

## FY20 overview: a year of significant progress for NGS

*Expanding international operations & developing new products*

**Nutritional Growth Solutions Ltd. (“the Company” or “NGS”, ASX:NGS)** is pleased to provide its activity report for the financial year ended 31 December 2020 (FY20), along with its Appendix 4E.

### Key highlights for FY20

- Established new distribution channels and increased revenue by 58%
- Successfully started trading on the ASX under ticker code ASX:NGS
- Raised A\$7 million through the ASX IPO which was significantly oversubscribed
- IMCO Agreement to provide access to medical distribution with over 1,000 sales reps in the United States
- Successful Trademark registration for Healthy Height® in Korea
- Positioning the Company for a broader roll-out in the large Chinese market

Commenting on the year, Nutritional Growth Solutions CEO Liron Fendell said:

*“We are delighted to report on a major year of progress for Nutritional Growth Solutions. We have built a strong foundation for the business throughout 2020, establishing new distribution channels through our sales force in the US, registering the Healthy Height® trademark in Korea and continued to develop new scientifically proven products for nutritional health in children.*

*“The traction we have achieved across the US resulted in revenue growth of 58% to US\$1.9 million, and following the successful listing on the ASX which raised A\$7 million, the Company is really well positioned to build on this growth in the US, as well execute on our expansion plans in China and our planned entry into the Australian market in 2021.”*

## **Financial overview**

During the year ended 31 December 2020, NGS generated revenue of US\$1.9 million, up 58% (FY19: US\$1.2 million). This result was driven by growth in online sales of Healthy Height in the US via Amazon and Shopify. NGS incurred a loss of US\$4.4 million for FY20 (FY19: US\$2.0 million), which reflects the Company investing in its expansion and new product development, and also includes IPO costs of US\$593k.

The Company had net assets of US\$4.3 million as at 31 December 2020, with cash and cash equivalents of US\$4.6 million, which provides flexibility for the Company to execute its growth plans.

## **Strongly supported IPO**

Nutritional Growth Solutions officially began trading as a listed ASX company on 30 October 2020 under ticker code ASX:NGS, raising A\$7 million through a very strongly supported IPO. Proceeds will be used to fund the expansion of the Company's operations, both geographically by entering new lucrative markets, and expanding the Company's product range.

## **IMCO Agreement to provide access to medical distribution with over 1,000 sales reps in the US**

In December 2020, Nutritional Growth Solutions partnered with leading independent U.S medical distributor, Independent Medical Co-op, Inc. ("IMCO, Inc") to distribute the Healthy Height® brand to the medical market in the US.

The agreement will give the Company access to over 1,000 IMCO, Inc sales reps across 166 US locations, selling Healthy Height® to their network of 134 distributors. In addition, IMCO, Inc will provide sales and marketing support to NGS to increase brand awareness and drive sales across the region.

## **Korean Trademark for Healthy Height®**

Nutritional Growth Solutions successfully registered the Healthy Height® brand in Korea in 2020 – a significant step for the Company to enter the lucrative Korean market, where nutritional supplements for children are extremely popular and where online food sales are growing rapidly.

## **Geographic expansion and new products to support strong growth**

NGS has a well-defined strategy that is expected to build on the results of FY20, capitalising on the growing need for paediatric protein supplements. The recent IMCO agreement is expected to further grow NGS' presence in the US, and other large scale distribution agreements are being explored.

The China opportunity is a major focus for FY21, with our flagship store on Tmall Global (Alibaba), in conjunction with several marketing initiatives with multi channel content companies and social influencers aimed at building brand awareness.

In addition to geographic expansion, the development of new products is expected to see new products launched in FY21 that will broaden the target market.

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

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**About Nutritional Growth Solutions Ltd**

Nutritional Growth Solutions was established at Schneider Children's Medical Center of Israel by a professional team that focuses research on the interaction between nutrition and growth. Pediatricians at Schneider have over 20,000 patient visits every year from children living around the globe with issues relating to growth. This has spurred these world-renowned scientists, doctors, and researchers to focus on nutritional growth retardation in children and adolescents. Schneider's experts use this wealth of practical and clinical knowledge to develop evidence-based clinically tested nutritional solutions for children. [ngsolutions.co](http://ngsolutions.co)

# APPENDIX 4E

For the year ended 31 December 2020

## 1. Company information

Name of entity: Nutritional Growth Solutions Ltd.

ABN: 642 861 774

Reporting period: For the year ended 31 December 2020

Previous period: For the year ended 31 December 2019

(All amounts in the following appendix are stated in thousand US dollars, unless stated otherwise)

## 2. Results for announcement to the market

		31 December 2020 US\$'000	% change from year ended 31 December 2019	31 December 2019 US\$'000
Revenue from ordinary activities	up	1,870	58%	1,184
Loss from ordinary activities after tax	up	(4,361)	115%	(2,031)

### Commentary

The loss for the consolidated entity after providing for income tax amounted to \$4,361 including a non-cash finance expenses of \$2,241 in connection of the fair market value of the convertible loan converted during reporting period.

In 2020, the company showed 58% revenue growth, with only 6% increase in its operating loss.

No dividend has been proposed or declared for the reporting period, and it is not proposed to pay a dividend for the reporting period.

## 3. Consolidated statement of profit or loss and other comprehensive income

Refer to appendix.

## 4. Consolidated statement of financial position

Refer to appendix.

## 5. Consolidated statement of cash flows

Refer to appendix.

## 6. Consolidated statement of changes in equity

Refer to appendix.

## 7. Dividend information

No dividend or distribution has been proposed or declared for the reporting period, and it is not proposed to pay a dividend or distribution for the reporting period.

## 8. Details of dividend reinvestment plans

There is no dividend or distribution reinvestment plan in operation.

## 9. Net Tangible Assets Per Security

	31 December 2020 cents	31 December 2019 cents
Net tangible assets per security (cents)	(0.04)	(0.47)

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For the year ended 31 December 2020

## 10. Details of entities over which control has been gained or lost during the period

None.

## 11. Details of associates and joint ventures

None.

## 12. Any other significant information

### IPO listing on the ASX

The Company was admitted to the official list of the ASX on October 30, 2020, with its ordinary fully paid shares having commenced trading on October 30, 2020. The Company raised gross AUD 7,000,000 (approximately US\$ 5,005,000) pursuant to the offer by the issuance of 35,000,000 shares at an issue price of AUD 0.20 per share.

Proceeds from the IPO will be used predominantly to fund the expansion of the Group's operations, both geographically by entering new lucrative markets, as well as expanding the Company's product range.

### IMCO Medical Distribution Agreement

On 15 December 2020, the Group entered into a Vendor Agreement with Independent Medical Co-op, Inc. ("IMCO, INC"), a leading U.S. Independent Medical Distributor Cooperative, to distribute the Company's clinically proven, patented, Healthy Height® brand to the medical market in the U.S.. The Agreement provides the Group access to IMCO, INC's 134 distributors in 166 locations across the US with over 1,000 sales reps in the field. The Agreement provides the Group with sales and marketing activities combined with logistics solutions at scale across IMCO, INC's healthcare network.

### Kidzshake

On December 17, 2020 the Group signed a definitive purchase agreement with Ausmerica Wellness Services LLC to acquire the Kidzshake brand, and associated assets. As of December 31, 2020, the Group has completed the 1st initial payment of the purchase price according to the purchase agreement (109). The Group is committed to perform post-signing inventory validation and other checklist items and to pay the remaining purchase price within 90 days from the completion of post-signing checklist items.

### Korean Trademark for Healthy Height

NGS successfully registered its Healthy Height brand in Korea following the issue of a trademark from Korean Intellectual Property Office. This was an important step forward for the Company in entering the lucrative Korean market, where the use of nutritional supplements in children is high, and where online food sales growing rapidly.

## 13. Foreign entities

The Parent Company of the group was established under the corporate law in Israel and has a fully owned US subsidiary incorporated under the corporate law of Delaware. The financial statements of the Group are prepared in its functional currency, the US-Dollar, and are prepared according to IFRS Accounting Standards.

## 14. Commentary of results for the period

The Company is a global foodtech company focused on nutritional health and the well-being of children, offering unique and scientifically formulated nutritional products that have been developed for over 20 years by leading paediatric specialists. The Company successfully completed an Initial Public Offering ("IPO") which raised A\$7 million (before costs) and commenced trading as a listed company on the ASX on 30 October 2020.

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For the year ended 31 December 2020

The Company is using proceeds of the IPO to accelerate its sales, marketing and brand development activities in the US and China. As a global foodtech company, the Company continues to invest in securing its IP through the filing of patents, as well as pursuing R&D to develop more clinically proven supplements for children. In addition, the Company is investing in growing its business through:

- Expanding its direct-to-consumer sales in the US – the newly raised funds are put into use with the Company acquiring more customers in the US and expanding market share. Total number of customers increased over the final quarter of 2020 37% on pcp, with 3,500 new customers setting the foundation for increased sales in 2021.
- Tapping into offline sales in the US, initially through the new partnership with IMCO, Inc. The Agreement gives the Company access to IMCO, INC's 134 distributors in 166 locations across the US with over 1,000 sales reps in the field with the focus on independent retail pharmacy stores.
- Expanding product diversity in the US – through the purchase of the KidzShake brand, as well as continued clinical studies and product development.
- Growing Chinese sales – firstly, with the new Alibaba store (January 2021). Nutritional supplements were among the fastest growing categories on Tmall Global during 2020 with monthly sales exceeding 1B RMB (approx. A\$200m) with protein powders/amino acids among the largest categories. In addition, the Company entered discussions during 2020 with multiple potential distribution partners, in order to grow its distribution into China.
- Strengthening its global distribution, mainly in Asia Pacific – the Company received a registered trademark in Korea, and is in discussions with potential partners for that region, which have progressed through 2020.

The Company has built a solid foundation throughout 2020, establishing important distribution channels and developing a new range of products, positioning NGS strongly for continued growth in 2021 and beyond.

## Returns to shareholders

Not applicable.

## Results overview

Revenue for the year amounted to US\$1,870,000 (31 December 2019: US\$1,184,000), reflecting 58% pcp growth.

The Group reported a net loss for the year ended 31 December 2020 of \$4,361,000 (31 December 2019: loss of \$2,031,000), reflecting the Company's investment in new sales channels and R&D. Included in the net loss for the year are non-cash finance expenses of \$2,241,000 in connection of the fair value of the convertible loan converted during the reporting period.

The Group remains in a strong cash position, with a closing cash balance at 31 December 2020 of US\$4,630,000 (31 December 2019: US\$580,000).

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## For the year ended 31 December 2020

This report is based on accounts which are in the process of being audited.

### Appendix: Consolidated statement of profit or loss and other comprehensive income

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue	1,870	1,184
Cost of revenue	950	638
<b>Gross profit</b>	920	546
Research and development expenses	239	257
General and administrative expenses	1,268	901
Selling and marketing expenses	1,662	1,500
<b>Operating loss</b>	2,249	2,112
Financial income	108	131
Financial expense	2,219	46
<b>Loss before tax</b>	4,360	2,027
Taxes on income	1	4
<b>Total comprehensive loss for the year</b>	4,361	2,031
Basic and diluted loss per share	\$ (0.04)	\$ (1.57)

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For the year ended 31 December 2020

## Appendix: Consolidated statement of financial position

	<b>Note</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents		4,630	580
Trade receivables		38	12
Inventories		145	136
Other accounts receivable		240	104
<b>Total current assets</b>		<u>5,053</u>	<u>832</u>
<b>Non-current assets:</b>			
Intangible assets		150	-
Property, plant and equipment, net		<u>13</u>	<u>18</u>
<b>TOTAL ASSETS</b>		<u><u>5,216</u></u>	<u><u>850</u></u>
	<b>Note</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Trade payables		186	35
Other account payables		579	202
<b>Total current liabilities</b>		<u>765</u>	<u>237</u>
<b>Non-current liabilities:</b>			
PPP loan		<u>129</u>	<u>-</u>
<b>Shareholders' equity:</b>			
Share capital and premium		7,781	2
Share based payment reserve		735	444
Retained earnings		(4,194)	167
<b>Total shareholders' equity</b>		<u>4,322</u>	<u>613</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><u>5,216</u></u>	<u><u>850</u></u>



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## Appendix: Consolidated statement of cash flows

	Year ended December 31, 2020	Year ended December 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Loss for the year	(4,361)	(2,031)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	9	9
Increase in trade receivables	(26)	(5)
Decrease (increase) in other accounts receivable	(140)	122
Increase in inventories	(9)	(64)
Increase (decrease) in trade payables	151	(179)
Changes in PPP loan	(9)	-
Share-based payment	291	325
Revaluation of convertible loan	2,224	-
Increase in other account payables	302	22
<b>Net cash used in operating activities</b>	<b>(1,568)</b>	<b>(1,801)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(5)	(15)
Purchase of intangible assets	(75)	-
Deposit	4	(1)
<b>Net cash used in investing activities</b>	<b>(76)</b>	<b>(16)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Receipt of PPP loan	138	-
Capital raise, including convertible loan, net	5,556	-
<b>Net cash provided by financing activities</b>	<b>5,694</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,050</b>	<b>(1,817)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>580</b>	<b>2,397</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>4,630</b>	<b>580</b>

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For the year ended 31 December 2020

## Appendix: Consolidated statement of changes in equity

	Share capital and premium	Share based payment reserve	Retained earnings	Total
<b>Balance at January 1, 2019</b>	2	119	2,198	2,319
<b>Changes during the year:</b>				
Total comprehensive loss	-	-	(2,031)	(2,031)
Share based payment	-	325	-	325
<b>Balance at December 31, 2019</b>	<u>2</u>	<u>444</u>	<u>167</u>	<u>613</u>
<b>Changes during the year:</b>				
Total comprehensive loss	-	-	(4,361)	(4,361)
Conversion of convertible loan	3,265			3,265
Capital raise, net	4,514	-	-	4,514
Share based payment	-	291		291
<b>Balance at December 31, 2020</b>	<u>7,781</u>	<u>735</u>	<u>(4,194)</u>	<u>4,322</u>

### Audit

These accounts are currently in the process of being audited. The annual report for the year ending on 31/12/2020 containing the audit report shall be provided in a due course.

### NOTE 1 - GENERAL:

- i. Nutritional Growth Solutions Ltd. (the "Company") was incorporated on November 24, 2013 in Israel and commenced its operations on May 1, 2014. The Company has a wholly - owned subsidiary in the United States, NG Solutions INC., which was incorporated in August 2017.
- ii. The Company and its subsidiary (together, the "Group") develops, produces (outsourcing manufacturing) and sells clinically tested protein supplements for children – commercializing the intellectual property generated by years of medical research into paediatric nutrition.
- iii. The Company changed its name from N.G Solutions Ltd. to Nutritional Growth Solutions Ltd. as of June 2020.
- iv. On September 30, 2019, the Company merged with its related party, Nutriteen professionals Ltd. ("Nutriteen") which was incorporated in 2015. The Company and Nutriteen were held before the merger by the same shareholders. The Israeli Tax Authority has approved the merger framework, according to which Nutriteen was absorbed and fully merged within the Company. The merger was also updated at the Company register. The financial statements are presented according to the as pooling method according to which the current period numbers and comparative numbers reflects the consolidated financial statements of Nutriteen and the Company.
- v. The Group was admitted to the official list of the ASX on October 30, 2020, with its ordinary fully paid shares having commenced trading on October 30, 2020. The Company raised gross AUD 7,000,000 (approximately 5,005) pursuant to the offer by the issuance of 35,000,000 shares at an issue price of AUD 0.20 per share. Issuance expenses amounted to 593.