

SEPTEMBER 2022 QUARTERLY ACTIVITIES REPORT

RETAIL FOOTPRINT EXPANDING ACROSS NORTH AMERICA

Walmart retail rollout performing well

Q3 FY22 HIGHLIGHTS

- Overall quarterly revenue of US\$829k, up 32% on pcp
 - Third consecutive quarter of double-digit quarter-on-quarter revenue growth
- Extensive retail rollout across North America
 - Healthy Heights® available in 403 Walmart stores across the US with support through Walmart-owned (1P) distribution and fulfilment centres
 - Online sales through Walmart.com, Kroger.com, Smiths.com, Ralphs.com and RangeMe.com
 - Healthy Heights® in-store across The Healthy Edge network of 20 natural foods stores in four US states
 - Distribution agreement for entire 22 product Healthy Heights® range with the largest natural products wholesale distributor in the US, United Natural Foods Inc. (NYSE: UNFI)
- Launched into South Korea and implemented supply agreement with country's largest online retailer, Coupang (NYSE: CPNG)
- Completed successful capital raise of \$3.5 million to support Walmart agreement, support additional purchase orders and specific marketing campaigns
- Positive one-year clinical trial results of Healthy Heights® Grow Daily Boys 10+ formula
- Appointed Peter Osborne as Non-executive Director

31 October 2022 – **Nutritional Growth Solutions Ltd. (ASX: NGS)**, a leading premium provider of evidence-backed, clinically-studied nutrition products for children, is pleased to provide a business update for the quarter ending 30 September 2022 (Q3 FY22), along with its Appendix 4C quarterly cash flow report.

Retail expansion is accelerating rapidly across North America

Nutritional Growth Solutions delivered a strong September quarter, growing revenue and cash receipts as it capitalised on increasing retail and online sales throughout the United States and Asia.

Quarterly overall revenue was US\$829k, up 32% on the prior corresponding period (pcp).

Nutritional Growth Solutions CEO Liron Fendell said, "This quarter has seen Nutritional Growth Solutions accelerate retail sales dramatically with complementary outlets that cater to mass consumers and specialist natural retailers in our biggest market – the United States. We are now on-shelf in some of the nation's largest and most reputable retailers with the support of key distributors, and selling through some of the largest online retailers in the country.

"Our relationship with Walmart has extended to include two SKU's of the Healthy Heights® range in 403 stores. We are very encouraged to already be getting replenishment orders from Walmart, and

are also engaged in discussions to add more products into Walmart stores, which can significantly increase the revenue from this sales channel.

In addition, this quarter we signed distribution agreements with The Healthy Edge network across four US states and finalised a distribution agreement with United Natural Foods, the largest natural product wholesale distributor in the US. It is encouraging to see a large proportion of our growth via online channels, with repeat customers providing a steady revenue stream that accompanies our in-store retail sales.

“The appointment of Peter Osborne to the board will be valuable as we utilise his experience in growing companies and ensuring that we have sustained growth as we scale the business, especially into South East Asia.”

OPERATIONAL UPDATE

US Distribution deal signed with United Natural Foods Inc. (NYSE: UNFI)

In July NGS signed a distribution deal with the largest natural products wholesale distributor in the US, United Natural Foods Inc. (NYSE: UNFI) expanding the Healthy Heights[®] retail and online presence across the United States.

The entire 22 product range is now available via UNFI’s marketplace platform or physical distribution centres. Its network of reputable natural product superstores includes independent retailers, conventional supermarket chains and ecommerce retailers such as Whole Foods, The Fresh Market, Jerry’s Foods, Superior Grocers and Vallarta Supermarkets.

Supply agreement reached with major online retailer in South Korea

In August, NGS signed a non-exclusive agreement with South Korea’s largest online retailer, Coupang (NYSE: CPNG), entering the South Korean market and expanding NGS’ presence in the Southeast Asia.

Items from the Healthy Heights[®] range available to Coupang’s 18 million active customer base are: Grow Daily 3+, Grow Daily 10+, KidzProtein and KidzProtein Vegan.

Ranging on Coupang enables the Company to target South Korea’s large population and demand for children’s nutritional products while complimenting recent ranging agreements elsewhere in Asia.

Sales commenced into 403 Walmart retail stores across the United States

In August, Nutritional Growth Solutions signed a retail agreement with the world’s largest company by revenue, Walmart, joining the US\$20 billion ‘Grow up Milk’ category. As part of the agreement, two SKU’s of the Healthy Heights[®] portfolio went on shelf in 403 retail stores across the United States in late September. The entire Healthy Heights product portfolio also became available on the online (Walmart.com) “fulfilled by Walmart” channel with products stored in Walmart-owned distribution centres enabling enhanced delivery capabilities.

Ranging in-store with Walmart is a significant breakthrough in NGS’ retail expansion in the US, promoting greater exposure to more consumers. In addition, the deal complements retail agreements with major health food retail stores, The Healthy Edge Group, United Natural Foods and online sales through Walmart.com, Kroger.com, and Smiths.com.

Distribution deal signed with Healthy Edge network across four US states

Also in August, Nutritional Growth Solutions signed a distribution agreement with leading natural food store operator The Healthy Edge Group Inc. to distribute Healthy Heights® to its network of 20 stores.

Three items from the Healthy Heights® product range are available in store at Akins, Chamberlain's and Earth Origins Market stores who operate under the Healthy Edge network across four Southeast and Midwest states.

Successful capital raise to drive growth

In August, NGS secured A\$3.48 million (before costs) at 12 cents per share through a share placement to fund purchase orders and the rollout of marketing campaigns following the expanded Walmart agreement. Placement funds will assist sales in other key retailers across Southeast Asia and North America.

Positive one-year clinical trial results of Healthy Heights® Grow Daily Boys 10+ formula

Post reporting period NGS received positive results from open extension (6-12 months) clinical trial on its Grow Daily Boys 10+ formula, with the results now published in peer-reviewed international pediatric research journal, Hormone Research in Pediatrics. Following six months of double-blinded intervention with nutritional formula or placebo, an open-label extension phase was carried out for another six months. Extension phase results found significant dose-response correlations between the consumption of Grow Daily Boys 10+ and the gain in height, weight, and muscle-mass.

This latest phase for NGS' Grow Daily Boys 10+ trial adds to the growing body of medical research to determine the optimal dose of the nutritional formula required to further improve the long-term growth responses in young children. It builds on more than 20 years research at the Schneider Children's Medical Center, one of the leading institutions globally on child nutrition.

Peter Osborne joins NGS Board

NGS appointed Peter Osborne as Non-executive Director of the board, replacing Dr Anton Uvarov, who stepped down from the role to pursue other business interests.

Mr Osborne assumed his position as a Strategic Advisor for China and Southeast Asia in May 2022, during which he has provided valuable guidance in commercialising and expanding product ranges into key growth markets across Asia.

He is currently a Strategic Advisor in Asia for ASX listed retail and consumer goods companies, Ecofibre Limited (ASX:EOF) and BWX Limited (ASX:BWV), Director of Advangen, Inc, Japan, Operating Partner of Cortina Capital, Strategic Advisor to Edison Partners, External Advisor to Bain & Company and was previously Asia Pacific Chairman for US probiotic company Seed Health.

LOOKING AHEAD

"We have built a strong foundation with North America's largest and most trusted e-commerce and bricks and mortar stores, significantly increasing the retail presence of our Healthy Heights® products. Over the coming quarter, we will continue to expand our retail footprint across the US.

"While we will continue to scale in the US market, we are also examining new markets in both Southeast Asia and Europe where we can access the right distribution and retail partners.

“Our products are now stocked in some of the world’s largest retailers, placing NGS in a position to rapidly accelerate sales while giving parents greater access to clinically studied products that support healthy growth development.”

WEBINAR DETAILS

An investor webcast will take place on Wednesday 2 November 2022 at 4:00pm AEDT. Following the briefing, participants will have an opportunity to ask questions via an online facility. Please pre-register for webcast via:

https://us02web.zoom.us/webinar/register/WN_uhE7hdcwQ0ipLbfD5UjaOw

FINANCIAL OVERVIEW

The Company achieved quarterly customer collection of US\$814k, same as Q3 FY21 (US\$818k).

Operating cash outflows of US\$1.15 million for the quarter included:

- US\$997k in advertising and marketing;
- US\$91k in research and development; and
- US\$449k in product manufacturing and operating costs
- US\$427k in other, general and administrative expenses.

The Company’s cash balance as of 30 September 2022 is US\$2,468k.

Payments made to related parties and their associates shown in the Appendix 4C are as follows:

- Item 6.1 includes US\$40k directors’ fees and US\$130k payroll expenses

-ENDS-

This announcement has been authorised for release by the Board of Directors of Nutritional Growth Solutions Ltd.

For more information:

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Appendix 4C

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

Name of entity

Nutritional Growth Solutions Ltd.

ABN

642 861 774

Quarter ended ("current quarter")

On 30/09/2022

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	814	2,107
1.2 Payments for		
(a) research and development	(91)	(245)
(b) product manufacturing and operating costs	(449)	(1,931)
(c) advertising and marketing	(997)	(2,809)
(d) leased assets	-	-
(e)		
(f) administration and corporate costs	(427)	(970)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,150)	(3,848)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(3)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
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)	-	-
2.6	Net cash from / (used in) investing activities	-	(3)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,351	2,351
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	(144)	(144)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(10)	(30)
3.10	Net cash from / (used in) financing activities	2,197	2,177

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,421	4,142
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,150)	(3,848)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(3)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,197	2,177
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,468	2,468

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	2,468	1,421
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)	2,468	1,421

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	170
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.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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.		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,150)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,468
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	2,468
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.14
<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:	
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:	
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:	
<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 October 2022

Authorised by: Board of Directors
(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.