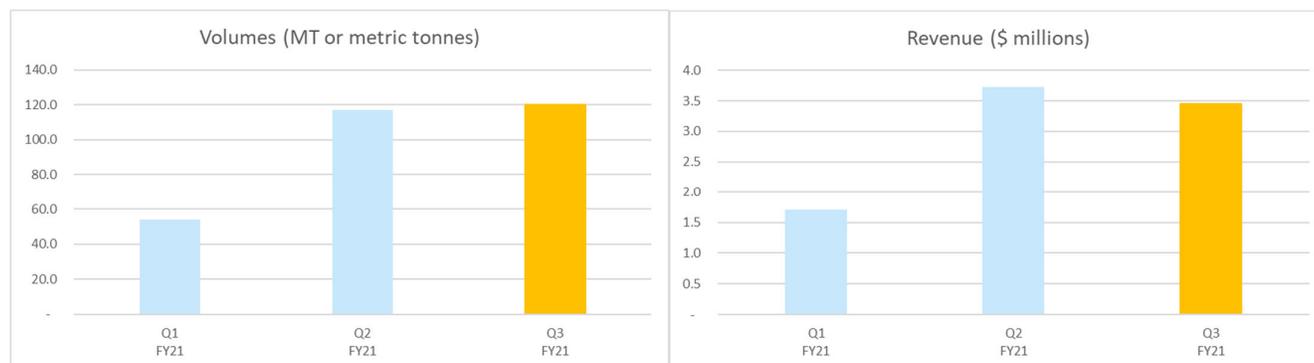


26 April 2021  
ASX Market Release

## 31 March 2021 Quarterly Activity Report and Appendix 4C

### Quarterly Highlights

- Nuchev delivered Q3 FY21 net revenue of \$3.4M reflecting accelerating growth in the Cross-Border E-Commerce (CBEC) channel, offset by continuing challenges in the Daigou channel.
- Oli6<sup>®</sup> consumer offtake growing 25% in the important CBEC channel on a Moving Annual Total (MAT) basis, exceeding category growth of 18%<sup>1</sup>.
- Continued strong performance in Coles has resulted in increased ranging from 266 stores to 761 stores from May 2021.
- Average Selling Price declined 10% in Q3 FY21 however when adjusted for the sale of raw materials the decline was 4% driven by increased promotional activity on TMall. Marketing & Selling as a % of revenue improved from 44% to 34% driving improved EBITDA.
- Strong cash position of \$14.9M with no debt provides the opportunity to further invest in the fast-growing Goat Infant Formula (GIF) category, reinforcing the advantages of Nuchev's capital light business model.
- Nuchev expects to achieve strong revenue and volume growth in H2 FY21 in the CBEC channel, however this is expected to continue to be partially offset by ongoing low sales in the Daigou channel.
- Nuchev has adopted a refreshed view of the post COVID-19 landscape and has reset the business accordingly. The Company remains ready to maximise recovery of the Daigou trade when and to the extent that it occurs, however have positioned the business for growth via other sales channels.



Unaudited	Q3 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Growth % (qoq)	Growth % (pcp)
Net revenue (\$ millions)	4.8	1.7	3.7	3.4	(8%)	(29%)
Volumes (MT)	152	54	117	120	2%	(21%)
ASP/MT (\$ thousands)	31.9	31.7	31.9	28.8	(10%)	(10%)

<sup>1</sup> Smartpath CBEC latest annual results MAT February 2021 growth versus MAT February 2020

**Slight decline in quarterly net revenue, however result includes accelerating growth in CBEC channel, offset by continued low sales in the Daigou channel**

Nucbev recorded total net revenue of \$3.4M in Q3 FY21, down \$0.3M on the prior quarter reflecting strong growth in the CBEC channel offset by a decline in orders from the Daigou channel. Revenue declined \$1.4M versus the same quarter last year and was impacted strongly by the sharp contraction in Daigou channel and the Australian Pharmacy channel as a result of COVID-19 impacts.

The industry wide contraction in the Daigou trade has been caused by ongoing COVID-19 restrictions which have effectively halted the Australian Daigou business. This channel comprises international students and visitors who purchase personal quantities of products and ship or transport to friends and families in China. While the corporate Daigou business continues to service consumers in China via social ecommerce and other e-commerce platforms, overall the Daigou channel has been and continues to be significantly impacted by COVID-19. Nucbev has re-focused its growth strategy on its other existing channels, with the uncertainty around the Daigou channel meaning it is expected to have a smaller impact on the business going forward.

Importantly, there has been no material impact on the CBEC channel (as a result of the contraction of the Daigou channel). Nucbev's priority focus is now on the CBEC channel which is supported through the strong strategic distribution partnership with Blue Ocean. The transition to Blue Ocean was successfully completed in Q1 FY21 and this has helped to drive YTD FY21 growth of 31% versus the prior corresponding period in this channel.

Nucbev uses data and analytics across platforms to continually improve its line of sight of inventory throughout the supply chain, as well as working more closely with our strategic distributors with the aim of ensuring we closely balance supply with consumer pull through.

Nucbev continues to see ongoing orders into the Vietnam market with further plans to grow in this market, as well as expansion into other markets.

During Q3 FY21 there was \$0.2M of raw material sales, reflecting a rebalancing of raw ingredient inventory.

**Oli6<sup>®</sup> consumer offtake is growing and exceeding category growth in key channels**

**CBEC<sup>2</sup>**

Given the importance of the CBEC channel in accessing Chinese consumers, Nucbev monitors CBEC category growth and brand performance as key metrics to gain insight into market performance. The total GIF category continues to increase penetration in the CBEC channel, growing in value by 18% compared to total growth of Cow Infant Formula of 3% on a MAT basis.

<sup>2</sup> Smart Path Data MAT to February 21 (CBEC Channel)

While operating in this high growth category, Oli6<sup>®</sup> remains well positioned and is growing ahead of the category at 25% value growth. Oli6<sup>®</sup> is the number four brand globally in GIF in the CBEC channel with 7.4% value share and grew faster than the number one and two ranked brands of Kabrita and Karicare. Importantly Oli6<sup>®</sup> is growing strongly in the leading CBEC platforms of TMall and JD, with 35% and 90% value growth respectively. Average selling price for Oli6<sup>®</sup> has increased over the period by 6%.

### Coles<sup>3</sup>

Oli6<sup>®</sup> is ranked number three in market value in GIF in Coles with 21% share and growth of 27% on a MAT basis, being the only brand growing in GIF in Coles over this time period. Oli6<sup>®</sup> has successfully increased ranging based on this strong performance and collaboration with Coles and will be available in 765 Coles stores (95% of all stores and a significant increase from 266 stores currently) from May 2021.

### Pharmacy<sup>4</sup>

The total Australian Pharmacy channel for GIF has seen similar impacts to the Daigou channel, with COVID-19 having a significant impact on the export pharmacy business. Despite the significant decline in the overall category of 51%, Oli6<sup>®</sup> is the number two ranked brand in GIF in Australian Pharmacy with 20% market share based on MAT value. Oli6<sup>®</sup> growth of 8% in the last 12 weeks versus the prior 12 weeks has improved following the post COVID-19 impacts on the export pharmacy channel, demonstrating improved brand performance.

### **Reduction in Average Selling Price during Q3 FY21, however Marketing & Selling % of revenue improved driving improved EBITDA**

Average Selling Price declined 10% from \$31,900 / MT in Q2 FY21 to \$28,800 / MT in Q3 FY21, however when adjusted for the sale of raw materials the decline was 4%.

Average Selling Price was also impacted by promotional activity on TMall as the Company tests promotional and pricing mechanisms.

While the reduction in Average Selling Price did impact Gross Margin, a decline in overall spend in Marketing and Sales drove an improved EBITDA position. Marketing spend and strategy remains focused on partnering with our key strategic distributor and learnings are used to drive effectiveness.

### **Strong cash position of \$14.9M with no debt, with a reduction in cash used in operations during the quarter**

Cash used in operations improved \$0.5M in Q3 FY21 versus the prior quarter, with savings in administration and overheads \$0.6M as well as favourable timing of manufacturing \$0.8M. These savings were offset to some extent by a slight reduction in sales impacting receivables (\$0.7M).

3 AU Coles (MAT to March 21)

4 AU Pharmacy (IQVIA to MAT March 21)

Nuchev's strong cash position provides the opportunity to further invest in the fast-growing GIF category, demonstrating the advantages of Nuchev's capital light business model.

**Nuchev continues to expect strong revenue and volume growth in the CBEC channel, however this is offset with continued uncertainty in the Daigou channel**

The Company has adopted a refreshed view of the post COVID-19 landscape and has reset the business accordingly. Nuchev remains ready to maximise any recovery of the Daigou trade when and to the extent that it occurs, however have positioned the business for growth via other sales channels.

Strong growth in the CBEC channel is expected to continue and as previously indicated this will be countered by uncertainty in the Daigou channel. Growth in the CBEC channel is expected to be generated through recruitment of new users, pricing optimisation and enhanced formulation, with Oli6<sup>®</sup> the only goat infant formula to contain Human Milk Oligosaccharides (HMOs).

Nuchev continues to see growth opportunities in the goat nutritional space using the platform built with the Oli6<sup>®</sup> infant formula brand, and this will continue to be a key focus. The Company also continues to pursue growth in other markets, however progress has been slower than expected due to COVID-19 related travel restrictions.

Nuchev CEO Ben Dingle commented, "COVID-19 continues to impact our sales particularly in the Daigou channel, however the Oli6<sup>®</sup> brand retains strength across all key channels. The business has reset its focus on the future and a post COVID-19 landscape, investing heavily in successful and growing channels such as CBEC."

**Ben Dingle**  
**CEO and Executive Director**  
**Nuchev Limited**

**For further information please contact:**

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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<sup>®</sup> branded goat infant formula and nutritional range, which are sold across multiple sales channels in Australia, China and the Hong Kong Special Administrative Region. Oli6<sup>®</sup> 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.

## Appendix 4C

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

**Name of entity**

NUCHEV LIMITED

**ABN**

54 163 225 090

**Quarter ended ("current quarter")**

31 March 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,753	8,873
1.2 Payments for		
(a) research and development	(33)	(204)
(b) product manufacturing and operating costs	(2,063)	(7,701)
(c) advertising and marketing	(1,748)	(4,323)
(d) leased assets	(55)	(151)
(e) staff costs	(1,061)	(3,080)
(f) administration and corporate costs	(471)	(2,359)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	65
1.5 Interest and other costs of finance paid	(8)	(22)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	123	248
1.8 Other (provide details if material)	30	205
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,527)</b>	<b>(8,449)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(14)
(d) investments	-	-
(e) intellectual property	(109)	(199)
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	2
(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 Net cash from / (used in) investing activities</b>	<b>(109)</b>	<b>(211)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from equity securities	-	15,221
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to equity securities or convertible debt securities	-	(944)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Repayment of selling shareholders	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>14,276</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	17,638	9,443
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,527)	(8,449)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(109)	(211)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	14,276
4.5	Effect of movement in exchange rates on cash held	(64)	(122)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>14,937</b>	<b>14,937</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	14,607	17,308
5.2	Call deposits	330	330
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>14,937</b>	<b>17,638</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
98
-

Item 6.1 includes Directors fees, CEO salary and related payments paid to the Directors and / or their associated entities

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

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	250	-
<b>7.4 Total financing facilities</b>	<b>250</b>	-

7.5 **Unused financing facilities available at quarter end** 250

7.6 Include in the box below a description of each facility above:

Trade finance facility with ANZ bank

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,527)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	14,937
8.3 Unused finance facilities available at quarter end (Item 7.5)	250
8.4 Total available funding (Item 8.2 + Item 8.3)	15,187
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>6.0</b>

### 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: 26 April 2021

Authorised by: By the Board of Directors