

27 January 2021
ASX Market Release

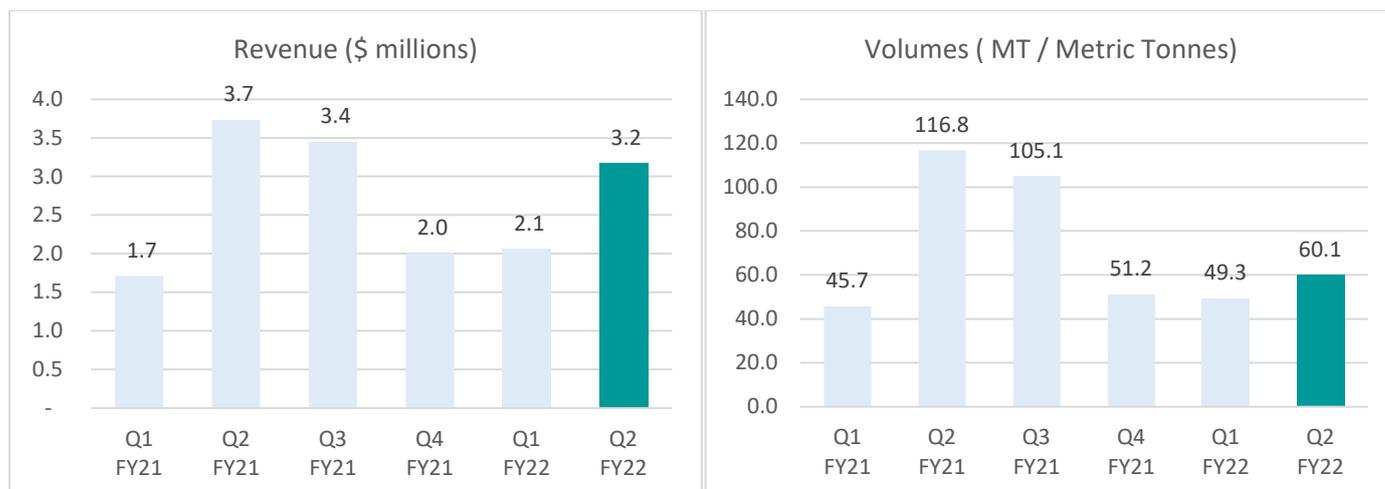
31 December 2021 Quarterly Activity Report and Appendix 4C

Quarterly Highlights

- Net revenue grew strongly to \$3.2M in Q2 FY22, with growth in key channels versus prior quarter – 30% growth in Australian retail and 35% growth in Cross Border E-Commerce (“CBEC”) channel.
- On the back of demonstrated performance in the Australian retail channel, Woolworths has confirmed listing of Oli6[®] in ~450 stores scheduled for May 2022. In addition, Oli6[®] has recently commenced trading on Woolworths Online Everyday Market platform.
- Strong momentum continues in Coles supermarkets, with Oli6[®] consolidating as the number 1 goat infant formula brand in volume for the full quarter¹.
- Oli6[®] brand ranking jumped four places to #8 in the total TMall goat and sheep infant formula rankings during the important Double 11 promotion period in the CBEC channel², continuing to build enhanced in market presence.
- Continued traction of new premium Oli6[®] enhanced formulation with success in TMall Flagship Store through attraction of new buyers, improved conversion, wider distribution and growth across all major CBEC platforms.
- Core business Gross Margin improves during FY22 Q2 demonstrating continued brand strength, pricing discipline and value chain enhancement.
- Timing of raw material purchases during the quarter has impacted cash outflow, together with investment in marketing support of new super premium Oli6[®] during Double 11 promotion period, with ending cash position of \$8.7M.

¹ IRI data (volume) – December 2021

² Double 11 TMall Brand Rankings – Citi (Zhongtong Observation)



<i>Unaudited</i>	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Growth % (qoq)	Growth % (pcp)
Net revenue (\$ millions)	1.7	3.7	3.4	2.0	2.1	3.2	54%	-15%
Volume - core ³ (metric tonnes)	45.7	116.8	105.1	51.2	49.3	60.1	22%	-48%
ASP / MT - core ⁴ (\$ thousands)	33.8	31.9	30.8	32.3	32.5	35.2	8%	10%

Net revenue grew strongly to \$3.2M in Q2 FY22, with growth in key channels versus prior quarter – 30% growth in Australian retail and 35% growth in CBEC channel.

Nuchev delivered a step up in net revenue of \$3.2M in Q2 FY22 which included \$1.1M of raw material sales, representing 54% growth on Q1 FY22. The business continues to focus on sales platforms in Australia and China with the highest opportunity for growth, and all channels and customers delivered strong revenue growth quarter on quarter.

The Australian retail channel grew 30% in FY22 Q2 with strong growth in both supermarkets and pharmacy revenue. Strong momentum continues in Coles supermarkets, with Oli6[®] consolidating as the number 1 goat infant formula brand in volume for the full quarter⁵. This performance has been boosted by increased store ranging May 2021, but importantly has been supported by increasing consumer offtake for Oli6[®].

In the high priority CBEC channel Nuchev delivered revenue growth of 35% versus the prior quarter, with strong growth in the critical Oli6[®] TMall Flagship Store as well as through key strategic distributors.

It is pleasing to see continued momentum through the Daigou channel, which has re-emerged with a refreshed business model focussed on servicing C2C direct via supply chains in China and fast growing social e-commerce platforms.

³ Excludes impact of raw materials

⁴ Excludes impact of raw materials

⁵ IRI data (volume) – December 2021

On the back of demonstrated performance in the Australian retail channel, Woolworths has confirmed listing of Oli6[®] in ~450 stores scheduled for May 2022. In addition, Oli6[®] has recently commenced trading on Woolworths Online Everyday Market platform.

Nuchev is pleased to announce that it has received official confirmation of ranging in Woolworths supermarkets in Australia, which will see Oli6[®] infant formula on shelves in May 2022. This is a testament to the strength of the Oli6[®] brand in the Australian retail channel, and will see revenue realised by Nuchev in FY22 Q4 with pipeline fill orders. This, together with the recent commencement of trading on Woolworths Online Everyday Market platform will provide an uplift to annualised revenue in this channel.

Oli6[®] continues to build in market presence in the CBEC channel, with improved performance during the Double 11 promotion period.

While overall category performance during the Double 11 promotional period was relatively subdued compared to expectations, Oli6[®] improved its overall performance jumping four places to #8 in the total TMall goat and sheep infant formula rankings⁶.

Consumer offtake continues to grow for new super premium Oli6[®] enhanced formulation with success in TMall Flagship Store through attraction of new users, improved conversion, wider distribution and growth in all major CBEC platforms.

Nuchev is seeing the benefits of having added senior capability to the China-based team, with a focus on strengthening market share of Oli6[®] by enhanced in-market presence. This presence is particularly important given the impact of travel restrictions from Australia to China.

Core business Gross Margin improves during FY22 Q2⁷ demonstrating continued brand strength, pricing discipline and value chain enhancement.

Average Selling Price for core business⁸ in FY22 Q2 was the highest quarterly result recorded for Nuchev, supported by the transition to new super premium Oli6[®] enhanced formulation and strong in market pricing discipline. This has translated into a strong Gross Margin on core business of Oli6[®] sales.

Timing of raw material purchases during the quarter has impacted cash outflow, together with investment in marketing support of new super premium Oli6[®] during Double 11 promotion period, with ending cash position of \$8.7M.

Net cash used in operating activities increased to \$4.1M in FY22 Q2 predominantly due to the timing of raw material purchases of Goat Full Cream Milk Powder used in manufacture, which has a long lead time. Raw material inventory is being managed carefully given the COVID-19 impacts and uncertainty on global supply chains, and spend on product and manufacturing costs in FY22 H2 is expected to be less than half of that spent in FY22 Q2, a significant reduction. In addition the business has invested in marketing and advertising to drive awareness of the new super premium Oli6[®] enhanced formulation, as well as to

⁶ Double 11 TMall Brand Rankings – Citi (Zhongtong Observation)

⁷ Excludes impact of raw materials

⁸ Excludes impact of raw materials

support the Double 11 sales promotion in the CBEC channel. Given the seasonal nature of the promotional periods in the CBEC channel, advertising and marketing spend is also expected to return to prior levels in FY22 H2.

Nuchev continues to focus on investment in the innovation and new business development pipeline which is not expected to deliver short term revenue, however is critical to the long term growth strategy of the business.

Nuchev continues to remain focused on achieving State Administration of Markets Regulation (“SAMR”) registration to sell Chinese specification Oli6[®] product in the offline environment in China, and over the quarter has invested in progressing this initiative. Nuchev maintains the view that achieving SAMR registration at an Australian Manufacturing facility is likely to be challenging and has focused on progressing alternative options.

Nuchev CEO Ben Dingle commented “It is pleasing to report a solid improvement in the key metrics of revenue, Oli6[®] offtake volumes and average selling price. Aligned with the expansion of distribution into Woolworths, this performance validates the strength of our flagship Oli6[®] brand, the strength in the Nuchev team and investment in innovation. As founder and the largest shareholder of Nuchev, I remain fully committed and look forward to a bright future”.

ASX Additional Information

Pursuant to ASX Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent \$3.5M on product manufacturing and operating costs, \$1.8M on advertising and marketing, \$0.9M on staff costs and \$0.7M on administration and corporate costs. Details of the business activities are found within this report. Pursuant to ASX Listing Rule 4.7C.3, the Company advises that payments to related parties consist of \$193,311 to key management personnel. The Nuchev Limited Appendix 4C Quarterly Cashflow Statement for the period ended 31 December 2021 is attached.

Ben Dingle
CEO and Executive Director
Nuchev Limited

This announcement has been approved for release by the Board.

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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	31 December 2021	
Consolidated statement of cash flows		
	Current quarter	Year to date
	\$A'000	(6 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	2,897	5,125
1.2 Payments for	-	-
(a) research and development	(19)	(67)
(b) product manufacturing and operating costs	(3,514)	(4,759)
(c) advertising and marketing	(1,758)	(2,815)
(d) leased assets	(33)	(64)
(e) staff costs	(945)	(1,962)
(f) administration and corporate costs	(744)	(1,416)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	8
1.5 Interest and other costs of finance paid	(6)	(15)
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	(4,120)	(5,966)
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(5)
(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
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	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	(4)	167

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	12,892	14,515
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(4,120)	(5,966)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(4)	167
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(92)	(38)
4.6 Cash and cash equivalents at end of period	8,677	8,677

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	8,347	12,562
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)	8,677	12,892

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	193
6.2 Aggregate amount of payments to related parties and their associates included in item 2	

Item 6.1 includes:

\$193,331 paid for Directors fees, CEO salary and related payments paid to the Directors

7 Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		-
7.2 Credit standby arrangements	80	-
7.3 Other (please specify)	320	2
7.4 Total financing facilities	400	2
7.5 Unused financing facilities available at quarter end		398
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.		

Facilities comprise:

- Trade Facility of \$250k secured against a cash-backed term deposit, with an interest rate of 3.31%
- Standby letter credit facility of \$80k secured against a cash-backed deposit, zero interest
- Credit card facility limit of \$70k.

All facilities are held with ANZ and are reviewed annually

8 Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(4,120)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	8,677
8.3 Unused finance facilities available at quarter end (Item 7.5)	398
8.4 Total available funding (Item 8.2 + Item 8.3)	9,075
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.2

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: 27 January 2022
 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.