nuchev®
limited. food for a better life

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ASX CODE: NUC

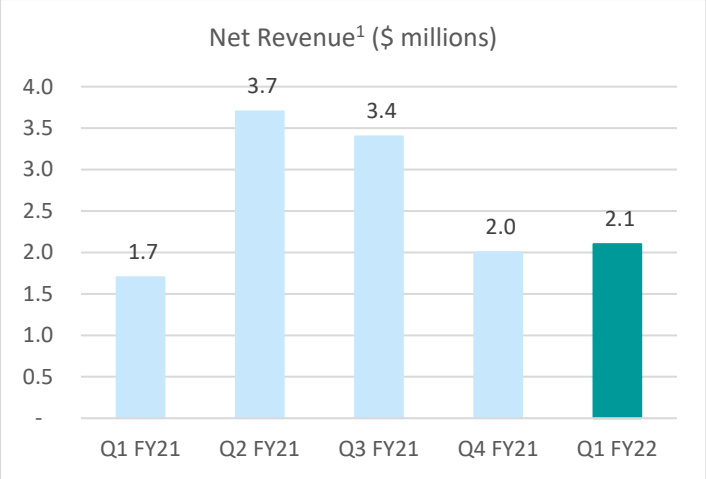
25 October 2021
ASX Market Release

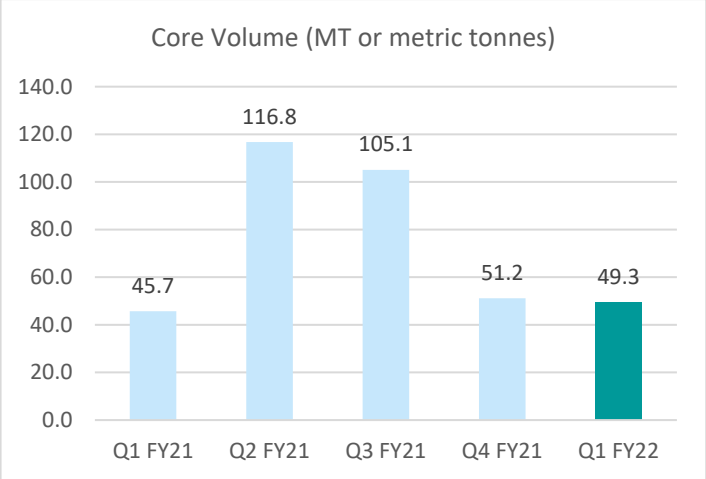
30 September 2021 Quarterly Activity Report and Appendix 4C

Quarterly Highlights

- Net revenue stabilising with $2.1M[1] delivered in Q1 FY22, representing 20% total growth on Q1 FY21 and 3% growth on prior quarter, with continued active management of customer inventory levels in the CBEC channel impacting revenue.
- Core business[2] Gross Margin improved in Q1 FY22, demonstrating continuing brand strength, pricing discipline and value chain enhancement.
- Oli6® became the number 1 goat infant formula brand in Coles during September[3] and is growing ahead of the category at 42% on an annual basis.[4]
- Validation of the newly enhanced Oli6® formulation in progress with demonstrated success in TMall Flagship Store in the Cross Border E-Commerce (CBEC) channel. The newly enhanced Oli6® formulation is the only goat milk infant formula to offer Human Milk Oligosaccharides (HMOs) in Stages 1 and 2.
- Nuchev continues to focus on building the CBEC channel and widening distribution, with consumer offtake / sell through growing 3.5% year to date and Oli6® flagship store on TMall ranked no.3 during the quarter[5].
- Nuchev recently welcomed additional senior talent adding capability to the China-based team with a focus on enhancing performance and building market share of Oli6® by enhanced in-market presence.
- Strong cash position maintained at $12.9M and no debt, with company demonstrating a disciplined, resilient approach through a challenging period, ensuring it is well placed to capitalise on the strong growth in goat milk-based nutrition products.

[1] *Unaudited financial information*
[2] *Excluding raw materials*
[3] *IRI data (volume) – September 2021*
[4] *IRI data – MAT to September 2021*
[5] *Smartpath data – YTD September 2021*
[5] *Smartpath data – YTD September 2021*





Unaudited		Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Growth % (qoq)	Growth % (pcp)
Net revenue	($ millions)	1.7	3.7	3.4	2.0	**2.1**	3%	20%
Volume - core[6]	(metric tonnes)	45.7	116.8	105.1	51.2	**49.3**	-4%	8%
ASP / MT - core[7]	($ thousands)	33.8	31.9	30.8	32.3	**32.5**	1%	-4%

Net revenue stabilising with $2.1M delivered in Q1 FY22, representing 20% total growth on Q1 FY21 and 3% growth on prior quarter while managing in-channel inventory levels

Nuchev delivered net revenue of $2.1M in Q1 FY22 which included $450K of raw material sales and the continued active management of customer inventory sell through. It is expected that the impact of active inventory management on revenue isis likely to continue until late H2 FY22. Pleasingly, core business revenue, excluding the impact of raw material sales, was in line with the prior quarter and demonstrated 4% growth on the prior year.

The business continues to focus on sales platforms in Australia and China with the highest opportunity for growth, including the high priority CBEC channel which saw revenue growth on the prior quarter. The Australian supermarket and pharmacy channels saw reduced revenue in the quarter following pipeline fill in Q4 FY21 to fulfil increased store ranging in Coles and order phasing volatility in Chemist Warehouse, however importantly consumer offtake for Oli6® continues to grow highlighted by Oli6® becoming the number one brand in Coles during September[8]

It is pleasing to see momentum building as the Daigou channel re-emerges with a refreshed business model focussed on servicing C2C direct via supply chains in China and fast growing social e-commerce platforms.

[6] *Excludes impact of raw materials*
[7] *Excludes impact of raw materials*
[8] *IRI data (volume) – September 2021*

Continued strong momentum in the Australian supermarket channel following increased ranging in Coles, with flagship goat milk infant formula brand Oli6® becoming the number 1 brand in Coles during September[9].

Following the increased ranging in Coles supermarket stores in May 2021 from 266 stores to 765 stores, consumer offtake of Oli6® continues to gain momentum growing ahead of the category at 42% on an annual basis[10]. A key achievement during the quarter was Oli6® taking the number 1 brand position in volume share in the goat milk infant formula category demonstrating the strength of the Oli6® brand for Australian consumers.

Listing for Oli6® on Woolworths' new online marketplace was scheduled to go live in Q1 FY22, however given a delay in the launch of this platform, this is now expected in H2 FY22.

Upgraded brand with demonstrated success of the newly enhanced Oli6® formulation, the only goat milk infant formula to offer Human Milk Oligosaccharides (HMOs) in Stages 1 and 2 and Student Milk.

Major strategic brand development and upgraded positioning has been completed underpinned by extensive consumer led qualitative and quantitative research. This has led to the development of a new masterbrand campaign which is driving targeted investment of ~ $1M across China digital channels. This work also informed the development of an exciting innovation pipeline - all positioning the brand as 'Leading through Science'.

New formulation momentum is demonstrated in the market with solid foundations in TMall Flagship Store, with Oli6® Stages 1 and 2 now 23% of total branded sales versus 16% last year, with 58% of purchases being new buyers to the brand. Additionally, the Oli6® brand is selling at a higher average selling price and is up 2.8% in the quarter versus the prior quarter[11]. This demonstrates the company is recruiting new consumers, a key driver of future sales, and strengthening consumer equity and channel confidence.

Nuchev continue to focus on building the CBEC channel and widening distribution, as well as strengthening capability to drive growth of Oli6®market share.

The CBEC channel remains a key focus for Nuchev, with the Oli6®TMall Flagship Store being its brand lighthouse and critical in developing a compelling brand position and value proposition, providing the springboard for channel growth. Importantly, consumer offtake / sell through of Oli6® is growing 3.5% year to date and the brand was ranked no.3 during the quarter in TMall Flagship Store[12]. This platform is also key to helping to drive awareness of the new Oli6® formulation and sales of these new products have increased from 16% to 20% of the portfolio during the quarter.

[9] *IRI data – September 2021*
[10] *IRI data – MAT to September 2021*
[11] *Smartpath data – September 2021 (Q1 FY22 v Q4 FY21)*
[12] *Smartpah data – September 2021*

Driving growth through B2C remains a key priority with Nuchev working closely with strategic distribution partners to achieve both both increased penetration of distribution in existing platforms and sourcing of new accounts.

To help support this growth, Nuchev recently welcomed additional senior capability to the China-based team, with a focus on strengthening market share of Oli6® by enhanced in-market presence. This is particularly important given the impact of travel restrictions from Australia to China.

Strong cash position maintained with no debt, demonstrating a disciplined approach through a volatile period and ensuring it is well placed to capitalise on growth.

Cash used in operations remained steady at $1.8M in Q1 FY22, with further details found below in the Appendix 4C.

Nuchev's disciplined approach to cash management and its capital light business model positions it well to drive the growth in goat milk based nutritional products.

Nuchev CEO Ben Dingle commented, "We are emerging from a challenging period with our Oli6® "Leading with Science"core brand health upgraded, supported by our successful reformulated new recipe. This has allowed us to improve average selling price, channel support and margin. In addition we have boosted the team with additional China based talent in order to build capability to fuel our next phase. The landscape now looks increasingly positive and more stable as we focus on the the job of continuing to manage channel inventory, expanding distribution and developing our innovation pipeline in order to drive sales momentum in the fast moving goat nutritional category."

Ben Dingle
CEO and Executive Director
Nuchev Limited

This announcement has been approved for release by the Board.

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®® 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®® 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	**Quarter ended ("current quarter")**
54 163 225 090	30 September 2021

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1	**Cash flows from operating activities**		
1.1	Receipts from customers	2,228	2,228
1.2	Payments for		
	(a) research and development	(48)	(48)
	(b) product manufacturing and operating costs	(1,245)	(1,245)
	(c) advertising and marketing	(1,057)	(1,057)
	(d) leased assets	(31)	(31)
	(e) staff costs	(1,017)	(1,017)
	(f) administration and corporate costs	(672)	(672)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	5
1.5	Interest and other costs of finance paid	(9)	(9)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,846)**	**(1,847)**
2	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2)	(2)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:	-	
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	117	117
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	55	55
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**170**	**171**

3	**Cash flows from financing activities**		
3.1	Proceeds from equity securities	-	-
3.2	Proceeds from issue of convertible debt securities	-	
3.3	Proceeds from exercise of options	-	
3.4	Transaction costs related to equity securities	-	-
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	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	14,515	14,515
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,846)	(1,847)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	170	171
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	53	53
4.6	**Cash and cash equivalents at end of period**	**12,892**	**12,892**

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 $A'000**	**Previous Quarter $A'000**
5.1	Bank balances	12,562	14,185
5.2	Call deposits	330	330
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**12,892**	**14,515**

6	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	199
6.2	Aggregate amount of payments to related parties and their associates included in item 2	52

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

7	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities		-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	250	-
7.4	**Total financing facilities**	**250**	**-**
7.5	**Unused financing facilities available at quarter end**		**250**
7.6	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.		

Trade finance facility with ANZ bank

8	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,846)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	12,892
8.3	Unused finance facilities available at quarter end (Item 7.5)	250
8.4	Total available funding (Item 8.2 + Item 8.3)	13,142
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**7.1**

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: 25 October 2021
Authorised by: the Board of Directors
(Name of body or office 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.