

24 July 2024

ASX Announcement

JATCORP DELIVERS SECOND CONSECUTIVE QUARTER OF NET PROFIT

Jatcorp Limited (ASX: JAT) ("Jatcorp" or the "Company"), one of the few vertically integrated Australian dairy health product providers to the Asia-Pacific market, provides its quarterly activities and cash flow report for the quarter ending 30 June 2024 (Q4 FY24).

Q4 FY24 Highlights

- Quarterly revenue increased 13.5% compared to the previous quarter to \$16.8 million (unaudited)
- Gross profit increased to \$6.14 million (unaudited), up from \$5.56 million on the previous quarter, a rise of 10.4%
- Operational EBITDA increased to a record \$3.32m (unaudited and excluding legal costs), up by 23.8% compared to the previous quarter
- Net operating cash flow improved to \$1.58m (unaudited) compared to \$0.59m (unaudited) an increase of 168% compared to the previous quarter.
- Following a favourable decision by the NSW Supreme Court (ASX announcement 24 April 2024), Jatcorp can distribute its Neurio brand into the Asia-Pacific market

Jatcorp's CEO, Sunny Jianxin Liang, commented on Q4 FY24:

"The growth in Jatcorp's revenue and profit this quarter demonstrates the successful execution of our strategy in targeting consumers seeking products that help them lead healthier lives."

"We are seeing increased demand for health and well-being products in our key markets, particularly for lactoferrin-based products amongst consumers in mainland China."

"Being one of the few authorised manufacturers of Australian and NZ made dairy health products able to supply the China market, Jatcorp is well-positioned to leverage the growing demand for health products."

"We anticipate forming more strategic partnerships, so have further improved the scalability of our ANMA factory with a new sachet product line to bolster production capacity for the design, packaging, labelling and distribution of dairy and plant-based health formula products."

"Jatcorp continues to expand its market presence by attending industry trade shows and conferences in target markets, growing its presence through physical stores and on e-commerce marketplaces, and collaborating with its partners to distribute its high-quality product range."

Operational and trading update

Jatcorp recorded strong revenue growth of \$16.8 million in Q4 FY24, representing a 13.5% increase compared to the previous quarter. This strong revenue growth can be attributed to Jatcorp's continual investment in sales and marketing channels, increasing demand for lactoferrin products in China, and improvements in the Company's manufacturing efficiency. Excluding legal costs incurred in the quarter, operational EBITDA increased to a record \$3.32 million (unaudited), up by 23.8% compared to the previous quarter. Net operating cash flow improved to \$1.58m (unaudited) compared to \$0.59m (unaudited) an increase of 168% compared to the previous quarter.

During the quarter, Jatcorp improved production efficiency at its ANMA facility through the integration of new machinery and improved packaging and inspection processes. ANMA currently has two major production lines, with the tub/tin line running at approximately 60% capacity and the sachet line running at full (100%) capacity.

During the quarter, Jatcorp made investments in its manufacturing operations and the Company anticipates the installation and commencement of a new sachet line machine with automatic packing in early FY25. This advanced equipment is expected to boost production capacity by approximately 70%, or an additional 100,000 units per month. This increase will allow Jatcorp to effectively meet the rising demand for its suite of health products.

Following the court judgement in China and the Supreme Court of NSW, Jatcorp's subsidiary Sunnya regained its ownership of key intellectual property assets relating to the Neurio brand for the cross-border e-commerce ("CBEC") channel in China. Sunnya has established new flagship stores under the Neurio brand on three of China's leading e-commerce marketplaces, namely Alibaba's Tmall Global, Pinduoduo, and JD Global, along with the Neurio products being ranged in more than 40 third-party e-commerce stores in mainland China.

In addition to launching on new distribution channels, Jatcorp has widened its reach into new geographical markets. Distribution of Neurio-branded products has commenced into physical stores in Hong Kong and Vietnam to further deliver on the Company's omnichannel strategy and connect with consumers in these key markets.

Business outlook

Despite mixed signals in China's consumer data, demand for health products and lactoferrin is expected to increase in FY25. The heightened focus on health and well-being across the Asia-Pacific region has significantly increased the demand for Jatcorp's popular range of health products. The demand for products containing lactoferrin, which supports gut health and the immune system, continues to grow in the Asia Pacific region (*Market Data Forecast, "APAC Lactoferrin Market | 2024 to 2029," June 2024*). Jatcorp is one of a few vertically integrated suppliers distributing lactoferrin-based products sourced from Australia and New Zealand to global consumer markets, positioning the Company to capitalise from growing demand.

Jatcorp's ongoing strategic marketing and sales initiatives have significantly increased the demand for its product suite across key markets. This includes expanding its Asia-Pacific channels through Jatcorp's partners, providing direct access to end customers. The Company

anticipates further entrance into new distribution channels and geographies in FY25, particularly with ownership of the intellectual property associated with Neurio.

Utilising consumer insights from its distribution network, Jatcorp has developed a pipeline of three new Stock Keeping Units (SKUs) under the Moroka brand, expected to launch in 1H FY25. These new products broaden Jatcorp's offering, catering to the needs of specific consumer demographics and bolster its market presence.

Jatcorp is investing in the production capacity of its ANMA factory, as it anticipates onboarding more OEM clients across product design, packaging, labelling, and distribution. The installation of a new sachet product line in early FY25 will substantially increase production capacity, enabling Jatcorp to better meet market demand and strengthen partnerships with its OEM clients.

The Supreme Court of NSW is also due to determine the legal costs to be borne by the defendants. Jatcorp will update the market once the decision is brought down. Although some legal action remains ongoing in both Australia and China, Jatcorp anticipates a significant reduction in legal costs in FY25.

Expenditure on business activities

A summary of the expenditure incurred on Jatcorp's business activities for the quarter is as follows:

Expenditure Category	Q4 FY24	Q4 FY23	yoy
	AUD'000	AUD'000	(+/-)%
Product manufacturing and operating costs	11,541	15,973	-28%
Product manufacturing and operating costs-international trading	-	20,256	-
Advertising and marketing costs	1,161	2,230	-48%
Leasing	89	124	-28%
Employees	1,323	1,038	27%
Interest	48	81	-41%
Administration and corporate*	845	1,530	-45%

Related party transactions

The payments made to related parties and their associates totalled \$313K for the quarter including:

- The payments related to Directors' remuneration and consulting fee for \$275K; and
- The marketing fees paid to a related party for \$38K in line with the standard marketing policy.

This announcement was authorised by the Board of Jatcorp Limited.

ENDS

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About Jatcorp Limited

Jatcorp Limited (ASX: JAT) is one of the few vertically integrated Australian dairy health product providers that produces, manufactures, and distributes its products at scale to the Asia-Pacific market. Its go-to market strategy and end-to-end supply chain capabilities include R&D for new products, testing, manufacturing at its own Melbourne factory, and marketing and distribution through its own and partner channels.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Jatcorp Limited

ABN

31 122 826 242

Quarter ended ("current quarter")

30/06/2024

Consolidated statement of cash flows

**Current
quarter
\$A'000**

**Year to date (9
months)
\$A'000**

1 Cash flows from operating activities

1.1	Receipts from customers
	-Receipts from ordinarily sales
	-Receipts from customer deposit
1.2	Payments for
	(a) research and development
	(b) -product manufacturing and operating costs
	-Costs related to international trading
	(c) advertising and marketing
	(d) leased assets
	(e) staff costs
	(f) administration and corporate costs
1.3	Dividends received (see note 3)
1.4	Interest received
1.5	Interest and other costs of finance paid
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

16,677	71,374
16,007	65,296
670	6,078
-	-
-	-
(11,541)	(29,400)
	(23,001)
(1,161)	(5,667)
(89)	(423)
(1,323)	(4,674)
(845)	(5,966)
-	-
52	112
(100)	(248)
(159)	(42)
73	118
-	-
1,584	2,183

2 Cash flows from investing activities

2.1	Payments to acquire:
	(a) entities
	(b) businesses
	(c) property, plant and equipment
	(d) investments
	(e) intellectual property

-	-
-	-
(22)	(313)
-	(1,700)
-	(93)

	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	42	42
	(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	20	(2,064)

3	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	(77)	(35)
3.6	Repayment of borrowings	(1,000)	(1,422)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.1	Net cash from / (used in) financing activities	(1,077)	(1,457)

4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,246	4,111
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,584	2,183
4.3	Net cash from / (used in) investing activities (item 2.6 above)	20	(2,064)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,077)	(1,457)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	2,773	2,773

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	2,773	2,246
5.2	Call deposits	-	
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)	2,773	2,246

6 Payments to related parties of the entity and their associates

Current quarter \$A'000
313

6.1 Aggregate amount of payments to related parties and their associates included in item 1

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

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7 Financing facilities available

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	
-	
-	
-	

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 Total financing facilities

7.5 **Unused financing facilities available at quarter end**

Nil

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.

8 Estimated cash available for future operating activities

\$A'000
1,584
2,773
-
2,773
N/A

8.1 Net cash from / (used in) operating activities (Item 1.9)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

8.3 Unused finance facilities available at quarter end (Item 7.5)

8.4 Total available funding (Item 8.2 + Item 8.3)

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

- 2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: : N/A

- 3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: : N/A

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: 24 July 2024

Authorised by: The Jatcorp Limited Board

(Name of body or officer 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.

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