

27 April 2023

ASX Market Release

31 March 2023 Quarterly Activity Report and Appendix 4C

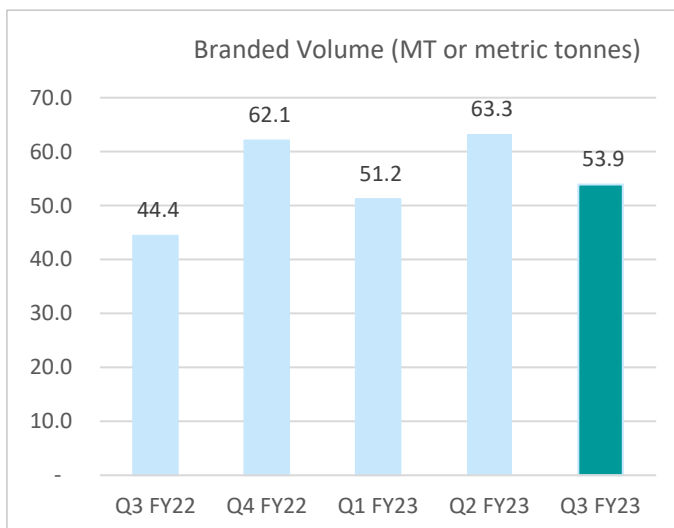
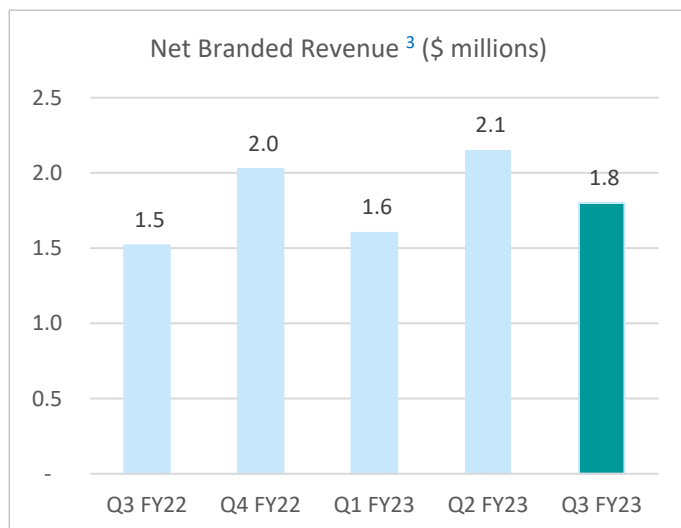
NUCHEV CONTINUES TO BUILD POSITIVE REVENUE GROWTH & SALES MOMENTUM, *Maturing operational efficiencies, inventory discipline and cash management deliver solid results*

Quarterly Highlights

- Revenue from branded sales¹ of **\$1.8m** for the quarter, was up **21%** against the prior period comparative (“pcp”), down 15% quarter on quarter (“QoQ”), reflecting the impact of seasonality
- Oli6[®] continues to drive strong momentum in the Australian Grocery Goat Infant Formula (“GIF”) Market, up **+28% in value** and **+22% in volume pcp**² measured on a Moving Annual Total (“MAT”) basis
- Sustained sales momentum in the Australian Pharmacy channel, up **+17%** in sales revenue pcp
- Gross Margins maintained in core business, reflecting continued brand strength, pricing discipline and supply chain effectiveness
- Disciplined inventory and working capital management has enabled the Group to reduce its Inventory holdings by **38%** in YTD FY23
- Oli6[®] ranked **Number One** Australian goat milk infant formula brand on Tmall Flagship Stores, although China Cross Border E-commerce Channel (“CBEC”) remains challenging
- Disciplined cost control has ensured cash used in operations is **\$1.9m lower than pcp**, with the cash position at 31 March 2023 of \$2.7m and the \$2.0m financing facility remaining undrawn
- Nuchev continues to explore new business development opportunities in China and other international markets

¹ Oli6[®] branded sales are core business, and exclude sales of raw materials

² Source: Iqvia Scan Data - MAT quarter to 31 Mar 23



Unaudited	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Growth % (qoq)	Growth % (pcp)
	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023		
Net branded revenue (\$ millions)	1.5	2.0	1.6	2.1	1.8	-15%	21%
Raw materials revenue (\$ millions)	0.3	0.6	0.3	0.3	0.7	135%	122%
Total revenue (\$ millions)	1.8	2.7	1.9	2.4	2.5	2%	36%
Volume - branded (metric tonnes)	44.4	62.1	51.2	63.3	53.9	-15%	21%

Revenue from branded sales of \$1.8m for Q3 FY23, up 21% on the prior year

Nuchev delivered net revenue of \$1.8m for Q3 FY23 from branded sales, in comparison with \$1.5m for Q3 FY22. with the business continuing to grow in Australia with sales in China CBEC moderating.

Growth was realised in the Australian Retail channel with higher Pharmacy sales, predominantly through Chemist Warehouse, and ranging in Woolworths driving increased Grocery sales.

Sustained growth in Australian Pharmacy channel

Sales in the Australian Pharmacy channel were up **+17% pcp**.

Sustained sales have been achieved through expanded ranging in Chemist Warehouse of adult milk powder from Q1 FY23 combined with increased activation plans. This will enable further sales momentum through the remainder of FY23 and into FY24.

Oli6[®] has grown its share of Australian Grocery GIF Market

Over the past 12 months, Oli6[®] has grown its share of the Australian Grocery GIF Market by 7 percentage points to ~30%. Oli6[®] scan sales were up **+28% in value** and **+22% in volume pcp⁴**, with Oli6[®] the fastest growing brand in AU supermarket retail.

Oli6[®] sales revenue generated in Australian Grocery was up **48% pcp** and **1% QoQ**.

³ branded sales are core business, and exclude sales of raw materials

⁴ Source: Iqvia Scan Data - MAT quarter to 31 Mar 23

Gross margins maintained in core business

Gross margins for branded sales remain in line with pcp, demonstrating the strength of the Oli6[®] brand, and evidencing our strong pricing discipline and strategic approach to CBEC channel competition.

Inventory holdings reduced by 38% YTD FY23

Our disciplined approach to inventory and working capital management has seen the Group's total Inventory holdings reduce from \$9.4m at the beginning of FY23 to \$5.8m at 31 March 2023⁵, an overall reduction of **38%** in the 9 months YTD FY23.

Oli6[®] ranked Number One Australia GIF brand on Tmall, although China CBEC remains challenging

Oli6[®] has continued to retained its position as the **Number One** Australia GIF brand on TMall Flagship Store. With the global GIF category continuing to grow, China CBEC continues to provide an essential channel to access consumers in China.

We remain focussed on maintaining a presence in the Infant Formula market within the China CBEC channel, which is currently margin challenged. Our focus and disciplined approach has delivered an improved return on investment and resulted in moderate sales across this channel. Sales in China CBEC continue to be impacted by strong competitor activity.

Disciplined cost control measures and targeted initiatives delivered a closing cash position at 31 March 2023 of \$2.7m

Net cash used in operating activities was **\$1.9m lower pcp** due to management's sustained efforts to reduce the Group's net cash outflows used in operations. This was primarily due to higher receipts from customers (\$0.4m) combined with lower product manufacturing and operating costs (\$0.3m), advertising and marketing costs (\$1.1m), and continued reduction in administration and corporate costs (\$0.2m).

Management have continued to maintain strong discipline and focus on achieving improved ROI and reducing expenditure on selling and marketing.

The Group continues to maintain a robust and flexible balance sheet, with positive working capital and net assets, \$2.7 million in cash on hand with no debt, and an undrawn financing facility of \$2.0 million available at 31 March 2023.

Based on the net cash used in operating activities during the quarter, Nuchev's total cash and cash equivalents together with unused finance facilities available were sufficient to fund operating activities for **16.2** quarters. This calculation was positively impacted by timing differences and the benefit of raw material sales during the quarter.

⁵ Unaudited financial information

Focusing on the future

Nuchev CEO Greg Kerr commented

*“The business has made significant improvements in regards to working capital and operations, with Inventory levels down 38% YTD and cash consumption from operations down **\$1.9m pcp.***

Currently we are in the advanced stages of a review of our China business. Given the potential that this market represents we have been assessing the most suitable options to deliver sustainable profitable growth.”

ASX Additional Information

Pursuant to ASX Listing Rule 4.7C.1, and as outlined In the Appendix 4C, the Company advises it spent \$0.8m on product manufacturing and operating costs, \$0.5m on advertising and marketing, \$0.9m on staff costs and \$0.6m on administration and corporate costs during Q3 FY23. 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 \$117,031 to key management personnel.

The Nuchev Limited Appendix 4C Quarterly Cashflow Statement for the period ended 31 March 2023 is attached.

Greg Kerr
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Nuchev Limited

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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 nutritional products. Nuchev’s primary products include its Oli6® branded goat infant formula and nutritional range, which are sold across multiple sales channels currently focused predominantly in Australia and China. Oli6® products are formulated with the benefits of goat, supported by ongoing scientific research. Nuchev operates a capital-light business model, leveraging leading raw 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 2023

Consolidated statement of cash flows	Current quarter	Year to date
	\$A'000	(9 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	2,565	7,525
1.2 Payments for	-	-
(a) research and development	(14)	(53)
(b) product manufacturing and operating costs	(820)	(2,887)
(c) advertising and marketing	(545)	(1,757)
(d) staff costs	(906)	(2,814)
(e) administration and corporate costs	(606)	(2,341)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	26
1.5 Interest and other costs of finance paid	(2)	(9)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	76
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(314)	(2,234)
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1)	(56)
(d) investments	-	-
(e) intellectual property	(4)	(42)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(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)	-	-
2.6 Net cash from / (used in) investing activities	(5)	(98)

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	(39)	(114)
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	(39)	(114)

4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,012	5,113
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(314)	(2,234)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(98)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(39)	(114)
4.5	Effect of movement in exchange rates on cash held	35	21
4.6	Cash and cash equivalents at end of period	2,689	2,689

5	Reconciliation of cash and cash equivalents	Current quarter	Previous Quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	2,359	2,053
5.2	Call deposits	330	959
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)	2,689	3,012

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	117
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Item 6.1 includes:

\$117,031 paid for Directors fees and related payments paid to the Directors

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

7.5	Unused financing facilities available at quarter end	2,393
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:

- Loan facility of \$2.0m with Whiti Trust (a related party of Director Ben Dingle), available in installments of \$250k at an interest rate of BBSW+12%
- 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.

These facilities, other than the Loan Facility, 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)	(314)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,689
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,393
8.4 Total available funding (Item 8.2 + Item 8.3)	5,082
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	16.2

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 April 2023
 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.