



16 May 2023

ASX Market Release

NUCHEV ANNOUNCES NON-RENOUNCEABLE ENTITLEMENT OFFER, DISTRIBUTION AGREEMENT AND STRATEGIC PLACEMENT

Nuchev Limited ('Nuchev' or the 'Company') is pleased to announce:

- Entry into an incentivised distribution agreement with a strategic investor and distributor known as H&S Group, which is comprised of H&S International (Aust) Pty Ltd ACN 621 762 285 (**H&S International**) and H&S Investments Australia Pty Ltd ACN 643 475 601 as trustee for the H&S Investment Unit Trust ABN 62 122 826 764 (**H&S Investments**) (collectively **H&S Group**), whereby H&S International will be the proposed new exclusive distributor for Nuchev's Oli6[®] goat milk products in all channels in the Peoples Republic of China (including Hong Kong & Macau) and Vietnam with limited exceptions (**Distribution Agreement**);
- Nuchev will issue Performance Options to H&S Group to subscribe for ordinary Shares in three tranches (one per year), resulting in a total potential ownership by H&S of up to 34.9% of the Issued Capital of the Company. These Performance Options are linked to yearly distribution performance hurdles to be achieved by H&S Group (intended to incentivise the performance of H&S Group over the next three years as part of the distribution arrangements with Nuchev) (**Performance Options**); and
- Entry into a share placement agreement with H&S Investments (**Placement Agreement**) pursuant to which H&S Investments agreed to subscribe for Shares equating to a shareholding in Nuchev under the Placement of 15% (following the completion of the Entitlement Offer, excluding any issue of Shares to make up the Shortfall or any Options on issue or agreed to be issued) (**Placement Shares**) (**Placement**) to raise between \$2.3 million and \$2.5 million; and
- A non-renounceable pro-rata rights issue of 1 fully paid ordinary share (**New Share**) for every 2.59 Shares held by eligible shareholders to raise up to approximately \$4 million ('**Entitlement Offer**');
- Nuchev's founder and significant shareholder, Ben Dingle, has provided a conditional binding commitment to take up 100% of his (and associated entity Whiti Trust's) pro rata entitlement in the Entitlement Offer (**Founder Commitment**);

**Nuchev CEO Greg Kerr** commented:

“As we have previously noted, we have completed a strategic review of our China business. We have remained steadfastly focussed on building a meaningful presence in the Infant Formula market within the China CBEC channel. This partnership is a first for Nuchev because we have a joint and vested interest with H&S Group being the distributor of products and also a shareholder in Nuchev. In partnering with H&S Group, both party's economic interests are aligned to delivering results. This deal will leverage H&S Group's experience and networks to accelerate the growth of our products in China CBEC, into new markets within South East Asia as well as enhancing brand equity.

The Entitlement Offer and Placement will provide Nuchev with the funds to execute our growth strategy to scale, widen our offering through innovation and enhance market diversification. The distribution agreement is designed to unlock a collaborative and results-driven focus between H&S Group and Nuchev that will drive the creation of shareholder value. The business has made significant improvements during YTD FY23 with regards to working capital and operations, with Inventory levels down **38%** and cash consumption from operations down **\$5.3m pcp**. This is an exciting and significant step forward for us.”

H&S Managing Director, Hung Nguyen commented:

“H&S Group and Nuchev are aligned with both our shared values and growth ambitions. This partnership offers an exciting opportunity for both parties and we are well positioned, with our unique capabilities, to deliver positive results. We look forward to working together.”

Rationale for the transaction

- The distribution agreement will leverage H&S Group's experience and networks to accelerate the growth of our products in China CBEC and Vietnam as well as providing further opportunities to grow our brand in South-East Asia;
- The proposed Placement and issue of Performance Options to H&S Group will align its interests as a shareholder of Nuchev with its interests as the proposed new exclusive distributor for Nuchev of its Oli6® goat milk products in all channels in the Peoples Republic of China (including Hong Kong & Macau) and Vietnam with limited exceptions;
- The new distribution arrangement is intended to increase Nuchev sales and build presence in the infant formula market in the People's Republic of China (including Hong Kong & Macau);
- The new distribution arrangement would allow Nuchev to re-enter a new region (i.e. Vietnam) where it previously had a limited market presence;
- H&S International, as a distributor for Nuchev, would provide Nuchev with direct access to consumer insights it has obtained which could lead to new product developments allowing Nuchev to better align its new products with consumer demand; and
- It allows H&S Group to acquire a significant equity stake in Nuchev and immediately aligns their interests as a Nuchev shareholder.



Placement Agreement

The Placement Shares will be issued at the price of \$0.20 per Placement Share (being the same price under the Entitlement Offer) and the Placement is expected to raise between \$2.3 million and \$2.5 million.

The issue of Placement Shares and issue of Shares following any exercise of Performance Options issued to H&S Group, are subject to shareholder approval (Shareholder Approval) at the extraordinary general meeting (**EGM**) to be held on Monday, 19 June 2023. For further details, please refer to the Notice of Meeting announced to the ASX on Tuesday, 16 May 2023.

The Placement is conditional upon Shareholder Approval being obtained at the EGM.

The maximum shareholding in Nucbev that can be achieved by H&S Investments under the Placement is 15% (following the completion of the Entitlement Offer, excluding any issue of Shares to make up the Shortfall or any Options on issue or agreed to be issued).

Subject to H&S Investments taking up any or all available Shortfall Shares under the Entitlement Offer, the maximum shareholding that can be achieved by H&S Investments is 19.9% immediately following the completion of the Entitlement Offer and Placement (for the avoidance of doubt, this includes the Shares issued under the Top Up Facility and Shortfall Offer).

Performance Options

Nucbev will issue Performance Options to H&S Group to subscribe for ordinary Shares in three tranches (one per year) resulting in a total potential ownership by H&S of up to 34.9% of the Issued Capital of the Company. In this scenario, the Company will receive up to an additional \$6.0 million of proceeds, providing further financial flexibility.

Entitlement Offer

The Entitlement Offer is being offered at an issue price of \$0.20 per New Share (**Offer Price**). All New Shares will rank equally with existing Shares on the date of issue.

An Appendix 3B in relation to the Entitlement Offer and a notice under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) has been lodged with ASX Limited (**ASX**) via the announcement's portal.

Eligible shareholders are those shareholders on the record date with registered addresses in Australia and New Zealand as well as those covered by Regulation S of the U.S. Securities Act of 1933 (**Eligible Shareholders**).

Eligible Shareholders can choose to take up all, part or none of their entitlement. Following the close of the Entitlement Offer and if some Shares have not been taken up under the Entitlement Offer, Nucbev will have a top up facility to firstly allow Eligible Shareholders who have applied to take up all of their entitlement to subscribe for additional shortfall shares (subject to board discretion as to allocations and the ability to scale back any oversubscriptions received) (**Shortfall Shares**) (**Top Up Facility**) and any balance of remaining Shortfall Shares will be available for shortfall placement under the offer management agreement with Wilsons Corporate Finance Limited (**Lead Manager**).

If Eligible Shareholders apply for more additional Shortfall Shares than available under the Top Up Facility, Nucbev in consultation with the Lead Manager reserves the right to scale back applications for additional Shortfall Shares in its absolute discretion and issue an Eligible Shareholder a lesser number of Shortfall Shares



NUCHEV LIMITED (ACN 163 225 090)

LEVEL 12, 636 ST KILDA ROAD MELB 3004

ASX CODE: NUC

than applied for or no Shortfall Shares at all. All decisions regarding the allocation of Shortfall Shares will be made by Nucbev in consultation with the Lead Manager and will be final and binding on all Applicants under the Shortfall Offer. There is no guarantee that any Shortfall Shares applied for will be issued to Eligible Shareholders.

If Eligible Shareholders do not take up all of the Shortfall Shares available under the Top Up Facility, H&S Investments will have the right to subscribe for the balance of the Shortfall Shares subject to the requirement that its shareholding will not exceed 19.9% immediately following the completion of the Entitlement Offer and Placement (for the avoidance of doubt, this includes the Shares issued under the Top Up Facility and Shortfall Offer). The Shortfall Shares will be issued to H&S Investments at the Offer Price.

Nucbev intends to use the proceeds from the Entitlement Offer and Placement (together, the **Capital Raising**) to fund working capital, including as required for group activities associated with the Distribution Agreement; and transaction costs associated with the Capital Raising.

Attached is a copy of the Offer Document. Eligible Shareholders wishing to participate in the Entitlement Offer should carefully read the Offer Document and accompanying personalised Entitlement and Acceptance Form which is expected to be despatched to Eligible Shareholders on or around Tuesday, 23 May 2023.



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Key dates

Event	Date
Announcement of the Entitlement Offer and Placement including lodgement of ASX Appendix 3B, section 708AA(2)(f) cleansing notice, offer document and investor presentation (before 10am)	Tuesday, 16 May 2023
Ex Date	Friday, 19 May 2023
Record Date for Entitlement Offer (7.00pm AEST)	Monday, 22 May 2023
Entitlement Offer opens	Tuesday, 23 May 2023
Despatch of Offer Document and Entitlement and Acceptance Form	Tuesday, 23 May 2023
Date of Extraordinary General Meeting	Monday, 19 June 2023
Entitlement Offer closes (5.00pm AEST)	Wednesday, 21 June 2023
Announcement of results of Entitlement Offer	Friday, 23 June 2023
Allotment of New Shares under the Entitlement Offer	Wednesday, 28 June 2023
Quotation of New Shares issued under the Entitlement Offer	Thursday, 29 June 2023
Despatch of holding statements for New Shares issued under the Entitlement Offer	Friday, 30 June 2023

All dates and times are indicative only and subject to change. Unless otherwise specified, all dates and times refer to time in Melbourne, Australia. Nucbev and the Lead Manager reserve the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Nucbev reserves the right to extend the closing date for the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the allotment date of New Shares. Nucbev also reserves the right not to proceed with the Entitlement Offer in whole or in part at any time prior to allotment and issue of the New Shares. In that event, the relevant application monies (without interest) will be returned in full to applicants.



Commitment by Nuchev's founder under the Entitlement Offer

Nuchev's founder and significant shareholder, Ben Dingle, has provided a conditional binding commitment to take up 100% of his (and associated entity Whiti Trust's) pro rata entitlement in the Entitlement Offer (**Founder Commitment**).

If Shareholder Approval is obtained and the Placement and Founder Commitment proceeds, the \$2 million loan facility currently provided by Whiti Trust to the Company (**Loan Facility**) will be terminated.

If Shareholder Approval is not obtained and the Placement and Founder Commitment do not proceed, applicants will have their application monies refunded without interest and the Entitlement Offer will be withdrawn. For the avoidance of doubt, in such event, the Loan Facility will remain in place.

FY23 trading update

- FY23 YTD revenue for the 9 months ending 31 March 2023 ("YTD FY23") from branded sales¹ of **\$5.6m, up 7%** against the prior period comparative ("pcp")
- **Oli6®** voted the "**Number 1 Toddler Drink**" by Product Review for the third year in row (2021, 2022 and 2023), with this recognition testament to the trust that parents have in the quality and safety of Oli6® products
- Oli6® continues to drive strong momentum in the Australian Grocery Goat Infant Formula ("GIF") Market, up **+36% in value pcp**² measured on a Moving Annual Total ("MAT") basis for YTD FY23.
- Sustained sales momentum has been achieved in the Australian Pharmacy channel, **up +28% in sales revenue in YTD FY23 pcp**.
- Disciplined inventory and working capital management has enabled the Group to reduce its Inventory holdings by **38%** in YTD FY23.
- Although China Cross Border E-commerce Channel ("CBEC") has remained challenging, Oli6® has maintained its ranking as the **Number One** Australian goat milk infant formula brand on Tmall Flagship Stores.
- Disciplined cost control has ensured cash used in operations is **\$5.3m lower pcp**, with the cash position at 31 March 2023 of **\$2.7m** and the \$2.0m financing facility remaining undrawn.

Operational update

After completing a review period as specified in the contract, Nuchev has notified its current non-exclusive CBEC Distributor, Blue Ocean, that the existing contract will be terminated with immediate effect and Nuchev will work with Blue Ocean on the transition to H&S Group.

¹ Oli6® branded sales are core business and exclude sales of raw materials.

² Source: Iqvia Scan Data – MAT 9 months ending 31 Mar 23.

Additional Information

Further details on Nuchev's business and the Capital Raising are set out in the investor presentation provided to the ASX today and are also available at the Company's website at <http://investor.nuchev.com.au/>. The investor presentation contains important information that shareholders should consider including key risks relating to Nuchev and an investment in Nuchev shares and the foreign selling restrictions with respect to the Offer. Any person considering an investment in Nuchev shares should read the investor presentation and seek their own independent advice before making any decision in this regard.

H&S International is a distributor of health products in China, Hong Kong, Vietnam and other Asian markets.

H&S International has:

- over 14 years' experience in cross-border e-commerce;
- 650+ employees;
- 8+ warehouses;
- logistics teams;
- local offices in Sydney and Melbourne;
- international offices in Auckland, Chengdu, and Ho Chi Minh City;
- owns 60+ online stores across major platforms (e.g. Tmall, JD, Kaola, Taobao and Pinduoduo);
- supplies to Tier 1, Tier 2, Tier 3 e-commerce platforms, social network and O2O Channels in China (such as Moms Time, BMHQG and Hipac);
- supplies to Giftshops and Pack-n-Send warehouses for Daigou market;
- supplies to modern and traditional trade in Vietnam, Cambodia, and Indonesia;
- supplies over 3500+ trade outlets in Hong Kong & Macau in cooperation with a strategic partner;
- supplies over 7000+ chain stores in mainland China in cooperation with a strategic partner; and
- carries more than 20 major Australian and New Zealand brands.

Wilson Corporate Finance Limited is acting as financial adviser and sole lead manager to the Capital Raising.

HWL Ebsworth is acting as legal adviser to Nuchev.

For and on behalf of the Company

Tamara Barr

Company Secretary

Authorised by: The Board of Directors

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 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.

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