



10 August 2020

Strategic Supply Agreement for European Distribution

Highlights

- NZCS has entered a strategic one year Supply Agreement with German Company, Dr. Behr, for the sale of green lip mussel powders and oils, with the opportunity to further expand revenues as the Company develops further products including underia (seaweed) powder, marine collagen powder, oyster powder, nootropic products and cognitive enhancers.
- Under the Supply Agreement, Dr. Behr will initially sell NZCS's green lip mussel powders and oils in Europe, with minimum order quantity revenues solely from mussel products (excluding the UK) of NZ\$432,000 (approximately A\$400,000¹) for Year 1, with parties able to agree to further terms, which are expected to be on similar pricing terms, with expected increased indicative product quantities to be negotiated.
- The Supply Agreement will provide revenues and NZCS aims to work with Dr. Behr as a strategic partner for the further development of marine grade nutraceutical powders, as the Company seeks to expand distribution of these product offerings in new and existing territories.
- Dr. Behr is appointed as the sole and exclusive distributor of the products the Europe Union with the exception of the United Kingdom, such exclusivity is conditional on Dr. Behr purchasing minimum quantities of products.
- Established in 1976, and based in Bonn, Germany, Dr. Behr is a leading ISO 22000 certified manufacturer and distributor of dietary supplements, nutraceutical and pharmaceutical products.
- The Supply Agreement with Dr. Behr further builds on the strong foundation of existing agreements with SuperMilkBaba and Good Health.
- The Supply Agreement aligns with NZCS's growth strategy of entering new markets and improving profit margins by extending its range of products.

¹ NZD/AUD = 0.931

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New Zealand Coastal Seafoods Limited (ASX:NZS) (“NZCS”, the “Company”) is pleased to announce that the Company has entered a strategic one year Supply Agreement (“Supply Agreement”) with Dr. Behr GmbH (“Dr. Behr”), for the sale of green lip mussel powders and oils, with the opportunity to expand revenues as the Company develops further products including underia (seaweed) powder, marine collagen powder, oyster powder, nootropic products and cognitive enhancers.

New Zealand Coastal Seafoods CEO, Andrew Peti, commented: “The strategic Supply Agreement with Dr. Behr is another significant milestone for the Company, as NZCS forges its way into the global nutraceutical market, positioning itself as a leader in the industry. Importantly, the minimum order quantity and order quantity revenues for the first year, are solely for the sale of green lip mussel powders and oils into the Europe Union (excluding the UK), and NZCS aims to collaborate with Dr. Behr to develop additional nutraceutical products, thereby potentially expanding on these already significant revenue streams.”

“The Supply Agreement not only provides revenues, but is a strategic move for NZCS, as the Company seeks to expand distribution, by offering product lines developed for Dr. Behr, into Asia, the US, Japan, Korea and other new and existing territories.”

Under the Supply Agreement, Dr. Behr will initially only sell NZCS’s green lip mussel powders and oils into Europe (excluding the UK), with minimum order quantity revenues solely from mussel products being NZ\$432,000 (approximately A\$400,000²) for Year 1, with the parties able to agree to further terms, which are expected to be on similar pricing terms, with expected increased indicative product quantities to be negotiated.

The Supply Agreement provides revenues from the sale of mussel products into Europe over the first year, and NZCS aims to collaborate with Dr. Behr as a strategic partner to develop additional product, thereby potentially expanding revenue streams generated under the Supply Agreement.

The Company will also seek to distribute these newly developed product offerings into new and existing territories, including China, Japan, Hong Kong, USA and Australia.

Dr. Behr GmbH CEO, Martin Landre, commented: “We’re very pleased to be working with NZCS as a key supplier, as they’re a world class manufacturer of nutraceutical ingredients, which aligns with our strategy of providing high quality certified products, to our customers across Europe. We look forward to building a long term relationship with NZCS.”

² NZD/AUD = 0.931

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Under the Supply Agreement, Dr. Behr is appointed as the sole and exclusive distributor of the products to countries in the European Union, with the exception of the United Kingdom. Such exclusivity is conditional on Dr. Behr purchasing minimum quantities of products. NZCS also grants Dr. Behr a first right of refusal to purchase all other products NZCS may supply from time to time to be sold in the stated territory.

Established in 1976, Dr. Behr is a leading German based ISO 22000 certified manufacturer of dietary supplements, nutraceutical and pharmaceutical products. Dr. Behr distributes a range of marine and plant based nutraceutical products, including mussel powder, mushroom powder and oyster extract, with aims to expand its product offering through collaboration with NZCS.

The Supply Agreement is for an initial term of 12 months and contains termination clauses for unremedied default of the Agreement, the insolvency of either party or the occurrence of a force majeure event which continues for 6 months, as would commonly be found in an agreement of this nature. The Supply Agreement can be renewed for three additional respective one year terms and then one additional three-year term with the agreement of the parties.

“NZCS also continues discussions with leading nutraceutical and pharmaceutical distributors globally, as the Company aims to establish further supply and purchase agreements, to build on the agreements with Dr. Behr, SuperMilkBaba and Good Health with revenues of NZ\$432k, NZ\$4.4m and NZ\$400k respectively.”

On 25 March 2020, NZCS announced that the Company had entered a NZ\$4.4m (approximately AU\$4.29m) purchase agreement with SuperMilkBaba (NZ) Limited (“SMB”), for the sale of a minimum of 100 tonnes of frozen Ling Maw over a 12 month period.

On 25 May 2020, the Company also announced a purchase agreement Good Health Product Limited, for the sale of a minimum of 4,000 kilograms of Nutraceutical Oyster Powder over a 12 month period, with opportunities to expand order quantities to up to 10,000 kilograms over the same period.

These purchase agreements have established a strong foundation of revenue over the next 12 – 36 months, and the NZCS sales team continues discussions with leading nutraceutical and pharmaceutical distributors globally.

The Supply Agreement aligns with NZCS’s growth strategy of entering new markets and improving profit margins by extending the range of products.

Authority:

This announcement has been approved by the Board of New Zealand Coastal Seafoods Limited.

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About New Zealand Coastal Seafoods

New Zealand Coastal Seafoods (NZCS) is a New Zealand based, ASX listed, secondary producer of nutraceutical, seafood products and premium marine ingredients. The Company recently acquired Kiwi Dreams International Limited (KDI), a leading developer of innovative nutraceutical products and services including ingredient supply, quality and validation, as well as formulation and development.

Through the development of Nutraceutical projects, NZCS has recognised significant opportunities in this high growth market, with the global Nutraceutical market estimated at US \$230.9 billion in 2018.³

Harnessing the countries reputation for pure, pristine waters and fisheries provenance, NZCS utilise raw ingredients sourced from New Zealand's finest deep sea fishing companies, employing a nose-to-tail philosophy to create a range of high-value products.

The Company's mission is to share the sought-after flavours of sustainably-sourced, nutritious, healthy and organic goodness of New Zealand's seafood with Asian consumers, through expanding distributor, wholesale and consumer channels.

NZCS's growth strategy is focused on the development of a new nutraceutical product range and increasing production and sales of its flagship, collagen-rich, dried ling maw range and developing high-value ready-to-eat, FMCG products for export into new and existing markets.

³ <https://www.bccresearch.com/market-research/food-and-beverage/nutraceuticals-global-markets.html>

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