

27 February 2023
ASX Market Release

31 December 2022 Half Year Report and Appendix 4D

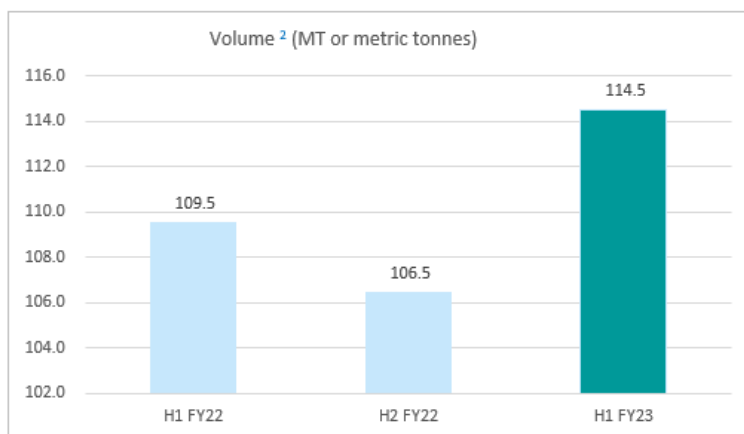
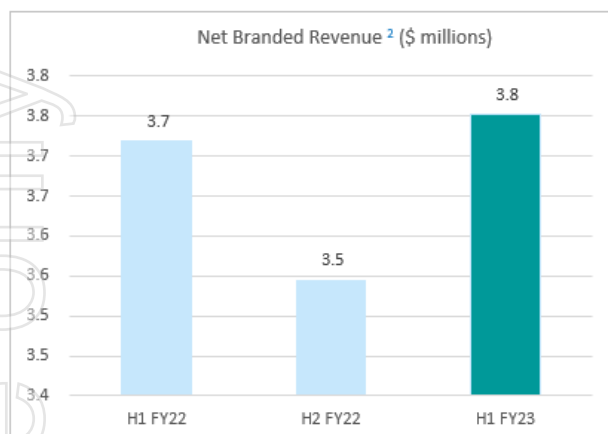
NUCHEV BUILDS POSITIVE REVENUE GROWTH & SALES MOMENTUM

Growing brand awareness, inventory discipline and supply chain effectiveness delivers solid results

H1 FY23 Key Highlights

- Revenue from branded sales¹ of **\$3.75m** for H1 FY23, up **6%** half on half (“HoH”) and **1%** against the prior period comparative (“pcp”)
- For the 3rd year running, Oli6[®] voted the “**Number 1 Toddler Drink**” by Product Review for 2023
- Sustained sales momentum in the Australian Pharmacy channel, up **31% HoH** and **33%** in sales revenue pcp
- Oli6[®] grows to **~30%** share in Australian Grocery Goat Infant Formula (“GIF”) market
- Oli6[®] sales revenue generated in Australian Grocery up **35% pcp** and **2% HoH**
- 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 **24%** in 1H FY23
- Oli6[®] ranked **Number One** Australia goat milk infant formula brand on Tmall, although China Cross Border E-commerce Channel (“CBEC”) remains challenging
- Disciplined cost control has ensured cash used in operations is **\$4.0m less than pcp**, with the cash position at 31 December 2022 of \$3.0m 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



Unaudited	H1 FY22	H2 FY22	H1 FY23	Growth % (HoH)	Growth % (pcp)
Net branded ² revenue (\$ millions)	3.7	3.5	3.8	6%	1%
Volume - branded ² (metric tonnes)	109.5	106.5	114.5	8%	5%

Revenue from branded² sales of \$3.75m for H1 FY23, up 1% on the prior year

Nuchev delivered net revenue of \$3.75m for H1 FY23 from branded sales, in comparison with \$3.72m for H1 FY22. with the business growing in Australia with sales in China CBEC moderating. COVID-19 restrictions on travel and lockdowns continued to impact supply chain and consumers in China.

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

Oli6[®] voted the “Number 1 Toddler Drink” by Product Review

Having won in 2021 and 2022, Oli6[®] has again been awarded the title of **the Best Baby Formula in 2023**. ProductReview.com.au is Australia's first and most comprehensive, independent consumer opinion site, online since May 2003 with 4.5 million visitors per month.

Sustained sales momentum in the Australian Pharmacy channel

Sales in the Australian Pharmacy channel were up **31% HoH** and **33% pcp**. Sustained sales growth has been achieved through new ranging in Chemist Warehouse of adult milk powder in Q1 FY23 combined with increased activation plans, will enable further sales momentum through FY23.

Oli6[®] grows to 30% share in Australian Grocery GIF market

Oli6[®] has grown its share of the total Australian GIF market within Australian Grocery to ~30%, with ranging in Coles and Woolworths stores across Australia. Oli6[®] scan sales were up **+41% in value** and **+37% in volume pcp** for the total category, with Oli6[®] the fastest growing brand in AU supermarket retail³. Oli6[®] sales revenue generated in Australian Grocery was up **35% pcp** and **2% HoH**.

² Oli6[®] branded sales are core business, and exclude sales of raw materials

³ Source: IRI Scan Data - MAT December 22

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 24% in 1H FY23

Our disciplined approach to inventory and working capital management, combined with the growth in sales, has seen the Group's total Inventory holdings reduce from \$9.4m at the beginning of FY23 to \$7.1m at 31 December 2022, an overall reduction of 24% in 1H 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 important channel to access consumers in China .

Whilst the total GIF category in China CBEC has contracted post Double 11 in 2021, the Oli6[®] brand retained its ranking as #8 in the total TMall goat and sheep infant formula rankings during the important Double 11 promotion period in the CBEC channel.

Oli6[®] ranked 3rd amongst Flagship Stores within CBEC. Oli6[®] super premium formulation has achieved higher proportion of branded sales made through the Company's TMall Flagship Store by continuing to attract new consumers.

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

Disciplined cost control measures and targeted initiatives delivered a closing cash position at 31 December 2022 of \$3.0m

Net cash used in operating activities was \$4.0m lower pcp and reflects management's focus on reducing the net cash outflows used in operations. This was primarily due to significantly lower product manufacturing, operating costs, advertising and marketing costs.

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, \$3.0 million in cash on hand with no debt, and an undrawn financing facility of \$2.0 million available at 31 December 2022.

Focusing on the future

Nuchev continues to investigate new business development opportunities that will enable sustainable long-term growth of the business.

Nuchev CEO Greg Kerr commented: "It is pleasing to report continued improvement in performance in a challenging operating environment. Consistent with our strategy, we are seeing solid progress across channels and continue to be rewarded for our premium products, focus on growth and disciplined approach to supply chain management.

"Our strong focus on working capital management is paying dividends, and I am pleased to report that our Inventory holding is returning to healthier levels with Inventory reducing by 24% since the commencement of the FY23 financial year. We will continue to manage our working capital with intense scrutiny as we continue to refresh our business."

Greg Kerr
Chief Executive Officer
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 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.