

31 July 2023

June 2023 Quarterly Update

- Meluka Australia revenue in Australian market continuing to record growth (up 62% on June 2022 quarter)
- Unaudited revenue for FY23 for Meluka in Australian market grows by 86% to \$1.54 million.
- Meluka Australia total unaudited revenues of \$2 million for FY23, a 30% growth YoY in total revenues despite refocus to Australian sales channels
- Launch of Meluka Australia's probiotic supplement powder system for improved digestive health delivers promising initial sales results alongside growth in range of probiotics products
- Potential divestment of tea tree properties to unlock capital on-going
- Review of complementary acquisitions in the health and wellness space to grow the company's health and wellness portfolio

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 June 2023 and provides a review of operational progress during the quarter.

Meluka Australia

Australia

Meluka Australia's (**Meluka**) growth during the period culminated in the seventh consecutive record quarter for Australian sales, which were up 62% on the previous corresponding period of June 2022. A variety of successful marketing campaigns were rolled out during the quarter. In particular, print media campaigns in The Age and Sydney Morning Herald newspaper publications featuring Meluka's leading product, the P3 Gut Builder beverage were successful in increasing consumer awareness and new customer attainment. Other marketing campaigns included collaborations with aligned brands in the health and wellness space and promotions centred around key sales periods including EOFY, traditionally a highly competitive advertising period. Branded consumer marketing and advertising communications delivered a 12% increase in sessions QoQ to the direct-to-consumer website during the period.

Meluka's first probiotic supplement powder system for improved digestive health was launched during the March quarter and marketing activities continued to support the growth of this new product in the June quarter. The functional gut nutrition solution is in the form of a 3-step supplement powder system, each of which contain pre, pro and postbiotics as well as selected functional superfood ingredients in an easy to consume and versatile offering. The launch was supported by utilising social media influencers in the nutrition, health and wellness space to drive awareness and generate interest in the range of products. Feedback from consumers has been extremely positive and initial sales results for the range have been promising.

The pipeline for future new product development will continue in forthcoming quarters, with plans to expand the offering of digestive health products which contain Meluka's proprietary probiotic strain and a variety of effective, functional nutritional ingredients.



Figure 1: Feature in the Age, Melbourne, June 2023).

Other regions

The level of revenue in the Company's export regions of North America and Japan remained consistent in the quarter, despite 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 (49% EVE)

Naturally Australian Products (NAP), the US distribution business held 49% by EVE, which sells bulk essential oils and extracts to North American businesses recorded unaudited revenue of \$0.9 million in the quarter - the highest quarterly result for the year. Unaudited revenue for the financial year of \$2.5 million was up 10% on the prior year.

NAP is owned 49% by EVE, accordingly it is accounted for as an investment in an associate, **meaning its revenue is not consolidated into the Appendix 4C.**

Corporate & Financial Update

Key statistics

- Cash at bank of \$0.2 million, undrawn financing facilities of \$0.4 million available
- Inventory level reduced by \$0.3 million to \$0.6 million
- Receivables and prepayments consistent at \$0.15 million
- Creditors payable consistent at \$0.3 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 \$0.35 million, an increase of \$0.15 million from the prior quarter
- During the quarter the Company made payments to related parties of \$47,000 in director fees and \$2,000 for a fully provisioned office and administration staff

Outlook

- Pipeline for future product development to focus on expanding the success of the existing digestive health product range
- Continued rollout of marketing strategies for the digestive health product range to underpin sales
- Continued targeting of businesses to grow the Company's health and wellness portfolio
- Rationalisation of non-core assets continues to unlock capital to grow the Company's business

Commenting on the update, Managing Director Bill Fry said: "It has been pleasing to see the continued positive customer feedback and initial sales results of the 3-step supplement powder system launched during the March quarter. Our overall new and returning customer numbers continue to be particularly encouraging as a result of a variety of successfully executed marketing campaigns resonating with customers who have an increased awareness of how functional nutrition products can support overall health and wellbeing. We continue to focus on completing reviews of potential new acquisitions to grow the EVE business portfolio and the potential finalisation of a transaction to unlock the capital from the tea tree properties."

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

For the purposes of the consolidated statement of cash flows, only cash flows from EVE, Jenbrook Pty Ltd and Meluka Health are included. Cash flows from associates Naturally Australian Products are not included in the below figures.

Name of entity

EVE Health Group Limited

ABN

89 106 523 611

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	575	2,615
1.2	Payments for		
a)	research and development	-	(6)
b)	product manufacturing and operating costs	(216)	(1,100)
c)	advertising and marketing	(317)	(1,241)
d)	leased assets	(5)	(42)
e)	staff costs	(241)	(1,376)
f)	administration and corporate costs	(125)	(609)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(11)	(31)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	99
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(339)	(1,691)
2.	Cash flows from investing activities		
2.1	Payments to or for acquire:		
a)	entities	-	-
b)	businesses	-	-
c)	property, plant and equipment	-	(2)
d)	investments	-	-
e)	intellectual property	-	-
f)	other non-current assets	-	-
2.2	Proceeds from disposal of:		
a)	entities	-	-
b)	businesses	-	148
c)	property, plant and equipment	1	17

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	d) investments	-	335
	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)	-	-
2.6	Net cash from / (used in) investing activities	1	498

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	224
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	-	(5)
3.5	Proceeds from borrowings	116	116
3.6	Repayment of borrowings	(13)	(52)
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	103	283

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	427	1,102
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(339)	(1,691)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1	498
4.4	Net cash from / (used in) financing activities (item 3.10 above)	103	283
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	192	192

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	192	427
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)	192	427

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	49
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

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	870	551
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		359
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>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(339)
8.2	Cash and cash equivalents at quarter end (item 4.6)	192
8.3	Unused finance facilities available at quarter end (item 7.5)	359
8.4	Total available funding (item 8.2 + item 8.3)	551
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.6
	<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: 31 July 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.