

## Nuheara's US retail network in place to underpin growth

*Quarterly activities report for the 3 months ended 30 September 2023 (Q1 FY24)*

### Q1 FY24 HIGHLIGHTS

- HP Hearing PRO by Nuheara becomes US retailers' product of choice and now displayed for sales in over 4,900 points of sale with initial orders received from retailers
- Walmart – HP Hearing PRO has been selected to be 1 of 6 OTC hearing aid products and the only earbud, and is now displayed for sale in 4,239 Walmart stores across every State and Territory in the US
- Target – HP Hearing PRO has been selected as 1 of 2 OTC hearing aid products and the only earbud, with expansion from online into an initial deployment of 104 Target stores across 32 States in the US
- Best Buy – expanded from 300 stores to 600 stores
- Cardinal Health, one of the largest distributors of pharmaceuticals and medical products in the US, expands Nuheara's omni sales channel with initial launch on the leading US medical benefit providers site, FSASore.com
- Accessibility and affordability for US consumers enhanced with new US\$499 retail price point, the lowest in the OTC self-fit hearing aid category retail range
- Initial prototypes of the next generation single chip hearing aid developed in conjunction with Realtek, with expected product launch at the US Consumer Electronic Show (CES) in January 2024
- Post quarter-end, successfully launched a capital raising to support expansion with US retailers via a pro rata accelerated non-renounceable entitlement offer to raise approximately \$10.0 million (before costs) if fully subscribed. The Institutional component of this entitlement offer was successfully undertaken, with full take-up of accelerated institutional entitlements raising approximately \$2.5 million from Realtek and Farjoy, Nuheara's two largest shareholders

**PERTH, AUSTRALIA:** Nuheara Limited (ASX:NUH) (Nuheara) is pleased to present this quarterly activities report alongside its Appendix 4C for the quarter ended 30 September 2023 (Q1 FY24).

**Commenting on the significant progress made over Q1 FY24, Nuheara Co-founder and Managing Director Justin Miller said:**

“The September 2023 quarter was game changing for Nuheara and the new US OTC Hearing Aid category.

“Nuheara was selected as one of six products, and the only earbud form factor, for display and sale within 4,239 Walmart stores across all States and Territories in the US. With 150 million customers passing through Walmart stores each week, they are in a unique position to provide quality health and wellness services to all Americans where they live and shop. In fact, ninety percent of the US population is located within 10 miles of a Walmart store. This level of retail opportunity was only available to a select few brands. It speaks volumes for our HP branding, price point, form factor and feature set, that we were chosen by Walmart for their initial mass store deployment.

“This success isn’t just confined to Walmart. We were one of only two products selected for Target’s US in-store deployment, with HP Hearing PRO now available across 104 Target stores in 32 US States.

“Nuheara has been at the forefront of building this OTC category and our knowledge and investment is not being missed by major retailers. We also added one of the largest pharmaceutical and medical products distributors in the US, Fortune 500 company Cardinal Health, to build out our omni sales channel, with sales launched on FSASore.com, one of the country’s largest medical benefit providers with Flexible Spending Accounts [FSA].

“Nuheara is delivering on its growth opportunities, with initial orders received from all major US retailers that the Company is working with. We have made the necessary investments in marketing and new product development to attract prime shop floor space for our HP Hearing PRO across over 4,900 stores in the US. With these in store deployments now almost complete, we finally have a retail footprint large enough to sustain the business on conservative sell through rates of just 1 device sold per store per month.”

**NUHEARA HP HEARING PRO BECOMES OTC PRODUCT OF CHOICE, WITH RETAIL DISTRIBUTION EXPANDED TO OVER 4,900 POINTS OF SALE IN THE US**

Nuheara’s HP Hearing PRO is now displayed for sale in 4,943 retail stores in the US, following its rollout into 4,293 Walmart stores and 104 Target stores, together with an increased footprint of 600 Best Buy stores. At the same time, the Company’s hearing aids are also available online via key partner sites including the recently launched FSASore.com and cvs.com.

With Nuheara’s HP Hearing PRO now available across three of the top US retail brands – Walmart, Best Buy and Target – the Company’s US FDA approved medical device has quickly become the product of choice within this new US retail category. Nuheara’s HP Hearing PRO is one of six products to be displayed by Walmart and is one of only two products to be displayed at Target, in both cases being the only earbud solution.

At this level of retail penetration, if Nuheara sells an average of only one HP Hearing PRO per store per month, the Company can begin to generate sustainable positive cash flows based on the recently reduced retail pricing of US\$499 and currently forecast expense levels and growth investment.

**WALMART: NUHEARA IS 1 OF 6 HEARING PRODUCTS, AND THE ONLY EARBUD SOLUTION, NOW DISPLAYED IN 4,239 STORES ACROSS THE US**

Walmart's strategic decision to move away from in-house hearing clinics and instead focus on OTC hearing aid sales is a testament to its core principles of offering everyday low prices and facilitating self-help for a specific demographic with acceptable price points.

Walmart has now launched its OTC hearing solution offering through its 4,239 stores across all US states and territories. As one of six hearing products selected by Walmart, Nuheara's HP Hearing PRO is the only earbud solution displayed by Walmart within its high traffic Pharmacy section.



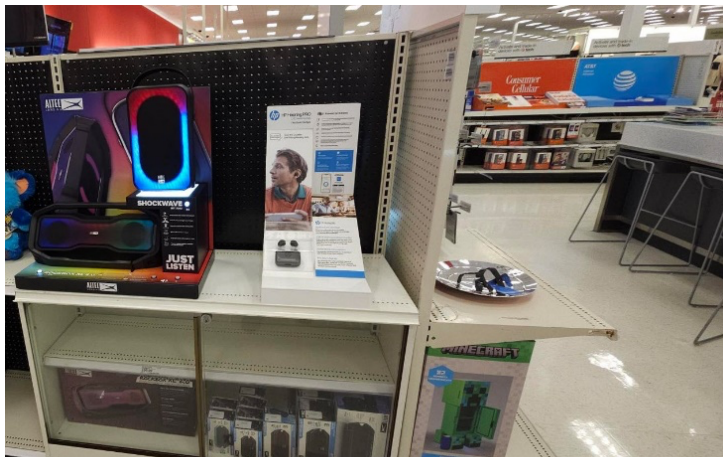
Figure 1: OTC Hearing Aid display in Walmart, New Jersey USA location, featuring HP Hearing PRO by Nuheara

Walmart's extensive network of stores, spanning the US and globally, positions it as a formidable player in the OTC hearing aid market. Walmart's strategic move underscores the changing dynamics of the healthcare market in the US, where accessibility and affordability have taken centre stage.

By providing cost-effective OTC hearing aids, Walmart is responding to the growing demand for self-help hearing solutions, especially among the demographic of its customers, while maintaining price points that are affordable for many and removing the need for expensive traditional testing and fitting appointments.

**TARGET: NUHEARA IS 1 OF 2 HEARING PRODUCTS, AND EXPANDED FROM ONLINE TO AN INITIAL DEPLOYMENT ACROSS 104 STORES IN 32 US STATES**

Having successfully sold online through Target.com, Nuheara’s HP Hearing PRO has now been selected as 1 of only 2 products to expand to Target retail stores. Sales in-store have now commenced, with initial deployment across 104 stores across 32 US states.



*Figure 2: Hp Hearing PRO by Nuheara OTC Hearing Aid display in Target, Corpus Christi Texas USA.*

**CARDINAL HEALTH: EXPANDS NUHEARA’S OMNI SALES CHANNEL, WITH SALES COMMENCED ON FSASTORE.COM**

Cardinal Health is a Fortune 500 healthcare services company and is one of the largest distributors of pharmaceuticals and medical products in the US. Nuheara recently signed a distribution agreement with Cardinal Health that has already opened the first retail opportunity through this expanded omni sales channel via FSA Store.

FSAstore.com is the largest online marketplace for guaranteed Flexible Spending Account (FSA) eligible products in the US. FSA is an employer-established medical benefit account allowing employees to set aside up to US\$2,700 pre-tax dollars to cover eligible medical expenses. FSA dollars can be used to cover medical costs, including eligible OTC healthcare products such as Nuheara’s HP Hearing PRO, for employees and their dependents claimed on their US federal tax return.

While still early and with no marketing, initial sales of HP Hearing PRO have been very promising with more than one device being sold on average per day via FSAstore.com.

Further opportunities are being considered with Cardinal Health to further expand the availability and serviceability of Nuheara’s US FDA certified hearing aids in the US.

## **BEST BUY CONTINUES TO EXPAND STORES SELLING HP HEARING PRO**

In addition to the Walmart and Target in-store expansion, Nuheara HP Hearing PRO is now available in 600 Best Buy stores (from 300 in June 2023). During the quarter we continued to work with Best Buy to evolve how best to position the category and our product in their stores to increase sell-through rates of product.

## **ACCESSIBILITY AND AFFORDABILITY FOR US CONSUMERS ENHANCED BY NEW PRICE POINT**

In conjunction with this substantial increase in distribution footprint for Nuheara HP Hearing PRO, to further enhance accessibility and affordability to US consumers, Nuheara reduced its consumer retail pricing to US\$499.

With first mover advantage in the newly created medical device market for US FDA approved OTC self-fit hearing aids, Nuheara wants to ensure that the addressable market for its products is as wide as possible, while quickly building momentum as more retailers, pharmacies and health care networks look to provide these products to their customers and consumer adoption is accelerated.

## **NEW SINGLE CHIP HEARING AID EXPECTED TO BE LAUNCHED AT CES 2024**

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 and 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 A\$4 million.

This progress enables the Company to set a launch target expectation for its Generation 4 product at the US Consumer Electronic Show (CES) in January 2024. This ongoing R&D investment solidifies Nuheara's position as a first-choice OTC hearing device at US retailers and with prospective OEM partners.

As well as providing enhanced consumer benefits and features, the Generation 4 product with a single chip (instead of four), will have a lower cost of production that is expected to offset the reduced price point of the HP Hearing PRO.

## **SUCCESSFULLY LAUNCHED A CAPITAL RAISING TO SUPPORT EXPANSION WITH US RETAILERS**

On 10 October 2023, the Company announced that it was undertaking a capital raising to support expansion with US retailers via a pro rata accelerated non-renounceable entitlement offer to raise approximately \$10.0 million (before costs) if fully subscribed.

On 12 October 2023, the Company announced the successful completion of the Institutional component of this entitlement offer, with full take-up of institutional entitlements that had been accelerated raising approximately \$2.5 million. Settlement of these funds occurred on 17 October 2023.

The Retail component of the entitlement offer, which can raise up to \$7.5 million, opened on 17 October 2023 and will close on 6 November 2023.

## **CASH RECIEPTS**

With the focus during the quarter being on expanding our US retail distribution expansion and supporting Best Buy to evolve how best to position the category and our product in their stores to increase sell-through rates of products, sales and cash receipts from customers were limited during the quarter at \$212k.

## **CASH EXPENSES**

### **Product manufacturing and operating costs**

Following the securing of the Walmart points-of-sale in August, we commenced increasing levels of production of HP Hearing PRO ahead of expected ramp up in sales orders in subsequent quarters, with product manufacturing and operating cost cash outlays of \$457k incurred during Q1 FY24.

### **Advertising and marketing**

Advertising and marketing spend in Q1 FY24 was \$497k. This was primarily incurred with our retail partners to support the rollout of HP Hearing PRO at their stores, with the majority of the costs associated with the Walmart 4,239 points-of-sale roll out paid during the quarter, together with costs to increase the Best Buy points-of-sale by 252 stores in July.

### **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 \$639k was capitalised in Q1 FY24 and is shown as "Payments to Acquire Intellectual Property" at item 2.1(e). Expenditure is mainly attributable to work on our next generation product. In addition, during the quarter \$323k was paid for capitalized 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 \$4 million by 30 September 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 \$619k were incurred in Q1 FY24.

### **Administration and corporate costs**

Administrative and corporate cash payments during Q1 FY24 totalled \$463k.

### **Cash flows from financing activities**

During Q1 FY24, \$880k proceeds from issue of shares were received being the Realtek portion of the previous capital raise announced on 6 June 2023 which was subject to shareholder approval which was obtained at a general meeting of shareholders on 20 July 2023.

## Payments to related parties

Payments to related parties in Q1 FY24 were \$143k, which related to fees paid to non-executive directors and the executive director's cost of payroll for the period.

## INVESTOR BRIEFING DETAILS

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 11:30am AEDT / 8:30am AWST on Wednesday, 1 November 2023. 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\\_tAvXFExgTX6UUHZVTZJsew](https://us02web.zoom.us/webinar/register/WN_tAvXFExgTX6UUHZVTZJsew)

**-ENDS-**

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## 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 IQbuds<sup>2</sup> 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/>.