

30 June 2023 Full Year Report and Appendix 4E

New strategic partnership and capital raise provides a strong platform for growth, with disciplined working capital management delivering improved operating results in FY23

FY23 Summary

- Sales revenue (excluding sale of raw materials)¹ of **\$7.5m** for the year, up **3.5%** prior period comparative (pcp);
- Adjusted EBITDA² improved by **27% pcp**;
- Operating loss after tax reduced by **20% pcp**;
- Disciplined inventory and working capital management enabled the Group to reduce inventory holdings by **44%** in FY23;
- With appropriate inventory levels in all channels and no overhang, the Group has a strong base to grow sales in ANZ, China, and Vietnam sales channels;
- **\$6.5 million** raised through the rights offer and placement of shares to H&S Group completed in June 2023;
- Closing cash position of **\$7.5m** at 30 June 2023, an **improvement of \$2.4m or 47% pcp**;
- Successfully negotiated a new strategic distribution agreement with H&S Group³, for an initial 3-year period commencing 1 July 2023, that will serve as a platform for growth in China and South-East Asia;
- Change of distributors in China completed with responsible inventory management ensuring an efficient transition and no exposure going forward; and
- Focusing on the future, our priority is to leverage our strategic partnership with H&S Group to deliver new product development (NPD) opportunities in China and Vietnam as well as exploring opportunities in ANZ and other markets.

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

² Adjusted EBITDA is earnings before finance costs, finance income, depreciation, amortisation and tax and excludes sales of raw ingredients, product obsolescence and impairment of assets

³ H&S Group 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)



FY23 Overview

Sales revenue from the sale of Oli6® products for the year ended 30 June 2023 of **\$7.5m** was up **3.5% pcp**. **Adjusted EBITDA** improved **\$2.8m** or **27% pcp**, reflecting the benefits of strong cost controls and management's focus on improving the ROI on selling and marketing expenses which reduced by **\$2.2m** or **48% pcp**. Efficiency gains in general and administration expenses delivered a reduction of **\$0.7m** or **19% pcp**.

FY23 key metrics for Oli6® sales and net cashflows used in operations for the Group are highlighted below:

	FY23	FY22	% change
Volume (mT)	230	216	+6.5%
Revenue from Oli6® sales (\$m)	7.5	7.2	+3.5%
Total revenue (including Oli6® & raw materials)	8.8	9.7	-9.5%
Adjusted EBITDA (\$m)	(7.4)	(10.2)	+27%
Operating loss after tax	(8.8)	(11.1)	+20%
Group Net Cashflows used in Operations (\$m)	(3.3)	(8.3)	+61%

The business continues to take proactive steps towards overcoming challenging competitive market conditions in the Australian and Chinese markets, that requires significant investment to drive sales to scale across multiple sales channels as well as brand marketing and channel support.

The Company's supply chain has continued to maintain our uncompromising commitment to safety and quality, coupled with continuity of supply supported by our partnerships with world-class manufacturers. This focus remains core to the company's strategy and philosophy, and the quality of our products remains the cornerstone of the Oli6® brand.

Sales revenue (excluding sale of raw materials) of \$7.5m for FY23, up 3.5% on the prior year

Nuchev delivered net revenue of **\$7.5m** for FY23 from Oli6® sales, in comparison to \$7.2m for FY22 with the business continuing to grow in Australia whilst maintaining a presence in China CBEC.

FY23 sales were impacted as a result of the change in distribution arrangements and a move to the new, exclusive distribution agreement with H&S Group agreed in Q4 FY23.

Sustained growth in Australian Retail channel

Oli6® continues to drive strong momentum in the Australian Retail Goat Infant Formula ("GIF") market being the **fastest growing GIF brand**⁴, available across all three major outlets.

Oli6® FY23 scan sales grew by **14% pcp**⁴, delivering a **significant increase in market share** with Oli6® market share growing by 9.1 percentage points pcp.

Gross margins maintained in core business

Gross margins for branded sales remain in line with prior periods, demonstrating the strength of the Oli6® brand, and our strong pricing discipline across all channels. It also signals our strategic approach to CBEC channel competition and responsible inventory management with distributorship changes.

Inventory holdings reduced by 44% in FY23

Our disciplined approach to inventory and working capital management has seen the Group's net inventory holdings significantly reduce from \$9.4m at the beginning of FY23 to **\$5.3m** at 30 June 2023, an overall reduction of **44%** over the last twelve months. Inventory investment to support the growth in sales through the H&S distribution arrangements commenced in Q4 and will continue in FY24.

⁴ Source: Iqvia Scan Data – Moving Annual Total ("MAT") to 30 June 2023



Establishing a strategic partnership that will provide a platform for growth in China and South-East Asia

The company conducted an in-depth strategic review of our China business in FY23 which resulted in changes to the business to ensure future sustainable growth.

One of the key outcomes was negotiating a Strategic Distribution Agreement with H&S Group for China and South-East Asia that will serve as a platform for future growth in China and South-East Asia. H&S also became a significant shareholder of the business, ensuring strong economic alignment.

The three-year agreement between H&S International Group (**H&S**) and Nuchev for H&S to purchase and distribute a minimum of \$20m of Nuchev's product in China and South-East Asia, includes a strategy for Nuchev to rapidly develop and launch a bovine product.

Capital raise and tight cost control measures delivered a closing cash position of \$7.5m at 30 June 2023

The Group continues to maintain a robust and flexible balance sheet, with positive working capital and net assets including **\$7.5m** in cash with no external debt.

During the FY23 year the Group successfully raised **\$6.5m** from a rights issue and share placement to H&S Investments, before transaction costs associated of **\$0.7m**.

Net cash used in operating activities was **\$5.0m pcp** lower due to higher receipts from customers, lower investment in product manufacturing and operating costs and reductions in selling and marketing expenditure and general and administration costs.

Focusing on the future

Nuchev CEO Greg Kerr commented: "This last year has been a significant one for Nuchev. Entering into a strategic partnership with H&S will enable our offshore growth strategy, initially in China and then Vietnam. Domestically our business is strong, and our market share and volume continue to increase, and consumers appreciate the benefits of the product with Oli6 being voted the #1 Toddler drink on Product Review for the 3rd year in a row.

Despite a challenging global operating environment, I am pleased with our progress and ability to deliver on our ambitions. The business made substantial improvements in working capital management through cash used in operations with a **61% pcp improvement** and inventory levels better balanced with a **44% pcp improvement**."

For and on behalf of the Company

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 functional foods business built on the purpose of *Food for a Better Life*. Nuchev's products are branded under the Oli6® name and are sold in key Australian Pharmacy and Grocery channels as well as in China and Vietnam markets, through online and general trade retail. Nuchev is committed to sourcing world class ingredients and manufacturing under industry leading Australian manufacturing facilities that ensure the best possible products for our consumers.