</b>
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(63)
(d) investments	-	-
(e) intellectual property	(23)	(64)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
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>(30)</b>	<b>(127)</b>

<b>3 Cash flows from financing activities</b>			
3.1	Proceeds from equity securities	6,529	6,529
3.2	Proceeds from issue of convertible debt securities	-	
3.3	Proceeds from exercise of options	-	
3.4	Transaction costs related to equity securities	(494)	(494)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(41)	(155)
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>5,994</b>	<b>5,881</b>

<b>4 Net increase / (decrease) in cash and cash equivalents for the period</b>			
4.1	Cash and cash equivalents at beginning of period	2,689	5,113
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,125)	(3,358)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(30)	(127)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,994	5,881
4.5	Effect of movement in exchange rates on cash held	(45)	(26)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,483</b>	<b>7,483</b>

<b>5 Reconciliation of cash and cash equivalents</b>		<b>Current quarter</b>	<b>Previous Quarter</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>\$A'000</b>	<b>\$A'000</b>
5.1	Bank balances	7,153	2,359
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>7,483</b>	<b>2,689</b>

<b>6 Payments to related parties of the entity and their associates</b>		<b>Current quarter</b>
		<b>\$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	93
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Item 6.1 includes:

\$93,051 paid for Directors fees and related payments paid to the Directors

<b>7 Financing facilities</b>		<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>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	124	-
7.3	Other (please specify)	276	36
7.4	<b>Total financing facilities</b>	<b>400</b>	<b>36</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>364</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.		
Facilities comprise:			
- Standby letter credit facility of \$124k secured against a cash-backed deposit, zero interest			
- Other facilities of \$276k comprising Trade Facility of \$206k, secured against a cash-backed term deposit with an interest rate of 3.31%, and Credit Card Facility of \$70k.			
These facilities are held with ANZ and are reviewed annually			

<b>8 Estimated cash available for future operating activities</b>		<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,125)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,483
8.3	Unused finance facilities available at quarter end (Item 7.5)	364
8.4	Total available funding (Item 8.2 + Item 8.3)	7,847
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>7.0</b>

### Compliance Statement

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

Date: 26 July 2023  
 Authorised by: the Board of Directors  
 (Name of body or office authorising release - see note 4)

### Notes

- 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.
- 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.
- 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.
- 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".
- 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.

