

Quarterly Activities Report for the Period Ended 31 December 2023

HIGHLIGHTS

- NGS's global business continues to advance towards being cash flow neutral or positive, with lower than expected losses for November and December 2023.
- Consistent growth in cash receipts for the Quarter of US\$788k (approx. A\$1.2m¹), a 4% increase from the September 2023 quarter of US\$760k (approx. A\$1.1m²).
 - Although the increase is modest, as part of the strategic restructure which commenced in May 2023, NGS has removed significant expenses and reduced marketing/advertising costs whilst maintaining consistent sales.
- Sales performance remained consistent for the December quarter and continued to meet or exceed Walmart's expectations.
- Sales velocity for the December quarter compares favourably to previous quarters:
 - Accounts for the increase in the number of Walmart stores stocking Kidz Protein[®] from 409 to 465 on 15 May 2023.
 - Accounts for Initial sales of Happy Tummies[®] through 850 stores which commenced in September 2023.
 - Sales velocity expected to increase further as new stores gain momentum.
- Happy Tummies[®] continues to show signs of growth and strong sales performance following the successful launch in 850 Walmart stores in September 2023, with the product to be rolled out across other retail channels and stores once the exclusive with Walmart ends in September 2024.
- Further increases in Walmart stores stocking Healthy Heights[®] by May 2024, following several successful review meetings with the merchant team. Final changes to the modular and enhanced business terms to be provided in Q1 2024.
- Opening orders for iHerb were successfully filled and sales are being monitored to set replenishment planning, with initial data from the Quarter to drive forecast planning going forward.
- Subsequent to the Quarter, NGS secured A\$400,000 in subscriptions for Convertible Notes, providing financial flexibility to further execute on the strategic restructure program and continue to advance the Company towards being cash-flow positive.
- NGS continues discussions with other leading US retailers, which are seeking to leverage off Walmart's success with Healthy Heights[®] products.

¹ 1 USD = 1.52 AUD

² 1 USD = 1.58 AUD at the time of September 2023 quarterly

- Amazon and NGS website sales continued to contribute to topline revenue.
- Progressed the strategic restructure to simplify operations and build a stronger foundation, with administration and corporate costs reduced for the Quarter by 48% from the previous September quarter, whilst maintaining strong cash receipts for the period.

Nutritional Growth Solutions Ltd (ASX:NGS) (“NGS”, or “the Company”) a global nutrition company creating clinically proven products to support growth and development in children, is pleased to provide an overview of the Company’s quarterly activities for the period ended 31 December 2023 (“Quarter”, “Reporting Period”).

Nutritional Growth Solutions CEO, Steve Turner, commented:

“The December quarter was another important period for NGS, with consistent growth in cash receipts whilst maintaining sales and concurrently reducing both administrative costs and marketing spend. Since commencing the strategic restructure in May 2023, we have achieved US\$2m in annual cost saving with both the months of November and December 2023 delivering lower than expected losses, as NGS continues to progress towards being cash flow neutral or positive in Q3 of 2024.”

“Walmart sales for the Quarter continued to exceed expectations, with average Sales Velocity (units sold per store per week) of 1.2 across all doors. Sales Velocity for Healthy Heights® products continues to exceed the 0.5 expected for Kidz Protein® and 0.25 expected for Happy Tummies® by the Walmart category merchant teams. The strong sales velocity was maintained despite new stores being added for both products in 2023.”

“Following the successful launch in September 2023, Happy Tummies® delivered strong growth and NGS is already in discussions with other retailers to increase distribution of this product once the exclusive with Walmart ends in September 2024.”

“Healthy Heights® products successfully launched on the iHerb platform with sales being monitored with initial sales data to be used to drive forward planning. NGS continues to see iHerb as a strong growth opportunity and is currently working to further grow sales through marketing initiatives.”

“Importantly, subsequent to the Quarter NGS secured finance and strategic investment with A\$400,000 in subscriptions for Convertible Notes, providing financial flexibility to further execute on the strategic restructure program and continue to advance the Company towards being cash-flow positive.”

We look forward to an exciting 2024, as we continue to build NGS into a leading global nutrition brand.”

NGS to be Cash Flow Positive in 2024

NGS wishes to update shareholders that the Company’s global business is on track to be cash flow neutral or positive on or before Q3 2024, with the Company recording lower than expected losses for the months of November and December 2023. Lower cash receipts, compared to

forecast, combined with repayment of the Amazon and Shopify loans have pushed out the date out that the Company expects to achieve break-even on operations. With the aim of achieving a cash flow positive business, NGS has pursued the strategy of reducing costs to streamline operations, whilst maintaining cash receipts and concurrently laying the foundation for further revenue increases in 2024 and beyond.

NGS operating costs continued to decrease over the Reporting Period, with nearly US\$2 million in annual cost savings achieved since the strategic restructure to reduce costs and simplify operations was announced in May 2023.

Cash Receipts

For the Quarter, NGS realized cash receipts of US\$788k (approx. A\$1.2m³) a 4% increase compared to September 2023 quarter of US\$760k (approx. A\$1.1m⁴).

Although the increase in cash receipts is modest, it is important to note that the increase has been achieved concurrently with cost reductions and operational improvements, which have been implemented since the strategic restructure commenced in May 2023. NGS has removed significant expenses and also reduced marketing/advertising whilst maintaining consistent sales. As the Company continues to advance towards future profitability, NGS will then seek to increase its marketing/advertising spend in order to achieve further growth and drive further increases in revenues.

As shown below in Figure 1, NGS has achieved steady growth in quarterly cash receipts across both its global and US businesses to date.

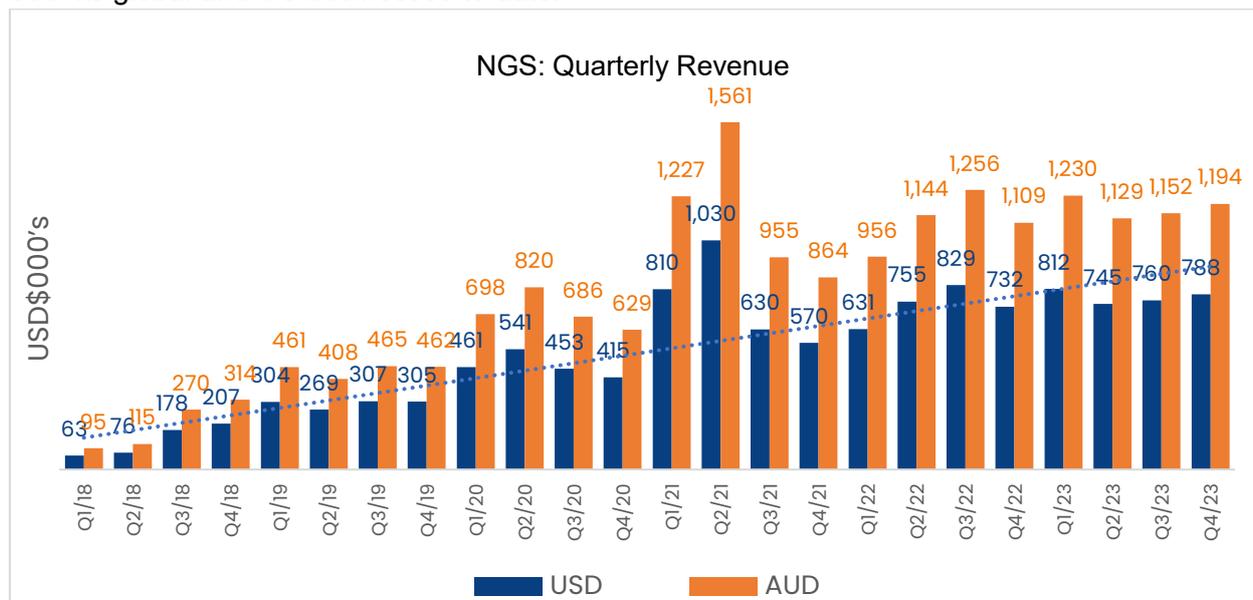


Figure 1 – NGS’s global quarterly cash receipts to date showing steady growth.

³ 1 USD = 1.52 AUD
⁴ 1 USD = 1.58 AUD at the time of September 2023 quarterly

Continued Focus on the US Market and Building Sales Momentum through Walmart

During the Quarter, NGS maintained its focus on the US market and building momentum through leading US retailer Walmart.

NGS's strategy to increase revenues in the US is based on the following strategy:

Increase Sales Velocity Through Walmart (units sold per week) – via the continued execution of the Company's strategic and targeted North American marketing campaign.

Grow Number of Walmart Stores – Increased sales velocity will result in Healthy Heights® products being stocked in a greater number of the total 3,500 North American Walmart stores.

Expand Product Lines through Further Development – New Happy Tummies® product stocked in 850 Walmart stores from September 2023, further increasing revenue, with NGS continuing to work with Walmart to identify further product development opportunities.

Increase US Retail Distribution – Gain further retail distribution in the US with additional retailers seeking to leverage off Walmart's sales success. A clearly defined strategy for US expansion in 2023 and beyond.

Continued Support and Optimization on Amazon and E-Commerce platforms – Building on momentum gained with newer campaigns and content to build on growth in daily sales and reach. Provides a needed platform whilst NGS grows the retail channel.

During the Quarter, NGS continued to achieve several key milestones relating to successful execution of its growth strategy as outlined below.

Consistent Sales Velocity for the December Quarter

Sales performance remained consistent for the December quarter, with average Sales Velocity (units sold per store per week) of 1.2 across all doors. Sales Velocity for Healthy Heights® products continues to exceed the 0.5 expected for Kidz Protein® and 0.25 expected for Happy Tummies® by the Walmart category merchant teams. The Company aims to continue to deliver further store increases and higher sales.

The December quarter sales velocity compares favourably to the average sales velocity for the June and September 2023 quarters, as it accounts for the increase in the number of Walmart stores stocking Kidz Protein® from 409 to 465 on 15 May 2023, as well as the initial sales of Happy Tummies® through 850 stores which commenced in September 2023. The Company expects sales velocity for Kidz Protein® to increase further over the coming periods as the additional stores added gain sales and marketing momentum. Sales velocity for Happy Tummies® is also expected to increase, as further awareness and sales are built with repeat customers.

NGS will also continue to execute on its North American marketing strategy to further drive sales and awareness for Healthy Heights® products.

This aligns with the Company's strategy of increasing sales velocity through the continued execution of NGS' strategic and targeted North American marketing campaign.

Consistent Growth in Happy Tummies® Following Successful Launch in 850 Walmart stores

During the Quarter, Happy Tummies® achieved consistent growth and strong sales performance following the successful launch in 850 Walmart stores in September 2023. Over the coming period, NGS will continue to work with Walmart to build further awareness and momentum for the product, with the aim of further increasing sales velocity.

The Company is also working towards rolling out Happy Tummies® across other retail channels and stores once the exclusive with Walmart ends in September 2024.

As announced on 18 September 2023, Walmart initially confirmed it would stock NGS's new supplement Happy Tummies® in a minimum of 795 Walmart stores throughout the United States per the original modular award.

On 5 October 2023, the Company announced Walmart had increased its commitment by awarding NGS an additional 55 stores for the placement of Happy Tummies®, increasing the total to 850 stores. This milestone follows the initial performance of NGS's Kidz Protein® products in Walmart stores and the Company's participation in Walmart's exclusive "Open Call" event the previous year.

Happy Tummies® hit shelves in early September as part of the Week 32 Modular in department 40, which features over-the-counter (OTC) and Pharmacy items and serves as the designated area for Happy Tummies®. NGS received an initial order of 5,750 units, totaling US\$70,560, which exceeded initial expectations and indicated a strong market interest for the product.

Developed at the request of Walmart, Happy Tummies® is part of a newly updated set of products focusing on cleaner versions of supplements called "Cleaner Living", with Healthy Heights® identified as a priority brand to act as a leader in this transition at Walmart. The formulation for Happy Tummies® takes a cleaner approach in comparison to other fiber and probiotics products available on the market, and consists of a limited amount of ingredients, with all-natural sweeteners and no sugar.

NGS's new product Happy Tummies® being stocked in 850 Walmart stores aligns with the Company's strategy of growing the number of stores and expanding product lines.



Figure 2 – The new Healthy Heights® Happy Tummies® product

Further Increases Expected in the Number of Walmart Stores Stocking Healthy Heights®

NGS anticipates further increases in the number of stores stocking Healthy Heights® products following the ongoing strong performance with sales velocity continuing to exceed Walmart buyer expectations.

Walmart is currently reviewing the number of stores which stock Healthy Heights® products, with store increases for all product lines to come into effect in May 2024. Final changes to the modular and enhanced business terms to be provided in Q1 2024 and NGS looks forward to updating shareholders on the number of Walmart stores.

The anticipated increase in the number of Walmart stores stocking Healthy Heights® products aligns with NGS's strategy of growing the number of stores stocking the products to a greater number of the total 3,500 North American Walmart stores.

Happy Tummies® - 850 Walmart Stores

Kidz Protein® - 465 Walmart Stores



Figure 3 – Healthy Heights® products stocked by Walmart and the number of stores for each.

iHerb

During the September Quarter, NGS completed the onboarding process with leading health and wellness eCommerce platform, iHerb, with Healthy Heights® products made available on iHerb's marketplace portals in Q4 CY2023. The initial order totalled approximately US\$10,000 consisting of three (3) cases of each item within the Healthy Heights® portfolio.

NGS has already received positive initial sales via iHerb from predominantly outside of the U.S. and will continue to closely monitor sales performance to set the expectation for sales velocity with future orders to be subsequently placed. The Company is forecasting substantial growth through this retailer with iHerb's strong focus on sales outside the US, mainly in Asian markets. The agreement with iHerb also incorporates performance bonuses designed to drive growth and increase annual sales targets.

The Company expects that the brand awareness gained through iHerb will have a positive effect on sales through Amazon and NGS' online web store.

iHerb is a leading health and wellness eCommerce platform, with a multi-billion dollar market presence across more than 185 countries and over 9.5 million active customers worldwide.

The onboarding of iHerb aligns with the Company's growth strategy of increasing US retail distribution.

NGS Secures Finance and Strategic Investment

Subsequent to the Reporting Period, NGS secured A\$400,000 in subscriptions for Convertible Notes, providing financial flexibility to further execute on the strategic restructure program and continue to advance the Company towards being cash-flow positive.

Key terms of the Convertible Notes include 12% p/a interest rate with the right to convert to fully paid shares at 20% discount at the next Capital Raise with a term of 3 years.

The funding was led by TAKE Global, a strategic advisory firm founded by Kristy Carr and Dennis Lin.

NGS has been working with TAKE Global on reviewing a range of opportunities to scale the business and accelerate its growth by taking advantage of its USA distribution network and structure.

Amazon and NGS Webstore Sales

Sales through Amazon and NGS website continued to contribute to majority of topline revenue, with NGS continuing to optimize its online stores and digital marketing strategies to drive further growth.

Revenues from sales on NGS's direct to consumer webstore are near-immediate and represent an important part of the Company's cash flow to support operations. The e-commerce channel enables a "digital shelf" and a forum for significantly more content, to drive awareness and consumer education of the brand. These important elements significantly contribute to NGS's ability to drive demand and enhance the overall awareness of the brand in the minds of consumers around the country. Another advantage of the e-commerce channels is the ability to split test and provide feedback in terms of the content which generates the highest engagement, enabling redeployment in support on other platforms or sales channels while building on daily sales and overall consumer reach.

Strategic Restructuring

During the Quarter, NGS Progressed the strategic restructure to simplify operations and build a stronger foundation, with administration and corporate costs reduced for the Quarter by 48% from the previous September quarter, whilst maintaining strong cash receipts for the period.

Financial Overview

The Company achieved quarterly customer collection of US\$788k, up 4% on Q2 FY22 (US\$760k).

Operating cash outflows of US\$354k for the Quarter included:

- US\$477k in advertising and marketing
- US\$77k in research and development;

- US\$197k in product manufacturing and operating costs (includes increased production and inventory build for Walmart launch);
- US\$290k in staff costs;
- US\$101k in other, general and administrative expenses.

The payments of \$45k during the quarter to related parties of the entity (and their associates), was made up of Directors fees.

The Company's Cash Balance as of 31 December 2023 was US\$171k. It should be noted that NGS secured A\$400,000 in subscriptions for Convertible Notes on 30 January 2023.

-ENDS-

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

For Further 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.

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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 31/12/2023

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	788	3,051
1.2 Payments for		
(a) research and development	(77)	(211)
(b) product manufacturing and operating costs	(197)	(1,221)
(c) advertising and marketing	(477)	(1,915)
(d) leased assets	-	-
(e) staff costs	(290)	(1,349)
(f) administration and corporate costs	(101)	(732)
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	(354)	(2,377)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(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)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	705
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	-	561
3.6	Repayment of borrowings	(32)	(225)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	5	(14)
3.10	Net cash from / (used in) financing activities	(27)	1,027
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	552	1,521
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(354)	(2,377)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(27)	1,027
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	171	171

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	171	561
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)	171	561

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	45
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	336	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	336	-
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.		
<p>In January 2023, two loans were received: A US\$ 200K loan from Amazon Lending for 12 months. Annual interest rate 9.49%. first 3-month interest only and then 9 equal monthly payments (Principal and Interest). The loan repayments are offset from the company's monthly sales deposits.</p> <p>A US\$ 86K loan from Shopify Capital for 10 months. Estimated costs as a yearly rate 15%. Repayments - a 0.17% of the daily sales amount of the Company is remitted to Shopify Capital until Shopify Capital has received the full agreed amount of US\$97K. In September 27, a loan of \$190K was received from Amazon and in September 29 a loan of \$84K was received from Shopify.</p>		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(354)
8.2 Cash and cash equivalents at quarter end (item 4.6)	171
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	171
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.48
<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?	
Yes, we expect to have the current level of net operating cash flows	
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?	
Yes, the entity is actively taking steps to raise additional funds and expects to be successful in order to continue operations.	

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?

Yes, revenues generated from sales, growth on current activities and our ability to access capital from investors.

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, 2024.....

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.