

Nuchev Limited HY21 Half Year Results

February 2021





Food for a better life



Today's presenters



Ben Dingle
CEO, Executive Director and Founder



Chantelle Pritchard
CFO and Company Secretary



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Business strengths remain in place



Significant global market opportunity

- Goat milk based infant formula (GIF) is a rapidly growing segment of the infant formula (IF) market
- Global GIF market is forecast to grow at an estimated CAGR of 16.6% to A\$13.6 billion by 2023, predominantly driven by the Chinese market¹



Premium, differentiated product, supported by science

- GIF offers natural health benefits to infants
- Attractive to health conscious end consumers (key group is Chinese mothers) prepared to pay a premium for differentiated products
- RMIT University published scientific laboratory studies supporting the potential health benefits of Oli6²



Oli6[®] is a premium, trusted, Australian made and owned brand

- Oli6[®] is Australian made and has demonstrated success in domestic Australian and Chinese markets
- Oli6[®] brand benefits from the premium position of GIF, with growing awareness of GIF health benefits
- Brand positioning attractive to Chinese mothers and channel partners



High quality, established supply chain & distribution network

- Quality, secure and scalable supply chain - capital light model, with significant excess capacity
- Utilises leading manufacturing partners with necessary certifications and expertise
- Supply chain expertise supported by Nuchev's significant in-house experience & capability



Proven management and board with deep industry expertise

- Founded and led by Ben Dingle, co-founder of Synlait Milk, processing partner of a2 Milk
- Supported by experienced management team and Board, with deep knowledge of the IF sector and channels to market



Significant volume and revenue growth in key channels

- Nuchev continues to achieve significant sales volume and revenue growth in key strategic channels
- Potential upside from sales of China-specification product (subject to SAMR brand registration)

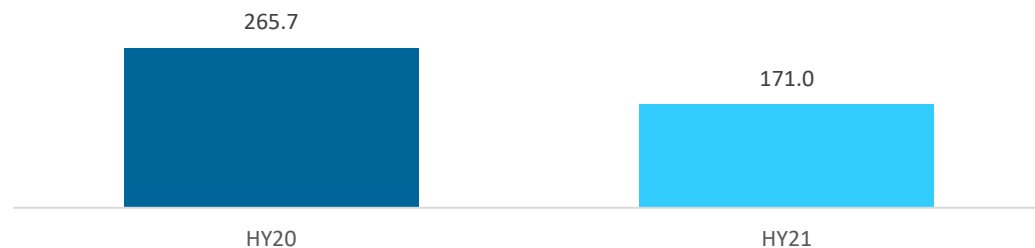
Sources

1. For the period from 2018 to 2023, based on Frost & Sullivan, *The Infant Formula Market*, October 2019.
2. Leong, A., Liu, Z., Almshawit, H., Zisu, B., Pillidge, C., Rochfort, S., & Gill, H. (2019). *Oligosaccharides in goats' milk-based infant formula and their prebiotic and anti-infection properties*. British Journal of Nutrition, 122(4), 441-449.

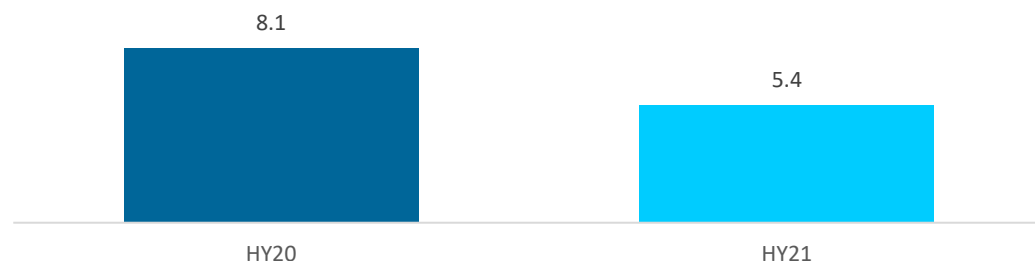
H1 FY21 Financial & Business Performance



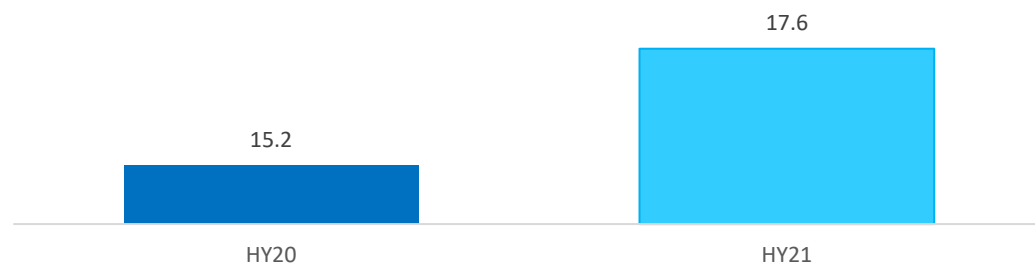
Volumes (Metric Tonnes)



Revenue (\$ millions)



Cash Balance (\$ millions)



Note:

1. Revenue / volume reflects the sale of GIF, other goat nutritional products and raw ingredient sales.

Encouraging signs of recovery from challenging market conditions caused by COVID-19

- Revenue declined 33% on prior corresponding period due to impacts of ongoing COVID-19 restrictions and broader economic uncertainty
- However, sales have rebounded strongly in Q2 FY21 by 118% following a challenging Q1 FY21
- Strong performance delivered through partnership with strategic distributor Blue Ocean International in the Cross Border channel, particularly during key selling periods including “11/11” Singles Day

Oli6® brand continues to build momentum, achieving market share growth across all channels

- Strong market share growth achieved in the Cross Border E-Commerce (CBEC) channel during H1
- Performance in Coles supermarkets continues to gain momentum with 16% volume growth in H1 FY21 offtake versus the prior year, as well as achieving the highest monthly market share on record in the last quarter of the calendar year.
- Oli6® also continues to grow in the Australian pharmacy channel, delivering significant share gains in this channel during H1 FY21.
- Nuchev continues to invest in category innovation as well as strategic marketing and sales initiatives involving key influencers and key opinion leaders (KOLs) to continue to drive engagement and loyalty to the brand, particularly through online platforms.

Nuchev remains well positioned for growth, retaining strong cash position

- Ending cash position of \$17.6M with no debt, following successful capital raise in Q1 FY21.
- Nuchev remains well positioned to capitalise on future growth opportunities.
- Goat Infant Formula (GIF) category remains an attractive and fast-growing segment.

Key financial and operational metrics



	1H21	1H20	% Change
Volume (MT) ¹	171	266	(33%)
Revenue (\$ million) ¹	5.4	8.1	(33%)
ASP/MT (\$ thousands) ²	31.8	30.5	4%
Gross Margin% ³	36%	38%	(2) p.p
Marketing % of Revenue	47%	49%	+2 p.p
EBITDA	-4.7	-7.0	33%
Cash on hand	17.6	15.2	16%

Notes:

1. Revenue / volume reflects the sale of GIF, other goat nutritional products and raw ingredient sales and excludes goat milk sales.
2. Average selling price per MT represents the total revenue of Australia-specification GIF and Goat Milk Powder sold divided by the total volume of Australia-specification GIF and Goat Milk Powder sold.
3. Gross Margin is calculated as core revenue, less costs of sales divided by core revenue, expressed as a percentage.

Commentary

- Strong revenue growth in CBEC channel following successful transition to new strategic distribution partner Blue Ocean International.
- Orders through the Export channel resumed during Q2 with Daigou activity recovering slowly from the industry wide contraction driven by COVID-19 restrictions.
- Average Selling Price improved on the prior corresponding period, representing brand strength and a strong business model.
- Normalised Gross Margin improved on prior corresponding period, as FY20 included a full year adjustment to reflect the sale of free goods, which is now being reflected on a quarterly basis.
- Marketing % Revenue slightly improved on prior corresponding period as we focus on investment efficiency and effectiveness balanced with continued investment in building brand equity for Oli6®.
- EBITDA performance \$2.3m favourable on the prior corresponding period due to the IPO costs incurred in December 2019.
- Net cash position remains strong with cash on hand of \$17.6M following successful capital raise early in H1 FY21



Outlook



Outlook for H2 FY2021



Executive Leadership Team changes enable stronger focus on domestic and international growth

- Given Nuchev's growth aspirations in both the domestic and international markets, the company has confirmed a number of changes to its' Executive Leadership Team to ensure it has the capabilities and structure in place that are fit for purpose and will support strong sales delivery.
- To enable CEO Ben Dingle to focus on building and growing the business, Chantelle Pritchard has been appointed to the role of Chief Operations Officer, which will involve responsibility for the day-to-day running of business operations, alongside her current roles of Chief Financial Officer and Company Secretary.
- Lisa Saunders has been appointed Chief Marketing Officer; responsible for Nuchev's long term marketing and innovation planning. Lisa is a commercial and strategic marketing leader, with more than 20 years' international and domestic marketing experience across Asia, UK, USA and Europe.

Nuchev retains a positive outlook and expects to achieve strong revenue and volume growth in H2 FY21 in the CBEC channel. This, however, may be offset by continued uncertainty in the Export channel, the contraction of the Daigou channel, and restrictions on international flights.

The company continues to explore further avenues for growth through greater market diversification and expansion of existing channels.

Given Nuchev's strong cash position, capital light business model, and with recent changes to the Executive Leadership Team, the company continues to be well positioned to advance its market diversification and growth plans.







Appendix



Statutory profit and loss (HY21 and HY20)



Statutory Results for the 6 months ending:

\$ millions	Notes	H1 FY21	% of Revenue	H1 FY20	% of Revenue
Revenue	1	5.4		8.1	
Cost of sales	2	(3.6)		(5.2)	
Gross profit		1.9		2.9	
		35%		36%	
Other income	3	0.3		0.1	
Distribution, warehouse and logistics expenses		(0.4)	7%	(0.5)	6%
Marketing and selling expenses		(2.6)	47%	(4.0)	49%
Employment expenses		(2.1)	39%	(1.8)	23%
General and administration expenses	4	(1.0)	18%	(3.0)	37%
Other expenses	5	(0.8)	15%	(0.6)	8%
EBITDA		(4.7)		(7.0)	
Livestock fair value adjustments	6	(0.2)		-	
Depreciation and Amortisation		(0.4)		(0.1)	
Finance income		0.1		0.1	
Finance costs	7	(0.0)		(0.8)	
Profit/(loss) before tax		(5.3)		(7.8)	
Income tax benefit	8	-		-	
(Loss) for the period		(5.3)		(7.8)	

Commentary

- H1 Distribution related expenses 7% of Revenue up on FY20 mainly due to the reduction in sales base and therefore lower economies of scale, however, overall spend lower (FY20: 6%)
- H1 Marketing expenses 47% of Revenue with spend focused on strategic marketing initiatives that deliver an appropriate ROI (FY20: 49%)
- H1 Employment expenses 39% of Revenue in line with expectations and reflecting an increase due to new in employee share based payments issued. (FY20: 23%)
- H1 G&A expenses 18% of Revenue also in line with expectations, and significantly down on FY19 which included IPO costs (FY19: 37%)

Notes

1. **Revenue** reflects the sale of GIF, other goat nutritional products, goat milk sales and raw ingredient sales.
2. **Cost of sales** include the costs to produce GIF and other goat products sold.
3. **Other income** comprises grants received, sundry income and interest income.
4. **General and administration expenses** include travel and accommodation, consultancy, insurance, accounting, the incremental public company costs and other general and administration costs. FY20 includes IPO costs of \$2.1 million.
5. **Other expenses** include product related testing, quality, obsolescence, provisions and development.
6. **Livestock fair value** relates to movements in fair value of Nuchev's goat herd.
7. **Finance costs** principally related to the interest on debt from ADM Capital, which was fully repaid at the time of the IPO in FY20.
8. **Income tax** - Nuchev has incurred tax losses historically, with the income tax losses carried forward not recognised as a deferred tax asset on the basis that it is not yet probable future taxable profits will be available against which the losses can be utilised.

Consolidated statement of financial position as at 31/12/20 and 31/12/19)



Consolidated statement of financial position as at:

\$ millions	31 Dec 2020	31 Dec 2019
Cash and short term deposits	17.6	15.2
Trade and other receivables	2.4	2.4
Prepayments	0.9	0.8
Inventories	12.7	7.4
Other current assets	0.1	-
Biological assets - livestock	0.8	-
Current assets	34.5	25.8
Property, plant and equipment	0.2	0.2
Intangible assets	1.6	1.9
Right of use assets	0.3	0.4
Other non-current assets	0.1	0.1
Biological assets - livestock	-	1.4
Non-current assets	2.2	4.0
Total assets	36.7	29.8
Trade and other payables	1.5	0.9
Government grants	-	0.1
Provisions	0.2	0.1
Lease liabilities	0.2	0.1
Other current liabilities	-	0.1
Total current liabilities	1.9	1.3
Provisions	0.1	0.1
Lease liabilities	0.2	0.3
Total non-current liabilities	0.3	0.4
Total Liabilities	2.2	1.7
Net assets	34.5	28.1
Issued capital	96.0	81.6
Other capital reserves	1.5	1.1
Accumulated losses	- 63.0	- 54.6
Equity	34.5	28.1

Commentary

- Nuchev has \$17.6 million cash as at 31 December 2020 with successful capital raise in August 2020
- Working capital increased due to timing of inventory production and receipt of goods in transit (2.2m) compared to prior year
- As at 31 December 2020 Nuchev's has revalued its goat herd, inline with prevailing market prices. It has also been reclassified as a current asset during the period.
- Issued capital increased \$14.4 million reflecting the capital raise in August 2020 net of transaction costs
- Significant net current asset cover of \$32.6 million

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