

31 January 2023

## Quarterly Activities Report for the Period Ended 31 December 2022

### Highlights

- Cash receipts for the December 2022 quarter of US\$793,000 (approx. AU\$1,146,716<sup>1</sup>), an increase of 31.3% from cash receipts of US\$604,000 (approx. AU\$873,412<sup>1</sup>) for the December 2021 quarter.
- Continued focus on the US market building sales momentum through Walmart:
  - Overall sales through Walmart doubled during the Quarter, demonstrating strong demand for Healthy Heights products.
  - Sales velocity (units sold per store per week) at Walmart is 74% over the joint business plans initial expectation (0.87 vs. 0.5 expected).
  - Walmart.com sales doubled from October to December 2022.
  - NGS secured ranging of its new Happy Tummies<sup>®</sup> supplement in Walmart, following initial strong results of its Kidz Protein<sup>®</sup> products in Walmart stores.
  - Advanced discussions with additional retailers following strong performance at Walmart.
  - Continued execution of NGS's marketing strategy in North America, securing key media coverage across major digital platforms and television, with the aim of further building awareness to support Walmart sales.
- Amazon continues to show strong growth with 32% growth in sales compared to Q4 2021.
- Exclusive Distribution Agreement executed with Pharmabest for Poland, a leading distributor of high-quality and evidenced based dietary supplements and medical devices, with minimum sales quantities agreed for 2023, 2024 and 2025.
- Positive one-year trial results for Healthy Heights grow daily boys 10+ formula.
- As an after balance date event, NGS commenced clinical trials to evaluate the effects of the NGS innovative sports supplement on physical activity performance in children.

Nutritional Growth Solutions Ltd (ASX:NGS) ("NGS", or "the Company") a global nutrition company, is pleased to provide an overview of the Company's quarterly activities for the period ended 31 December 2022 ("Quarter", "Reporting Period").

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<sup>1</sup> US\$1 = AU\$.145

### **Continued Focus on the US Market Building Sales Momentum through Walmart**

During the Reporting Period, NGS maintained its focus on the US market and building sales momentum through Walmart.

Walmart point-of-sale sales grew 95% from October to December 2022.

The Company achieved a sales velocity of 0.87 units per store per week, which is a 74% increase over the initial 0.5 velocity indicated by the Walmart buyer for the category, with 77% of stores performing at a velocity of over 1 units per store per week, hence over performing in the category, demonstrating strong demand for NGS' products.

Supporting bricks and mortar retail, online sales through Walmart.com doubled from October to December 2022.

Based on these initial results, NGS is now working with Walmart to expand the number of units stores. Currently, NGS is selling 2 products in 409 stores, out of over 3,500 Walmart stores in the US, providing the opportunity for significant growth with this key NGS customer.

In addition to the potential for growth with Walmart, the sales performance is key to gaining distribution with other retailers across the US, with the Company having commenced the process of sharing information with several key retailers with planned retailer meetings in Q1 2023.

On 26 September 2022, NGS announced that it had entered the US\$20 billion<sup>2</sup> 'Grow up Milk' category with its Healthy Heights<sup>®</sup> Kidz Protein range stocked in Walmart stores across the US. Two SKU's of the Healthy Heights<sup>®</sup> portfolio, Healthy Heights<sup>®</sup> KidzProtein canisters in chocolate and vanilla, were stocked in Walmart stores and online via Walmart.com.

Ranging in-store with Walmart was 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 Kroger.com, Smiths.com, Ralphs.com and RangeMe.com.

As an after balance date event NGS secured ranging of its new Happy Tummies<sup>®</sup> supplement in Walmart, following initial strong results of its Kidz Protein<sup>®</sup> products in Walmart stores. Happy Tummies<sup>®</sup> will be available at Walmart in Q3 2023, with the number of stores to be confirmed. Happy Tummies<sup>®</sup> is a unique blend of prebiotic, probiotic and protein, for digestive support in children and was developed by NGS' team at the request of Walmart.

### **North American Marketing Strategy**

During the Quarter, NGS continued to execute on its marketing strategy in North America, securing key media coverage across television and print, with the aim of further building awareness to support sales through Walmart and other US based distributors.

Digital media and television were utilised to grow and exceed revenue goals both in-store and online. Walmart regional markets were penetrated with television appearances on local news shows by Healthy Heights nutritionists and fitness influencer Brent Bishop. In addition, digital advertising was run across major channels, including Amazon, Google, Facebook, and Walmart.com focusing on elevating brand awareness, increasing consumer demand, and driving profitable scalable growth. Combined with a robust Walmart social media influencer program focused on regional markets building community,

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<sup>2</sup> Euromonitor, Packaged Food, 2020

awareness, and education, audience targeted digital advertising drove both Walmart.com revenue and Walmart in store conversions.

### **Positive one-year trial results of Healthy Heights Grow Daily Boys 10+ formula**

During the Reporting Period, NGS received positive results from an 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.

The 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. Throughout the study, net changes in fat mass and fat mass percentage were minor (mean changes of less than 0.8 kg and less than 0.8%, respectively), showing the intervention had no obesogenic effect.

This represents a significant achievement for the Company as it demonstrates the effectiveness of the Company's product in promoting healthy growth and development in pre-adolescent males.

### **NGS Expands into Poland**

During the Quarter, NGS signed an Exclusive Distribution Agreement with Pharmabest, a leading distributor of high-quality and evidenced-based dietary supplements and medical devices.

The agreement targets total sales of 135,000 units by 2025 with Pharmabest to support the brand with targeted offline and online distribution opportunities in the region, with a focus on medical outreach. Pharmabest will distribute the Company's European manufactured products including the Healthy Heights® Grow Daily 3+ product line.

NGS remains focused on the US market and Walmart sales, however it is important to note that the launch of the Healthy Heights® range in Poland has the potential to be a cash-generating opportunity for the Company and may serve as a solid foundation for NGS's long-term growth.

### **Commencement of Clinical Trials to Evaluate the Effects of the NGS Innovative Sports Supplement**

As an after-balance date event, the Company announced the commencement of a clinical trial to evaluate the effects of the NGS innovative sports supplement on physical activity performance.

NGS developed a cutting-edge nutritional supplement designed to meet the elevated nutritional needs of adolescent athletes, with the goal of enhancing their body composition, physical performance, and overall health.

The supplement is for a randomized, double-blind, placebo-controlled pilot study involving 50 healthy soccer players aged 8 to 15, with the objective of evaluating the supplement's efficacy and safety compared to a placebo. The study will consist of an 8-week treatment phase followed by an 8-week open label phase, and initial findings are anticipated to be available in Q3 2023.

The Company intends to launch a range of sports supplements building on this robust clinical study, thus entering the sports supplements market.

**Nutritional Growth Solutions CEO and Managing Director, Liron Fendell, commented:**

*“The 2022 year was a monumental period for the Company with NGS securing distribution through Walmart, with our range of Healthy Heights product now stocked in 409 stores.*

*Point of sale sales at Walmart stores during the Reporting Period doubled from October to December 2022.*

*Driven by sales through Walmart, and by strong growth in our on-line business, cash receipts for the December 2022 quarter were US\$793,000, an increase of 31.3% from cash receipts of US\$604,000 for the December 2021 quarter.*

*NGS also continued to receive further scientific validation for its products, having received positive one-year trial results for Healthy Heights grow daily boys 10+ formula with the results published in peer-reviewed international pediatric research journal, Hormone Research in Pediatrics.*

*Although NGS remains focus on the US market, the Company also entered an Exclusive Distribution Agreement with Pharmabest for Poland, providing potential for additional revenue streams.*

*We look forward to an exciting 2023 and I would like to thank shareholders for their support to date.”*

**FINANCIAL OVERVIEW**

The Company achieved quarterly customer collection of US\$793k, up 31% on Q4 FY21 (US\$604k).

Operating cash outflows of US\$974k for the quarter included:

- US\$962k in advertising and marketing (Including an offset of US\$115k government grants);
- US\$87k in research and development; and
- US\$518k in product manufacturing and operating costs
- US\$200k in other, general and administrative expenses.

The Company’s cash balance as of 31 December 2022 is US\$1,521k.

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

- Item 6.1 includes US\$57k directors’ fees and US\$126k payroll expenses

-ENDS-

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

**More information:**

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**About Nutritional Growth Solutions**

Nutritional Growth Solutions is a global nutritional health company focused on the well-being of children. NGS develops, produces and sells clinically tested nutritional supplement formulae for children following 20 years of

medical research into pediatric nutrition at Schneider Children's Medical Centre, Israel's largest pediatric hospital. The nutritional supplements market has experienced tremendous growth in recent years, but most attention has been focused on adult users and children under three years of age. The three to twelve-year-old consumers represent a larger market opportunity and NGS is highly differentiated from its competitors with clinically tested products and an expanding product portfolio to capture this market opportunity.

[ngsolutions.co](https://www.ngsolutions.co)

## 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 31/12/2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (12 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	793	2,900
1.2 Payments for		
(a) research and development	(87)	(332)
(b) product manufacturing and operating costs	(518)	(2,449)
(c) advertising and marketing	(1,115)	(3,924)
(d) leased assets	-	-
(e)		
(f) administration and corporate costs	(200)	(1,170)
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	153	153
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(974)</b>	<b>(4,822)</b>
<b>2. Cash flows from investing activities</b>		
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 (12 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	-	<b>(3)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	34	2,385
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)
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)	(7)	(37)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>27</b>	<b>2,204</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,468	4,142
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(974)	(4,822)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(3)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (12 months) \$US'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	27	2,204
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,521</b>	<b>1,521</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$US'000</b>	<b>Previous quarter \$US'000</b>
5.1	Bank balances	1,521	2,468
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,521</b>	<b>2,468</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$US'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	183
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>		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
<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>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>-</b>	<b>-</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>-</b>
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(974)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,521
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	1,521
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>1.56</b>
<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?	
<p>Answer: Net operating cash flows improved in this quarter compared with the previous quarter and are expected to continue to improve in the coming period due to two factors:</p> <ul style="list-style-type: none"> <li>I. Reduction of manufacturing expenditures on increasing inventories as previously mentioned in the Appendix 4C report for the third quarter.</li> <li>II. Reduction of operational activity in the APAC region</li> </ul>	
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?	
<p>Answer: The Company will continue to assess the merits of various fundraising initiatives to ensure it has the financial capacity to meet its business and operational requirements</p>	

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: Based on its ability to raise more funds the Company expects to be able to continue its operation and to meet its strategic business objectives

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.

## 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: ...January 31, 2023.....

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.