

JUNE 2022 QUARTERLY ACTIVITIES REPORT

UNITED STATES AND SOUTHEAST ASIA EXPANSIONS ON TRACK

KEY HIGHLIGHTS FOR Q2 FY22

- Commenced Asia Pacific sell-through of New Zealand manufactured product; APAC sales up 958% quarter on quarter (QoQ)
- Continued retail expansion rollout in the US with full product ranging on Kroger.com, Ralphs.com, and Smiths.com
- Post reporting period distribution agreement signed with United Natural Foods Inc. (NYSE: UNFI)
- Revenue from sales of Healthy Heights[®] products of US\$755k¹ (excluding Italy) up 14% on pcp despite stock shortages during the first month of the quarter, which have now been resolved
 - Overall revenue of US\$755k, up 20% QoQ (US\$631k); but down 26% on pcp (US\$1,030k) due to timing of an initial order from Italy;
 - Quarterly cash receipts from customers of US\$684k, up 12% QoQ (US\$609k) but down 20% on pcp (US\$859k)
- Appointed Peter Osborne as a strategic advisor for China and Southeast Asia and Yossi Nizhar as Chief Financial Officer

28 July 2022 – **Nutritional Growth Solutions Ltd. (ASX: NGS)**, a global provider of scientifically formulated and clinically studied paediatric nutritional products, is pleased to provide a business update for the quarter ending 30 June 2022 (Q2 FY22), along with its Appendix 4C quarterly cash flow report.

Milestone initiatives delivering growth in the US and Southeast Asia

Nutritional Growth Solutions has delivered a solid June quarter for revenue and cash receipts, with sell-through of New Zealand manufactured Healthy Heights[®] in China driving sales growth of 958% in the region.

In the US, the continued rollout of the retail expansion strategy continued with new agreements with Kroger.com, Ralphs.com, and Smiths.com to drive continued growth.

Quarterly overall revenue was US\$755k, down on the prior corresponding period (pcp), due to the timing of an initial order from Italy in 2021. Quarterly revenue from sales of Healthy Heights[®] products in the US and China are up 14% on pcp.

Commenting on the Company's progress during the quarter, Nutritional Growth Solutions CEO Liron Fendell said, "Our expansions in the US and Southeast Asia are gathering momentum, playing a key role in growing Healthy Heights[®] into a global household name in child nutrition. Ranging the full Healthy Heights[®] portfolio on the ecommerce site of Kroger, the US' third largest general retailer

¹ Unaudited

behind Walmart and Amazon, is a testament to our team's hard work over the quarter and complements our recent agreements with Walmart.com and Rangeme.com.

“With our new manufacturing facility in New Zealand now fully operational and distributing into Southeast Asia, sales increased 958% in China compared to the previous quarter, demonstrating the growing demand for paediatric products that are safe and healthy to provide optimal nutritional to children during their most formative years. Our agreements with Chemist Warehouse China, JD.com, Lazada and Shopee are well placed to scale given we have sufficient NZ manufactured product to ramp up stock levels as the demand increases in the region.

“The appointments of industry specialists Mark Sargent and Peter Osborne, will ensure our operations in the Asia Pacific are overseen by the best talent in the industry and are a key part in growing Healthy Heights® in the lucrative China and Australian markets.”

OPERATIONAL UPDATE

Sales commenced on Kroger.com, Ralphs.com, and Smiths.com as part of US retail expansion

The full Healthy Heights® range commenced sales on the ecommerce channel of United States' largest supermarket chain by revenue, Kroger (**NYSE: KR**) which has reported an increase in sales of 113% across 2020 and 2021. All Healthy Heights® products are also available on the ecommerce channels of Kroger subsidiaries, Ralphs and Smith's Drug and Food.

Ranging on Kroger.com is a milestone in NGS' grocery and retail expansion strategy in the US and compliments recent ranging agreements with Walmart.com and Rangeme.com

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

Post reporting period, NGS signed a distribution agreement with the largest natural products wholesale distributor in the US, United Natural Foods Inc. (NYSE: UNFI) which will expand Healthy Heights® retail and online presence across the United States.

The entire 22 product range, including the recently launched KidzProtein and KidzProtein Vegan lines, will be available wholesale from July 2022, 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.

New senior appointments

During the quarter NGS appointed Peter Osborne as a strategic advisor for China and Southeast Asia and Yossi Nizhar as Chief Financial Officer.

Peter Osborne commenced as a Strategic Advisor for China and Southeast Asia, bringing more than 20 years' industry experience to the role. Peter was previously Managing Director Asia for Blackmores Limited (ASX:BKL) and has served as Australian Senior Trade Commissioner in Beijing, Shanghai, Hong Kong and Taiwan. Currently, Peter is a Strategic Advisor in Asia for ASX listed retail and consumer goods companies, Ecofibre Limited (ASX:EOF) and BWX Limited (ASX:BWV).

Yossi Nizhar was appointed Chief Financial Officer (**CFO**) effective 1 July 2022. Yossi joins NGS with more than 20 years' accounting experience in the biotech and international pharmaceutical industries. As a certified public accountant, he served for approximately 10 years as Chief Financial Officer, Israel

for AstraZeneca, one of the largest global pharmaceutical companies. Most recently, he was CFO for Kadimastem (TASE:KDST), a global innovator in cell therapy that develops regenerative therapies for incurable diseases

LOOKING AHEAD

“Our current agreements with some of the US’ most well-known companies, sees Healthy Heights® in front of millions of parents when considering purchases for nutritional paediatric products. We will continue to rollout to more retailers to ensure more parents have access to our nutritional paediatric products and in turn, set NGS up for a strong future as sales momentum increases.

“We will place increased focus on capturing the opportunities in Southeast Asia now that we have a fully operational manufacturing facility in New Zealand and distribution partners in the region. There is increasing demand for Healthy Heights® in this market, with sales increasing dramatically throughout the quarter as parents look for safe and healthy products to ensure their children are receiving the best nutrition to support their growth development.

“The continued rollout of these initiatives along with entering new markets and expanding our product range, will play a large role in growing Healthy Heights® into a global household name in child nutrition.”

WEBINAR DETAILS

An investor webcast will take place on Thursday 28 July 2022 at 2:30pm AEST. 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_MawrHsSKS4a8Qnpk4Ypmcg

FINANCIAL OVERVIEW

The Company achieved quarterly customer collection of US\$684K, down 20% on Q2 FY21.

Operating cash outflows of US\$1,676k for the quarter included:

- US\$995k in advertising and marketing;
- US\$75k in research and development; and
- US\$1,085 in product manufacturing and operating costs
- US\$205 in other, general and administrative expenses.

The Company’s cash balance as of 30 June 2022 is US\$1,421k.

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

- Item 6.1 includes US\$55k directors’ fees and US\$131k payroll expenses

-ENDS-

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



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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 30/06/2022

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	684	1,293
1.2 Payments for		
(a) research and development	(75)	(154)
(b) product manufacturing and operating costs	(1,085)	(1,482)
(c) advertising and marketing	(995)	(1,812)
(d) leased assets	-	-
(e)		
(f) administration and corporate costs	(205)	(543)
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	(1,676)	(2,698)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(3)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 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)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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)	(20)
3.10	Net cash from / (used in) financing activities	(10)	(20)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,110	4,142
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,676)	(2,698)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10)	(20)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,421	1,421

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	1,421	3,110
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)	1,421	3,110

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	186
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	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<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)	-	-
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)	(1,676)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,421
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	1,421
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.85
<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: The company expect a reduction in its operating expenses in the coming period as a significant part of its last quarter expenditures resulted from investing on increasing inventories as part of the company's strategy towards accelerating the retail sales and expand grocery presence in the US	
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: 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	
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 expect to be able to continue its operation and to meet its strategic business objectives	
<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: 28 July 2022
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Authorised by: Board of Directors
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(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.