

18 November 2021

ASX Market Release

Annual General Meeting Chair's Address and CEO Presentation

Nuchev Limited is pleased to release the following Chair's Address and CEO Presentation which will be delivered to Shareholders at the Company's Annual General Meeting to be held today.

Ben Dingle
CEO and Executive Director
Nuchev Limited

This announcement has been approved for release by the Board of Directors.

For further information please contact:

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Company Secretary
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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.



CHAIRMAN'S ADDRESS 18 Nov 2021

Intro

I am pleased to present the financial report for FY21, our first full year operating as a public company since listing on the Australia Securities Exchange in December 2019.

It has certainly been a year like no other, as the world and many industries continued to be deeply challenged and impacted by the ongoing effects of the global COVID-19 pandemic.

During this period of disruption and uncertainty, the Nuchev team demonstrated outstanding agility and resilience, executing a refreshed business strategy to adapt to very fluid market and sales channel challenges. The strategy focused on prioritising those sales platforms presenting the greatest opportunity for future growth in order to maintain momentum behind the company's flagship Oli6® brand – a brand built from superior nutritional credentials, led by science.

FY21 Financial Wrap up

In FY21, the business reported a decline in revenue of 39% to \$10.9 million and volume decline of 35% to 370.2 MT. This reflects industry-wide challenges during the year, including the significant impacts from the contraction of the Daigou and export pharmacy channels due to restrictions in international travel, the absence of international students, an imbalance of demand from COVID-related pantry stocking, extended lockdowns in Victoria, and restrictions on domestic and international team travel.

However, in spite of these significant challenges, Nuchev gained strong momentum across other key priority sales channels including the Australian supermarket channel and the cross border e-commerce (CBEC) platforms accessing the China market, in particular TMall and JD where consumer demand for the brand remains strong.

In the first quarter of the year, Nuchev successfully completed a \$15.2M capital raising, with proceeds used to invest in key distribution channels, sales, marketing and brand positioning, as well as to fund working capital requirements. The company benefited from inherent operating leverage in its flexible business model.

The company maintains a robust and flexible balance sheet, reporting \$14.5 million cash on hand with no debt at 30 June 2021.

Performance in markets

Pleasingly, solid momentum was achieved particularly across the Australian supermarket channel in FY21 with investment in key sales platforms to drive distribution and leverage growth in the goat infant formula category.

As the global goat infant formula category continues to grow rapidly, the Cross-Border E-Commerce (CBEC) channel remained a critical platform accessing consumers in China. The total goat infant formula category increased penetration in this channel, growing ahead of cow infant formula.

Partnership with distributors

During this period the company also secured a strategic partnership with top tier distributor Blue Ocean to manage sales and distribution of Oli6® across a number of key platforms in China. The partnership signified an upgrade to Nuchev's distribution arrangements, and the Nuchev team has been working closely with Blue Ocean to drive distribution and sales through online channels, as well as implementing responsible inventory management to ensure inventory is balanced with consumer pull-through.



Brand: Elevating the Oli6® brand through focused marketing and innovation

Through a refreshed brand strategy driven by consumer research, the company focused on building further momentum behind the Oli6® brand, investing in marketing campaigns featuring celebrity mums, key opinion leaders, and key opinion customers to leverage key promotional periods including Chinese New Year, Double 11 Singles Day, the 618 mid-year promotion and Mother's Day. As the experts in goat milk-based nutrition, Oli6® positioning was re-focused to more strongly leverage the brand's unique nutritional credentials backed by science to a highly involved audience of Mums seeking the very best for their children.

Flexible Capital Light Business Model

A critical advantage and enabler to Nuchev's performance is the company's capital-light business model, and a secure and scalable supply chain, where the team works with premium raw goat ingredient suppliers and Australian-based manufacturers to deliver goat infant formula to a consistently high quality.

The advantages of the company's capital light business model, along with a disciplined approach to managing cash has enabled the business to rapidly respond to the fast-changing market environment and continue to invest in the high growth global goat infant formula and goat milk-based nutrition category.

Our flexible business model enabled Nuchev to progress our plans for market diversification - in addition to Australia, New Zealand and China, Oli6® achieved sales listing in Vietnam. Further international markets have been explored, and this focus remains in FY22, however travel restrictions have impeded the speed with which the team can enter additional new markets. The company remains focused on pursuing options to achieve registration with the State Administration of Markets Regulation (SAMR) to sell Chinese specification Oli6® product in the offline environment in China, however we acknowledge this is unlikely to be achieved via an Australian manufacturer.

Our commitment to safety and quality was evident throughout the supply chain, with ongoing partnerships with world-class manufacturing suppliers. This focus remained core to the company's strategy and philosophy.

Board and Management Team

The team bolstered its capability at Board and executive management level during the year. In September, the Board welcomed Owens Chan as non-executive director, bringing more than three decades of commercial experience, predominantly with Mead Johnson in China, as well as across Asia markets. David Whyte stepped down as non-executive director in September, having been ADM's appointee, a valued Board member and an important partner in Nuchev's journey to becoming a public company.

In March, Lisa Saunders was appointed to the role of Chief Marketing Officer, bringing more than 20 years domestic and international FMCG marketing experience. Chantelle Pritchard expanded her responsibilities to Chief Operations Officer, in addition to her responsibilities as Chief Financial Officer and Company Secretary, allowing Chief Executive Officer Ben Dingle to focus on strategy and driving and growing the business.

Conclusion

We would like to extend our deep gratitude to the team at Nuchev and our partners in demonstrating such strong resilience, collaboration and support for each other during an unpredictable and challenging year.

Thank-you for your ongoing support.



Nuchev Limited
Annual General Meeting Presentation
18 November 2021

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OUR VISION



FOOD FOR A BETTER LIFE

Family is everything. We are committed to making lives better for all families.



THOUGHT LEADERSHIP IN GOAT NUTRITION, SCIENCE AND INNOVATION

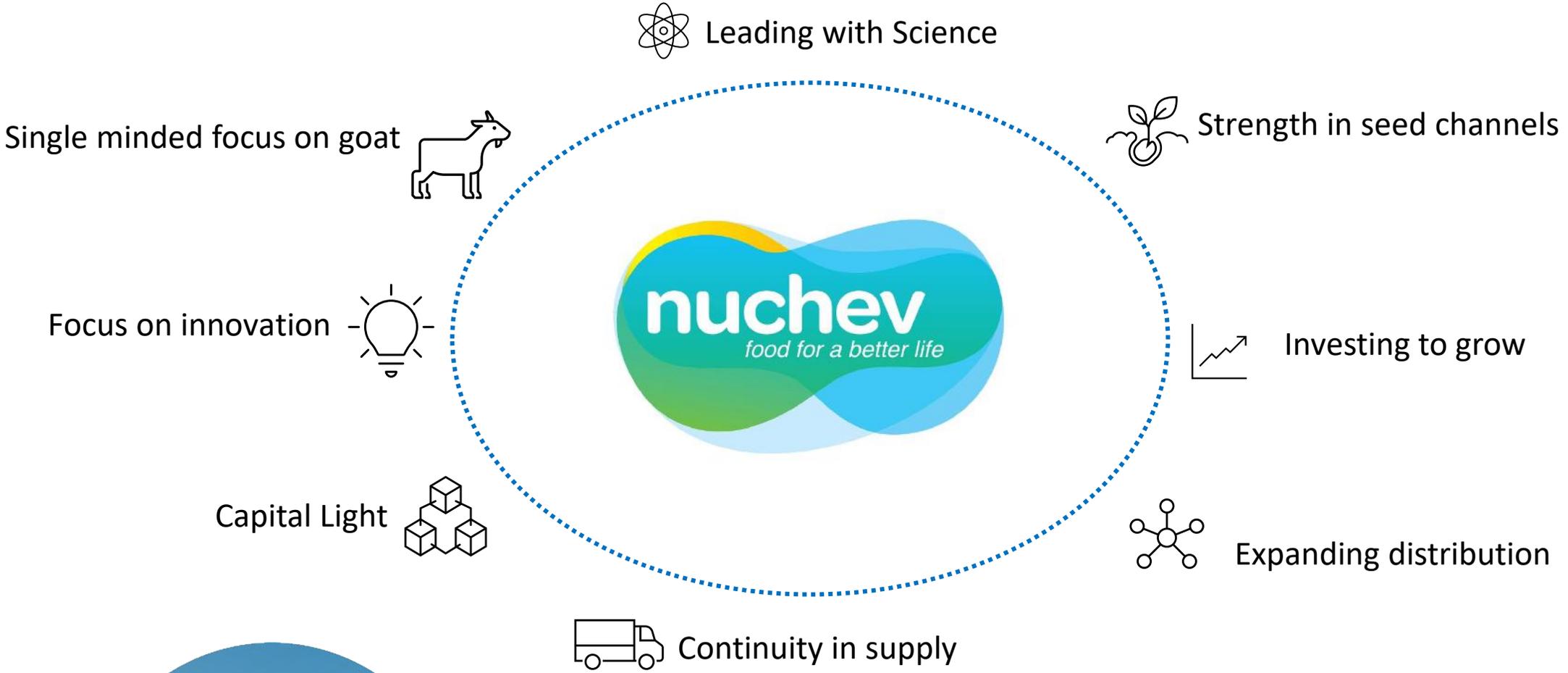
Customers and consumers insights drive our success through an innovative spirit. What we do is backed by scientific evidence.



THE SAFEST MOST PREMIUM GOAT NUTRITION WITHOUT COMPROMISE

Our quality supply chain is the gold standard. We are committed to the health and safety of the entire Nuchev family.

WHAT MAKES US UNIQUE



FY21 IMPACTS

FY21 saw the world continue to be challenged with the uncertainty and volatility created by the COVID-19 pandemic

	DAIGOU CONTRACTION	<ul style="list-style-type: none">• Historically Daigou ~50% of total revenue• Channel disruption occurred rapidly with border closures and travel restrictions• Consumer purchase behaviour shifted away from Daigou channel• Fully offsetting Daigou revenue unrealistic in the short term
	CYCLING PANTRY STOCKING	<ul style="list-style-type: none">• Volatile pantry stocking in FY20 in China and Australia creating inaccurate offtake signals• Consumption domestically now reflecting pre-COVID volumes
	SUPPLY CHAIN	<ul style="list-style-type: none">• Continued confidence in high quality safe outsourced supply chain• Longstanding win/win partnerships with suppliers proven to be reliable and flexible
	PEOPLE	<ul style="list-style-type: none">• Enhancing and building relationships with channel partners constrained due to travel restrictions• Uncertainty/restrictions have impacted team
	CHINA & AUSTRALIA TRADE RELATIONS	<ul style="list-style-type: none">• China trade relations have impacted investor sentiment with minimal operational impact• Nuchev's distributor partnerships remain healthy

Nuchev responded swiftly with a refreshed business strategy to adapt to the rapidly changing dynamics in the external market

KEY FINANCIAL AND OPERATIONAL METRICS

	FY21	FY20	% change
Volume (MT) ¹	370.2	568.1	(35%)
Revenue (\$M) ¹	10.9	17.8	(39%)
ASP / MT (\$000) – core ²	32.0	31.3	2%
Gross Margin % - core ³	34%	35%	(1%)
EBITDA (\$M)	(11.3)	(9.6)	(18%)
Net Cash (\$M)	14.5	10.3	41%

Notes:

1. Revenue / volume reflects the sale of GIF, other goat nutritional products and raw ingredient sales.
2. Average selling price (ASP) per metric tonne (MT) represents the revenue divided by the volume, excluding sale of raw materials
3. Gross Margin is calculated as revenue less costs of sales divided by revenue excluding raw materials, expressed as a percentage.

Full Year Commentary

The results for the year reflect the challenging market

- Net cash position remains strong with cash on hand of \$14.5M
 - Operating cash outflow improved year on year by \$1.2M
 - The net cash position allows the company to continue to invest in the high-growth goat milk based infant formula and nutrition category
 - Reflects a disciplined approach to cash management, highlighting the resilience of Nuchev's capital-light business model.
- Net revenue of \$10.9M was down 39% and volume of 370 MT was down 35%
 - Contraction of the Daigou trade had an adverse impact on the results, which was partially offset by growth in CBEC and Australian retail channels.
 - Positive growth in the CBEC channel into China with offtake increasing and revenue growth of 13%
- Average Selling Price (ASP) over FY21 increased 2% from FY20 to FY21, excluding raw ingredients
- Gross Margin excluding raw materials was 34%, versus 35% in FY20
- EBITDA performance was a loss of \$11.3M, compared to a loss of \$9.6M in FY20, a 18% change, primarily driven by the drop in revenue
 - Result includes a one-off inventory provision cost of \$1.2M to provide for old formulation inventory held at 30 June 2021

BUSINESS STRENGTHS REMAIN IN PLACE

GOAT INFANT FORMULA CATEGORY GROWTH



- Global GIF market is growing and forecast to grow at 10.7% CAGR¹
- Driven by premiumisation and increased share (more people using goat milk)
- China CBEC goat infant formula market grew 14.2%² in FY21, well ahead of total China infant formula growth
- 3 child policy signals Government intention to increase birth rate in China

GROWTH THROUGH NEW MARKETS



- Rapid transition to online with a portion shifting to CBEC and O2O
- China omni-channel merge into one large blended ecosystem
- Brand success remains centred on the foundations of trust and rational functionality
- Global markets generally moving rapidly online reducing cost/complexity of entry

PREMIUM AND TRUSTED BRAND

And the winner is Oli6.
Voted best Toddler Milk Drink Australia.



- Refreshed brand positioning underpinned by consumer research to position as led by science
- Unique product reformulation - the only goat infant formula to include human milk oligosaccharides in for enhanced nutritional and digestive benefits
- Product innovation designed to fuel growth
- Oli6® was ranked the no.1 Toddler Milk brand in 2021 for Product Review and has a 5 star ranking on Trust Pilot

COMPANY WELL POSITIONED



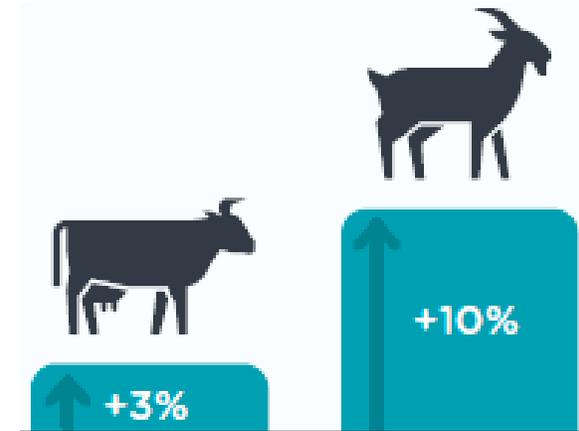
- Flexible, capital light business model with flexible balance sheet
- Strong cash position with zero debt - providing investment flexibility
- Capable experienced management team in place with industry expertise and strong networks.
- No.1 in Coles in the month of September – Oli6 up +41.9% vs last year.
- CBEC consumer offtake growing at +3.5% YTD - ranked no.3 on Tmall FSS ahead of Bubs.

1: 5 years forecast from 2020 – 2026. Source: Euromonitor
2: MAT (moving annual total) growth from Aug 2021 versus Aug 2020. Source: SmartPath Aug 2021

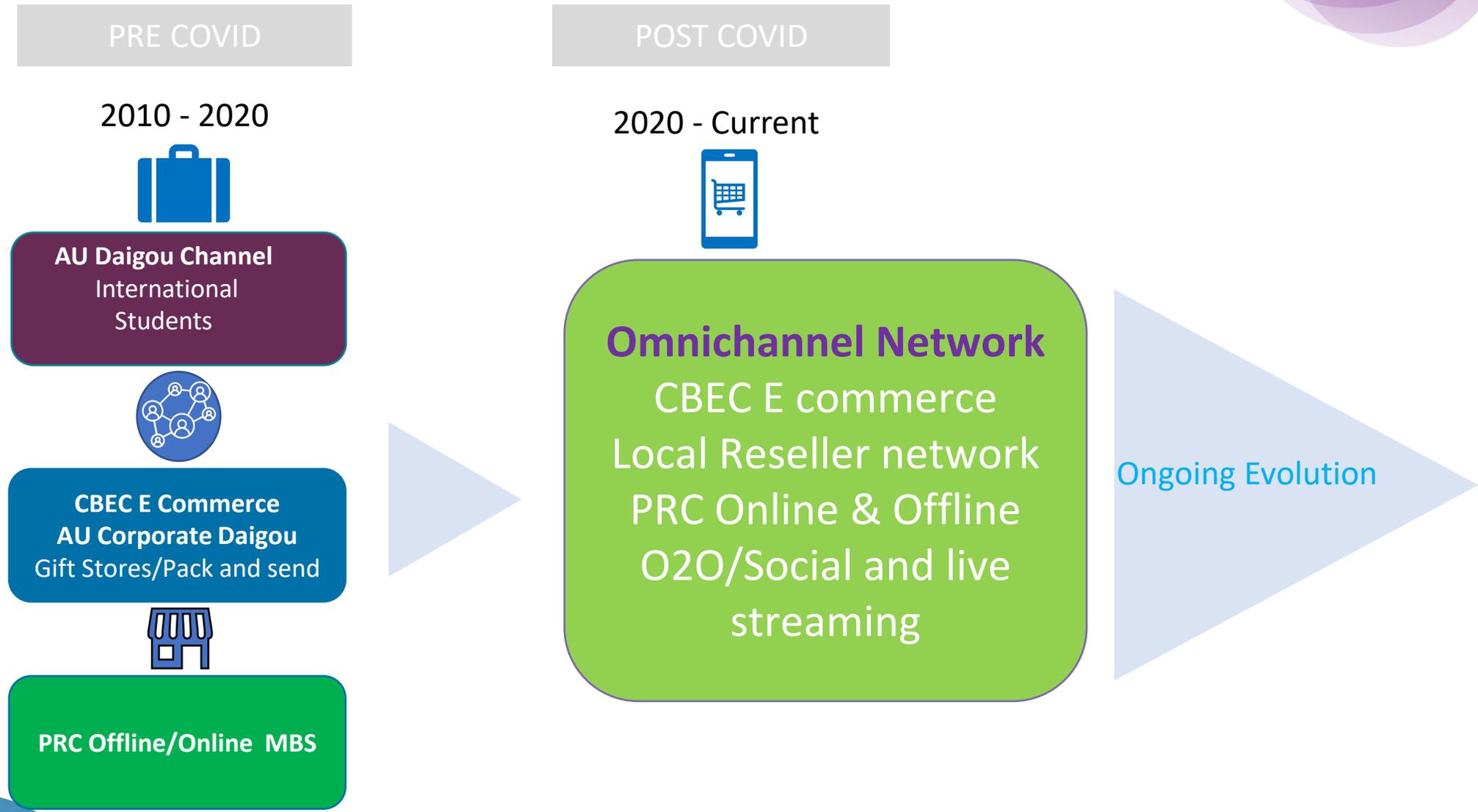
CHINA IS CATEGORICALLY THE MOST IMPORTANT GOAT MILK INFANT FORMULA MARKET IN THE WORLD

CHINA IS NOW 2/3
OF GLOBAL GOAT MILK
INFANT FORMULA

GOAT MILK INFANT FORMULA
CONTINUES TO GROW
AT +10% YEAR ON YEAR



DAIGOU, CBEC AND PRC CHANNELS ARE MERGING INTO ONE MAJOR ECOSYSTEM



FUTURE FOCUS/OUTLOOK



BUILD BRAND EQUITY

Attract new users to the brand



DRIVE GROWTH THROUGH INNOVATION

Drive premiumisation through consumer led innovation



DRIVE PERFORMANCE IN EXISTING MARKETS

Secure our must win markets of China and Australia



DEVELOP NEW BUSINESS

Rapid growth through further market expansion



BUILD A SUSTAINABLE PROFITABLE BUSINESS

Positive net cash position

- Capitalise on growth opportunities - fast growing goat milk infant formula market
- Continued growth and momentum expected in Australian Retail and Pharmacy
- Commitment to driving growth in CBEC with a focus on :
 - recruiting new users
 - price realisation
 - expansion of the new formulation/innovation
- Early signs of success with the refreshed strategy
- Leverage our strengths:
 - flexible business model
 - unique/innovative offerings
 - highly capable team

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food for a better life