

## Quarterly Activities Report for the Period Ended 30 June 2023

### HIGHLIGHTS

- US business nearing cash flow neutral starting the September 2023 quarter, with NGS on track to be cash flow neutral or positive by the end of December 2023.
- Walmart confirmed a total of 795 stores to stock NGS's new Happy Tummies<sup>®</sup> product with distribution commencing early August 2023, and potential to drive significant new revenue.
- Cash receipts for the June 2023 quarter of US\$745k (approx. A\$1.096m<sup>1</sup>), an increase compared to June 2022 quarter of US\$684k (approx. A\$1.005m)
- Continued focus on the US market and building sales momentum through Walmart:
  - March to June 2023 quarters saw consistent gains in sales velocity, with average Sales Velocity (units sold per store per week) of 0.99 across all doors year to date, with 88% of the stores over-indexing with an average sales velocity of 1.12 year to date.
  - Number of Walmart stores increased from 409 to 465, following initial performance of Healthy Heights<sup>®</sup> Kidz Protein<sup>®</sup> with NGS aiming to deliver further store increases and higher sales.
  - Began onboarding two new retailers iHerb and CVS Pharmacy owned Alternative Formats, with these retailers expected to significantly contribute to NGS revenue and retail expansion efforts.
  - Sales through Amazon and NGS webstore continued to contribute the majority of topline revenue.
- NGS products to be sold under a white label brand in Maccabi Healthcare Services Pharmacies, a leading Health Maintenance Organisation in Israel providing health coverage to around 25% of the population.
- Progressed the strategic restructure to simplify operations and build a stronger foundation, with a significant reduction in costs during the Quarter and further gains to be realized in future periods as organisational changes take full effect:
  - Restructure expected to significantly reduce annual Selling, General and Administrative costs by approximately US\$1.9m or 34% compared to 2022.
- Successful capital raise raising a total of A\$1.2m (before costs), with funds to be applied to the Company's North American expansion strategy.

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<sup>1</sup> 1 USD = 1.47 AUD

**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 30 June 2023 (“Quarter”, “Reporting Period”).

**Nutritional Growth Solutions CEO, Steve Turner, commented:** “The June 2023 Quarter was an important period for the Company, as NGS continued to execute its North American expansion strategy with a focus on Walmart, and also commenced the onboarding process with new leading US retailers to stock Healthy Heights® products.

During the Quarter, Walmart confirmed that a total of 795 stores are to stock NGS’s new Happy Tummies® product with distribution commencing early August 2023, which aligns with our expansion strategy to increase revenue through expanded product lines.

Importantly, the number of Walmart stores stocking Healthy Heights® Kidz Protein® increased from 409 to 465 from 15 May 2023, following initial sales velocity for the product significant outperforming Walmart buyer expectations.

With average Sales Velocity of 0.99 across all stores year to date, and 88% of the stores over-indexing with an average sales velocity of 1.12 year to date, NGS products continue to exceed Walmart’s expectations strongly positioning the number of Walmart stores stocking NGS product to be further increased in the coming periods.

Leveraging off Walmart’s success, during the Quarter NGS advanced the onboarding processes for iHerb and CVS Pharmacy owned Alternative Formats to stock NGS products, with both retailers expected to be key contributors to future revenues.

Online sales through Amazon and NGS’s web store continued to contribute to the majority of revenue for the Reporting Period, delivering a total of US\$656,000 in sales.

To build a stronger foundation on which to expand the NGS business, the Company has advanced with its restructuring program which has already resulted in significant cost reductions and simplified the Company’s corporate operations. Over the coming period, NGS will continue to implement its restructuring and cost reduction strategy, with the expectation of realising further gains.

To fund further expansion, a successful capital raise via a placement to sophisticated and institutional shareholders was completed raising a total of A\$1.2m (before costs), with funds being applied to the Company’s North American expansion strategy.

With NGS’s US business starting the current September quarter cash flow neutral, the Company remains on track to be cash flow neutral or positive towards the end of Q4, 2023.

I would like to thank shareholders for their ongoing support to date.”

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

During the Quarter, NGS maintained its focus on the US market and building sales momentum through leading US retailer Walmart, with the Company expanding its US business driven by newly appointed NGS CEO, Steve Turner.

NGS's strategy to increase revenues in the US is based on further increasing Walmart sales velocity through continued execution of a targeted North American marketing campaign, with an increase in sales velocity already organically resulting in an increase in the number of Walmart stores in which NGS products are stocked.

The Company also continued to work with its US sales, distribution and marketing partners to gain further retail distribution in the US, and during the Quarter additional major US retailers began to leverage off the proven sales through Walmart, by initiating the process to stock NGS products

#### Happy Tummies® to be Stocked in 795 Walmart Stores

During the Reporting Period, Walmart confirmed that a total of 795 stores will stock NGS's new Happy Tummies® product with distribution commencing early August 2023. As announced on 8 March 2023, Happy Tummies®, a prebiotic and probiotic fiber supplement was developed in collaboration with Walmart, following initial performance of the Kidz Protein® and Grow Daily® products.

Happy Tummies® has the potential to drive significant new revenue and NGS continues to work with the Walmart buyers to identify further opportunities for product development.

#### Walmart Stores Stocking Healthy Heights® Kidz Protein® Increased to 465

From 15 May 2023, the number of Walmart stores stocking NGS's Healthy Heights® Kidz Protein products increased from 409 to 465, following the initial performance of the product, with NGS aiming to deliver further store increases and higher sales over the coming period.

#### Consistent Increases in Sales Performance

NGS continued to achieve strong performance from the March to June 2023 Quarters and realised consistent gains in sales velocity, increasing average Sales Velocity (units sold per store per week) of 0.99 across all doors year to date, with 88% of the stores over-indexing with an average sales velocity of 1.12, year to date.

The year to date average sales velocity of 0.99 across all doors compares favourable to the average sales velocity for the March 2023 quarter of 0.97, as it accounts for the increase in the number of Walmart stores stocking NGS products from 409 to 465 on 15 May 2023. The Company expects sales velocity to increase further as the additional 56 stores added in May gain sales and marketing momentum with the product and as NGS continues to execute on its North American marketing strategy.

Sales velocity continues to exceed 0.5 expected by the Walmart category buyer by nearly 100%, with the Company aiming to continue to deliver further store increases and higher sales.

### iHerb and CVS Onboarding

During the Quarter, NGS announced that its products are to be stocked by multi-billion dollar eCommerce platform iHerb and CVS Pharmacy owned alternative formats, CVS YMás and Navarro Discount Pharmacy (Florida), with these retailers expected to significantly contribute to NGS revenue.

NGS is near finalising the onboarding process with iHerb and first sales are expected to commence in Q3 2023, with the initial order to be for approximately US\$10k and an annualized potential for over US\$1m or more in sales. Initial volume will be monitored over a short period to set the expectation for sales velocity with future orders to be subsequently placed.

NGS 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.

During the Reporting Period, NGS also advanced the onboarding process to become a vendor to CVS Pharmacy owned tailored offerings stores focused on servicing the Hispanic community, with products expected to launch in-store Q1 2024. Final store count, location and selected banners are to be determined.

CVS Pharmacy Alternative Formats includes approximately 1500 stores, servicing the Hispanic community across a variety of banners including, CVS YMás, CVS and Navarro Discount Pharmacies. According to company information, CVS YMás currently has 575 stores across FL, CA, TX, NY & NJ, and 22 stores in Puerto Rico. The CVS tailored offering stores also include the Navarro Discount Pharmacy with 32 stores in Florida and over 970 value stores across the United States.

NGS has commenced the process of onboarding with CVS Pharmacy for two Healthy Heights<sup>®</sup> products to be set in permanent planogram/modular for these stores, with the Company's products to be part of a multi-brand, combined "Power Wing" display, aimed to drive awareness and focus on children's nutrition.

NGS looks forward to confirming the final store counts, while discussions regarding the configuration of the fixed display unit will continue to be finalized as part of the onboarding process.

In addition to the potential for growth with Walmart, the sales performance is key to gaining distribution with other retailers across the US. NGS continues to work with the Company's US sales, distribution, and marketing partners to gain further retail distribution in the US, and NGS expects other major US retailers to leverage off the proven sales through Walmart.

### Walmart.com, Amazon and NGS Webstore Sales

Supporting bricks and mortar retail, online sales through Healthyheights.com, Walmart.com, and Amazon.com continue to grow, with revenues up 7% from the June 2022 quarter, contributing

US\$656,000 that is rapidly available to aid in cash flow for operations.

#### North American Marketing Strategy

The Company 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 Walmart sales.

NGS also continued to promote Healthy Heights® products through its social media accounts and key social media influencers.

#### **Healthy Heights® to be stocked in Maccabi**

During the Quarter, NGS's Israeli distributor, Hadassa, entered an agreement for NGS products to be sold under a white label brand in Maccabi Pharmacies, a leading Health Maintenance Organisation (HMO) in Israel, founded in 1940 and serving over 2.4 million members, providing health coverage to around 25% of the population.

Maccabi currently offers its products and medicine across approximately 1,000 of its own pharmacies and privately owned pharmacies across Israel.

Under the agreement, NGS will receive royalties on sales of NGS Products, with the distribution making the Company's products more accessible especially to young families with normally the other HMO's tending to follow Maccabi's initiatives.

#### **Strategic Restructure and Cost Reductions**

During the Reporting Period, NGS announced a strategic restructure, combined with a capital raise, as part of the next phase to build a stronger foundation and create a more sustainable and durable business model. The restructuring program has already provided a significant reduction in costs without impacting upon sales and includes the reorganisation and simplification of the Company's corporate operations, a significant reduction in management positions across the business, and outsourced functions to dramatically reduce operating costs.

This represents a major pivot for NGS, as the Company continues to focus on its US business, ensuring that operational costs are in line with the current operational plan and focus on the North American market.

Significant structural changes have already been made to the US team to focus all resources on maintaining sales momentum and growth opportunity. The net result of these operational changes in the US will translate to approximately US\$720K in annual savings related to personnel and selling costs.

Once the restructuring efforts have been fully implemented, NGS expects to significantly reduce annual Selling, General and Administrative expenses by approximately US\$1.9 million in 2023 or 34% compared to total expenses in 2022. This realignment of costs will enable NGS to focus on its core initiatives and maintain momentum, positioning the Company for long-term success.

NGS will also continue to seek further cost saving measures to ensure to build shareholder value based on the Company's strength in the US.

### Capital Raise to Fund North American Expansion

In combination with the strategic restructuring, NGS completed a placement to sophisticated and institutional investors raising a total of A\$1.2m (before costs) (Placement), comprising of an offer of 100,000,000 new fully paid ordinary shares (Placement Shares) at an issue price of A\$0.012. The Placement Shares will be issued in 2 tranches, with tranche 1 issuing 20,000,000 shares under the Company's existing 7.1 capacity and tranche 2, issuing an additional 80,000,000 shares. The issue of shares was approved by shareholders at the AGM and binding commitments were received for the total capital raise.

The Placement includes 1 free attaching option (Options) for every 2 Placement Shares subscribed for. The Options are exercisable at \$0.02 per option with an expiry 3 years from the date of issue. The issue of the Options will be subject to shareholder approval and the Company intends to seek quotation of the Options subject to meeting the ASX listing rule requirements.

Funds raised via the Placement will be used for working capital as the Company seeks to further expand its sales activities in the US. Conditions of the capital raise were linked directly to the restructuring by the Company, with Molo Capital acting as the lead manager to the raise.

### Board Changes

During the Quarter, Ms Liron Fendell has stepped down from the Board. Ms Fendell has played a key role in building NGS into the business that it is today, and the Company thanked her for her dedication.

### FINANCIAL OVERVIEW

The Company achieved quarterly customer collection of US\$745k, up 8.5% on Q1 FY21 (US\$684k).

Operating cash outflows of US\$676k for the Quarter included:

- US\$375k in advertising and marketing
- US\$70k in research and development;
- US\$437k in product manufacturing and operating costs (includes increased production and inventory build for Walmart launch);
- US\$383 in staff costs;
- US\$142k in other, general and administrative expenses.

It should be noted that inventory purchases during the June quarter included the product required for the launch of Healthy Tummies®, increased production to meet future demand among other inventory payments.

The Company's Cash Balance as of 30 June 2023 was US\$265k.

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



Item 6.1 includes US\$16k directors fees and US\$83k payroll expenses

-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.

[ngsolutions.co](http://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 30/06/2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (6 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	745	1,503
1.2 Payments for		
(a) research and development	(70)	(120)
(b) product manufacturing and operating costs	(437)	(688)
(c) advertising and marketing	(375)	(1,040)
(d) leased assets	-	-
(e) staff costs	(383)	(787)
(f) administration and corporate costs	(142)	(413)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(14)	(14)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(676)</b>	<b>(1,559)</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	-	-
(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	131	131
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	-	286
3.6	Repayment of borrowings	(67)	(95)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(9)	(19)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>55</b>	<b>303</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	886	1,521
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(676)	(1,559)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

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)	55	303
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>265</b>	<b>265</b>

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	265	886
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>265</b>	<b>886</b>

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	99
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.</b>	<b>Financing facilities</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>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1	Loan facilities	191	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	<b>191</b>	<b>-</b>
7.5	<b>Unused financing facilities available at quarter end</b>		-
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>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</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(676)
8.2	Cash and cash equivalents at quarter end (item 4.6)	265
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	265
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	0.39
	<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: No, the company has made a significant reduction in its cash expenses through cost reduction and organizational change by focusing on activities that generate direct value for sales	
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: In May 2023, the company announced a placement for sophisticated and institutional investors, raising a gross amount of \$792,000 (A\$1,200,000) before costs: \$158,000 (A\$240,000) before costs was received during May 2023 with the remainder of the funds, \$634,000 (A\$960,000) before costs, to be received following shareholders' approval accepted at the Company's Annual General Meeting on July 25, 2023. 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 and executing its plan to focus on activities that directly contribute to sales the Company expects to be able to continue its operation and to meet its 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: ...July 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.