

26 October 2023

September 2023 Quarterly Update

- **Meluka Australia revenue in Australian market continuing to record growth:**
 - Revenue up 40% on previous corresponding period
 - Eighth consecutive quarter of growth
 - Revenue up 8% quarter-on-quarter
- **Potential divestment of tea tree properties to unlock capital on-going**
- **Review of complementary acquisitions in the health and wellness space to accelerate the Company's growth**

EVE Health Group (ASX:EVE, EVE or the Company), a vertically integrated health, nutrition and wellness company, has today released its Appendix 4C Report for the three-month period to 30 September 2023 and provides a review of operational progress during the quarter.

Meluka Australia

Australia

Meluka Australia's (**Meluka**) continued to see strong growth in Australian market sales, with revenue up 40% on the September 2022 quarter and up 8% on June 2023 quarter, the eighth consecutive quarter of growth in Australian market sales.

As previously flagged, the digestive health products are driving consumer interest, with non-core honey and essential oil offerings being phased down to simplify the Meluka consumer offering. The probiotic supplement powder system for improved digestive health which was launched early this calendar year continues to see strong growth, with unit sales of these products up 38% quarter-on-quarter. Consumer ratings of products is strong with the range having an average rating of 4.64% and in excess of 80% of ratings received being five stars.

The continued growth comes despite continued restraint in marketing expenditure, which was reduced by ~40% in FY23 compared to FY22. In the upcoming quarter marketing and sales efforts will be centred around key offerings include Black Friday/Cyber Monday and Christmas.

Other regions

The level of revenue in the Company's export regions of North America and Japan decreased in the quarter, consistent with a reduction in the level of advertising spend. The Company continued to receive regular purchase orders for the distribution of Meluka's native raw honey in Whole Foods Market, Inc through the quarter.

Jenbrook

As previously reported, the Company continues to seek expressions of interest for the purchase of both the Jendale and Robyndale tea tree properties as it reviews the potential sale of these properties as part of a reorganisation of its overall health and wellness business portfolio.

Naturally Australian Products Inc

During the quarter the Company completed a sale of its 49% equity interest in Naturally Australian Products, as well as assignment of a shareholder loan, for proceeds of \$30,000.

Corporate & Financial Update

Key statistics

- Cash at bank of \$0.3 million, undrawn financing facilities of \$0.2 million available
- Inventory level reduced by \$0.1 million to \$0.4 million
- Receivables and prepayments consistent at \$0.1 million
- Creditors payable consistent at \$0.35 million

The key financial metrics for the quarter include:

- Receipts from customers totalled \$0.6 million, consistent with the prior quarter
- Product manufacturing and operating costs of \$0.2 million, consistent with the prior quarter
- Advertising and marketing activities spend of \$0.3 million, consistent with the prior quarter
- Net cash used in operating activities of \$0.3 million, includes receipt of a \$25,000 grant
- During the quarter the Company made payments to related parties of \$46,000 in director fees and \$1,000 for a fully provisioned office and administration staff

Outlook

- Implementing marketing plans for the digestive health product range to boost sales
- Pursuing new opportunities to expand the Company's health and wellness portfolio
- Streamlining non-core assets to free up capital to grow the Company's business

Commenting on the update, Managing Director Bill Fry said: "Our Meluka Australia brand continues to deliver strong results in the Australian market, with a 40% increase in revenue compared to the same quarter last year. Our digestive health products are leading the way, with high consumer ratings and satisfaction. We have also streamlined our marketing spend and continue our program of divesting our non-core assets, as we concentrate on our core health and wellness portfolio."

Authorised for release by Bill Fry, Managing Director.

— ENDS —

For more information, please contact:

Company enquiries

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About EVE Health Group

EVE Health Group, (ASX: EVE) is a leading, vertically integrated producer of branded nutrition, health and wellness products. The Company has global reach and application to fast-growing markets across Australia and New Zealand, Asia Pacific and North America. Our mission is to create high quality, innovative, natural and sustainable health and wellness products that help the wellbeing of consumers and in turn help our people, shareholders and community prosper.

For further information, please visit www.evehealthgroup.com.au and follow us on LinkedIn or Twitter.

Appendix 4C

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

Name of entity

EVE Health Group Limited

ABN

89 106 523 611

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	560	560
1.2 Payments for		
a) research and development	-	-
b) product manufacturing and operating costs	(202)	(202)
c) advertising and marketing	(272)	(272)
d) leased assets	(4)	(4)
e) staff costs	(307)	(307)
f) administration and corporate costs	(42)	(42)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(13)	(13)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	25	25
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(256)	(256)
2. Cash flows from investing activities		
2.1 Payments to or for acquire:		
a) entities	-	-
b) businesses	-	-
c) property, plant and equipment	-	-
d) investments	-	-
e) intellectual property	-	-
f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
a) entities	-	-
b) businesses	-	-
c) property, plant and equipment	-	-
d) investments	30	30
e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	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)	-	-
2.6	Net cash from / (used in) investing activities	30	30

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	339	339
3.6	Repayment of borrowings	(22)	(22)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	317	317

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	192	192
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(256)	(256)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	30	30
4.4	Net cash from / (used in) financing activities (item 3.10 above)	317	317
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	283	283

5.	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	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	283	192
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	283	192

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	47
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	1,013
7.2	Credit standby arrangements	
7.3	Other (please specify)	
7.4	Total financing facilities	
7.5	Unused financing facilities available at quarter end	175
7.6	<p>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.</p> <p>Business Loan (maturity of 25/03/2034) and Revolving Agri Line Facility (on-going) provided by ANZ to Jenbrook Pty Ltd. Interest rate is 2% less than the Business Mortgage Index Rate (variable). Security provided over the Robyndale farm.</p> <p>Equipment financing facility with a 36-month term and nil interest rate. Vehicle financing with a 36-month term and a 2.84% interest rate.</p> <p>Unsecured merchant financing facility, with PayPal, with no fixed repayment date. Repayments calculated as a percentage of future sales. No on-going interest but a fixed fee capitalised upon entering into the agreement</p>	

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(256)
8.2	Cash and cash equivalents at quarter end (item 4.6)	283
8.3	Unused finance facilities available at quarter end (item 7.5)	175
8.4	Total available funding (item 8.2 + item 8.3)	459
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.8
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: Generally, yes, due to the requirement for marketing activities to support brand development and new product launches. This is expected to lead to revenue growth which will reduce net operating cash flows in future periods.	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: As discussed above, the Company is continuing to review its asset portfolio which may lead to divestments to raise further capital.	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: Yes. The Company believes it will be able to obtain sufficient funding to continue its operations as detailed in 8.6.2.	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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: 26 October 2023

Authorised by: Bill Fry, Managing Director
(Name of body or officer 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.