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ASX Market Release

31 December 2020 Half Year Report and Appendix 4D

Key H1 FY21 Highlights

- The first half of FY21 reflected two contrasting quarters of sales performance. While revenue declined 33% on the prior corresponding period due to challenging market conditions driven by COVID-19 restrictions and broader economic uncertainty, sales rebounded strongly in Q2 FY21 by 118%.
- Strong market share growth was achieved by the Oli6[®] brand across Australian retail and the important Cross Border E-Commerce (CBEC) channel.
- Average Selling Price improved on the prior corresponding period, representing brand strength and a strong business model.
- Strong cash position of \$17.6M with no debt provides the opportunity to further invest in the Goat Infant Formula (GIF) category, following a successful capital raise in Q1 FY21. The GIF category remains an attractive and fast-growing segment.
- Nuchev has confirmed a number of positive changes to its Executive Leadership Team to support the company's growth aspirations domestically and internationally, allowing CEO Ben Dingle to allocate more time on growing and building the business across all markets.
- The company expects to achieve strong revenue and volume growth in H2 FY21 in the CBEC channel, however this may be offset by continued COVID-19-related uncertainty in the Export channel.

	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.
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.

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

While revenue declined on the prior corresponding period due to the impacts of COVID-19 restrictions, a resumption of orders through the Export channel in recent months has seen green shoots of recovery in this channel, with strong growth in other distribution channels. Nuchev has partnered closely with its strategic distributor Blue Ocean International to drive improved performance in the Cross Border channel, particularly during key selling periods including “11/11” Singles Day in November.

Pleasingly Nuchev sales rebounded strongly in Q2 FY21 growing 118% on the prior quarter following the challenging market conditions experienced in Q1 FY21 driven by the impacts of ongoing COVID-19 restrictions and broader economic uncertainty.

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

Consumer demand for the flagship Oli6[®] brand remains strong, with market share being driven across key distribution channels, including the CBEC channel, as well as Australian grocery and pharmacy channels.

Performance in Coles supermarkets continues to gain momentum, with 16% volume growth in H1 FY21 scan sales versus the prior year, as well as achieving the highest monthly market share on record in the last quarter of the calendar year.

Oli6[®] continues to grow in the Australian pharmacy channel following the impact of COVID-19, driving significant share gains in this channel during H1 FY21.

Nuchev continues to invest in category innovation, strategic marketing and sales initiatives involving key influencers and key opinion leaders (KOLs) to build on engagement and loyalty to the brand, particularly through online platforms.

Price discipline maintained, reflecting strong brand and strong business model

Nuchev continues to command a price premium for the Oli6[®] brand, which saw a 4% improvement in Average Selling Price on the prior corresponding period. This is a pleasing result, reflecting the premium value of the brand, ongoing consumer demand and the strength of Nuchev’s capital light business model. Price discipline reflects the company’s commitment to growing sustainably.

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.

Nuchev remains well positioned for growth, retaining strong cash position

The GIF category continues to be a fast-growing segment of the infant formula market, attracting a price premium over other products. Nuchev retains a strong cash position of \$17.6M with no debt, providing opportunities to further invest in the GIF category, following a successful capital raise in Q1 FY21. The company remains well positioned to capitalise on future growth opportunities.

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

To support 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. The operations team will include Supply Chain, Finance, People and the Company Secretary portfolio.

Nuchev is also pleased to announce that 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. She has held senior marketing and brand leadership positions in the FMCG sector, including with Asahi Beverages and Treasury Wine Estates, and represents a strong addition to Nuchev's Executive Leadership Team.

Nuchev retains positive outlook, balanced by slow recovery in Export channel

As the world and market conditions continue to recover from the impacts of COVID-19 restrictions, 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 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 remains well positioned to continue advancement of its market diversification and growth plans.

Nuchev CEO Ben Dingle commented, "The start of FY21 saw our business, along with so many others, dealing with the restrictions and challenges presented by the COVID-19 pandemic. Pleasingly, we have seen recovery

and improvement in the last quarter, and we are now focused on continuing this momentum of growth into the second half of the financial year. Understandably, a degree of uncertainty in the market remains. However, with such a strong flagship brand in Oli6[®], an agile business model, and a team structure in place that frees more of my time to chase growth opportunities, I am confident we have the necessary ingredients to continue to drive performance in FY21 and beyond.”

Ben Dingle
CEO and Executive Director
Nuchev Limited

Authorised by: The Board of Directors

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About Nuchev Limited

Nuchev is an Australian based, globally oriented food business with a dedicated focus on developing, marketing and selling a range of premium Australian made goat nutritional products. Nuchev’s primary products include its Oli6[®] branded goat infant formula and nutritional range, which are sold across multiple sales channels in Australia, China, Vietnam and the Hong Kong Special Administrative Region. Oli6[®] products are formulated with the benefits of goat, supported by ongoing scientific research. Nuchev operates a capital-light business model, leveraging leading raw goat ingredient suppliers and Australian-based manufacturers in an established, secure and scalable supply chain to deliver high quality products under a premium, trusted brand.