

31 August 2022

ASX Market Release

30 June 2022 Full Year Report and Appendix 4E

FY22 Summary

- **Cash management and disciplined cost controls** have enabled the Group to maintain a robust and flexible balance sheet, with positive working capital, net assets, \$5.1 million in cash on hand and no debt, and an undrawn financing facility of \$2.0 million available as at 30 June 2022. In FY22, the Group's net cash used in operations was \$1.2m less than for FY21.
- **Increased Average Selling Price & Gross Margin in challenging market conditions**, with the Average Selling Price (ASP) for our core business¹ 2% up yoy and the Gross Margin for core business¹ 3.2% higher than FY21
- **Sustained consumer offtake drove sales growth in our Australian retail channel** up 127%² pcp led by our performance in Coles, where Oli6[®] is the fastest growing Goat Milk Infant Formula brand
- **Elevating the Oli6[®] brand through consumer led, science backed innovation and focused marketing**, the Group continues to leverage the Oli6[®] brand's unique credentials as a leader in digestion and immunity nutritionals led by science, with key partnerships with University of Melbourne and RMIT.
- **Consumer endorsement continues to strengthen**, with Oli6[®] being ranked as the no.1 Toddler Milk brand in 2021 and 2022 for Product Review and has five star ranking on Trust Pilot, highlighting our strong consumer endorsement.
- **Capital light, flexible business model**, means we can respond quickly to demand in Australia, New Zealand, and China, and we are continuing to explore further options in additional international markets.
- **China Cross Border E-Commerce (CBEC) remains challenging**, however an important channel to access consumers in China. Balancing the contraction in the total goat milk infant formula category post Double 11, Oli6[®] maintained the number one Australian goat milk infant formula brand position in TMall Flagship Store.
- **Net revenue of \$9.7m was down 11% and volume of 333 MT was down 10%** reflecting the continued active management of customer inventory levels in the CBEC channel, which impacted revenue together with the contraction of CBEC post double 11, partially offset by growth delivered by our Australian retail channels.
- **Expanding our digestion and immunity strategy to deliver scalable growth**, with our core purpose being to provide food for a better life, the Company is well-positioned to expand beyond formulated goat milk. The Company is actively pursuing innovation and opportunities to increase our product diversification and grow the scale of our business in existing and new markets.

¹ Core business excludes sales of raw material ingredients

FY22 Overview

Although COVID-19 continued to cause significant uncertainty and ongoing lockdowns across Australia and China, Nuchev has been able to adapt and focus on expanding our Australian retail sales channels. This has been achieved by building on sales to Coles and launching into Woolworths towards the end of the fourth quarter of FY22, as well as maintaining strong sales levels in Chemist Warehouse.

	FY22	FY21	% change
Volume (MT)	333	370	(10%)
Revenue (\$m)	9.7	10.9	(11%)
ASP / MT (\$000) – core*	32.6	32.0	+2%
Gross Margin % - core*	37.2%	34.0%	+9.4%
Adjusted EBITDA ² (\$m)	(10.2)	(11.3)	+9.7%
Net Cash Flows (used in) Operations (\$m)	(8.3)	(9.5)	+12.6%

* excludes raw material ingredient sales

The business reported a decline in revenue growth of 11% to \$9.7 million and volume decline of 10% to 370.2 MT in FY22, reflecting ongoing effects felt across the industry, including continued retraction of the Daigou channels, COVID related lockdowns in each of the Australian states and territories as well as much of China in the second half of FY22.

The Company's supply chain has ensured our uncompromising commitment to safety and quality, coupled with strong continuity of supply, has been supported by our ongoing partnerships with world-class manufacturing partners. This focus remains core to the company's strategy and philosophy. The quality of our products is a cornerstone of the Oli6[®] brand, with our reputation for high-quality, nutritional products that deliver functional benefits evidenced by independent research results³.

Cash management and disciplined cost controls

As at 30 June 2022, the company maintains a robust and flexible balance sheet, with positive working capital, net assets of \$15.8m, \$5.1 million in cash on hand and no debt, and an undrawn financing facility of \$2.0 million available.

Despite the reduction in revenue and impact of cost pressures in the supply chain, disciplined cost control measures and targeted sales initiatives enabled the Group to reduce its net cash outflows used in operations by \$1.2m.

Increased Average Selling Price & Gross Margin in challenging market conditions

The Average Selling Price (ASP) for our core business⁴ increased 2% yoy and the Gross Margin for our core business⁴ improved from 34% in FY21 to 37.2% in FY22, reflecting the shift in sales of Oli6[®] and management of our costs.

Sustained consumer offtake drove sales growth in our Australian retail channel

Nuchev recorded sustained sales growth in the Australian retail channel, up 127%⁵ pcp resulting largely from our performance in Coles, where Oli6[®] is the fastest growing Goat Milk Infant Formula brand, up +92.7%⁵ pcp. Oli6[®] also

² Adjusted EBITDA is earnings before finance costs, finance income, depreciation, amortisation and tax and excludes impairment of other financial assets and livestock fair value adjustments

³ GMI Lightspeed market research November 2020

⁴ Core business excludes sales of raw material ingredients

⁵ IRI Scan Data YTD to June 2022

achieved national ranking in Woolworths in May 2022 across 425 stores which will assist in driving significant growth in FY23.

Elevating the Oli6[®] brand through consumer-led, science backed innovation and focused marketing

Oli6[®] positioning is focused on leveraging the brand's unique credentials as a leader in digestion and immunity nutritionals led by science, with key partnerships with University of Melbourne and RMIT.

In Australia, the focus has been on driving trial of the brand and awareness through digital to drive sales through Grocery and Pharmacy with lead generation campaigns. In China, plans have been adapted to deliver targeted marketing campaigns to drive sales in the key promotional periods including Chinese New Year, Double 11 Singles Day and the JD 618 mid-year promotion that deliver positive ROI.

In 2021 the Company launched the Oli6[®] Premium range product formulation in CBEC and Australian retail channels. This new Oli6[®] Premium product formulation was the first goat milk infant formula globally to include HMOs in Stage 1 and Stage 2 and probiotics across the range, offering unique nutrition and digestion benefits to infants and toddlers. Coupled with this, Star Nutrition developed for children aged over five years, is the only goat milk product of its type with Lactoferrin to aid health and immunity.

Consumer endorsement continues to strengthen

Oli6[®] has been ranked as the no.1 Toddler Milk brand in 2021 and 2022 for Product Review and has five star ranking on Trust Pilot, highlighting our strong consumer endorsement. We continue to receive positive endorsements from parents who recognise the health benefits, improved digestion and immunity offered by Oli6[®].

Capital light, flexible business model, expanding market footprint

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 collaborates with premium raw goat ingredient suppliers and Australian-based manufacturers to deliver goat infant formula to a consistently high quality. Our commitment to safety and quality was maintained throughout the supply chain, from ingredient sourcing to manufacturing, distribution, and support.

With our flexible business model, we are able to supply markets across Australia, New Zealand, and China. The Company is continuing to explore further options in the US and other international markets and pursuing further options in China, including private zone, online to offline (O2O) and corporate Daigou.

China Cross Border E-Commerce (CBEC) remains challenging

As the global goat infant formula category continues to grow, the CBEC channel remains an important platform to access consumers in China. Balancing the contraction in the total GMIF category post Double 11, Oli6[®] maintained its position as the number one Australian goat milk infant formula brand in the TMall Flagship Store. In addition, the brand diversified sales through other channels such as O2O, Mumstime and Crazy Sales.

Competitive market activity experienced in FY22 is expected to continue in the CBEC channel into FY23, overlapped by economic uncertainty impacting consumer confidence and demand. In response to the competitive market conditions in CBEC for GMIF, market pricing has been adjusted in the second half of FY22, in combination with disciplined campaign activation.

Expanding our digestion and immunity strategy to deliver scalable growth

We have broadened our core purpose to delivering functional foods and products for a better life. We do this by leading in premium digestion and immunity, backed by science, fuelled by consumer-led innovation, and using world class ingredients.

As the market continues to evolve, the Company is well-positioned to expand beyond formulated goat milk. We are actively pursuing innovation and opportunities to increase our product diversification and grow the scale of our business in existing and new markets.

Outlook

As the world continues to learn to live in COVID-present environment, there remains continuing economic uncertainty in domestic and international markets together with higher supply chain costs, inflation, and geo-political factors as we head into FY23. Nuchev is well positioned to capitalise on the growth opportunities that remain in nutritional food categories including infant formula, with our focus on products for all stages of child development and beyond.

As at 30 June 2022, the company maintains a robust and flexible balance sheet, with positive working capital, net assets of \$15.8m, \$5.1 million in cash on hand and no debt, and an undrawn financing facility of \$2.0 million available.

Continued growth and momentum is expected in the Australian supermarket and pharmacy channels, as well as through the corporate Daigou and other CBEC channels, with a focus on recruiting new users, price optimisation and promotion of the Oli6[®] new product formulation.

Commenting on the full year results, Nuchev Chief Executive Officer Ben Dingle said:

“Having already established strong sales in Coles we have now successfully added Woolworths as a key customer channel in our Australian retail business. At the same time, we continue to adapt to the evolution of the competitive CBEC market in China, welcoming the re-emergence of the corporate Daigou. Our focus is to leverage our digestion and immunity leadership position, by capitalising on the growth opportunities through product innovation, diversification, and scale.”

Ben Dingle
CEO and Managing Director
Nuchev Limited

Authorised by: The Board of Directors

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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 4E

YEAR ENDED 30 JUNE 2022

The following sets out the requirements of Appendix 4E with the stipulated information either provided here or cross referenced to the 2022 Consolidated Financial Report as at 30 June 2022 and the accompanying notes in accordance with Listing Rule 4.3A.

Company Details and Reporting Period

Nuchev Limited
ACN: 163 225 090

Reporting period: Year ended 30 June 2022

Previous reporting period: Year ended 30 June 2021

Results for Announcement to the Market for the year ended 30 June 2022

Revenue from ordinary activities from continuing operations (\$m)	Down	(\$1.2m)	by	11%	to	\$9.7m
Loss from ordinary activities after tax attributable to members (\$m)	Down	\$2.2m	by	(16.3%)	to	\$11.1m

Dividends	Amount per share (cents)	Franked amount per share (cents)
For the year ended 30 June 2022	Nil	Nil
For the year ended 30 June 2021	Nil	Nil

Net tangible asset backing per ordinary share	Amount per share (cents)
As at 30 June 2022 (including right-of-use assets)	0.21
As at 30 June 2021 (including right-of-use assets)	0.50

Other Information

This report is based on the financial report which has been audited by Ernst & Young.

For a brief explanation of the results presented in this Appendix 4E, please refer to the ASX announcement on the results for the year ended 30 June 2022 and the financial report.