

Q3 FY24 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

Nutritional Growth Solutions Limited (ASX: **NGS**) ("**NGS**" or "**the Company**"), a health, nutrition, and wellness company headquartered in the United States, is pleased to provide the Company's Quarterly Activities Report and Appendix 4C Cashflow Statement for the period ended 30 September 2024 ("**Q3 FY24**" or the "**Quarter**," or "**reporting period**.").

KEY UPDATES

- **Q3 FY24 Revenue:** \$636K USD (\$953K AUD), down 3.2% QoQ and 18% YoY, attributed to delayed capital deployment limiting marketing efforts.
- **Q4 FY24 Revenue Outlook:** Projected revenue to exceed \$1M USD (\$1.5M AUD), driven by reactivated marketing efforts and inventory replenishment.
- **Monthly Revenue Targets:** Expected to return to \$300K USD (\$445K AUD) in October, with a target of \$380K USD (\$565K AUD) per month by year-end.
- **Gross Margin Improvement:** Q3 FY24 gross margin increased to 35.3%, up 1.8 margin points QoQ and 1.3 margin points YoY, signaling operational improvements.
- **Reduced Operating Expenses:** Decreased by 21% YoY, demonstrating continued cost discipline.
- **Inventory Position:** The Company has rebuilt inventory levels, now holding in excess of 12 weeks of cover, ensuring 100% order fulfillment during the quarter.
- **New Distribution Agreements:** Expansion into China and Vietnam with the first year sales target exceeding \$1M USD (\$1.5M AUD).
- **Walmart Activation:** Ongoing discussions could lead to new product category expansion.
- **Cash Position:** Average monthly cash burn reduced by 17% YoY, improving financial efficiency, with a cash balance of \$104K USD (\$156K AUD) as of 30 September 2024.
- **Capital Raising:** Post reporting period, NGS secured A\$0.540 million in commitments through a Share Placement.

Stephen Turner, CEO and Managing Director, commented on the quarterly results:

"Despite the restrained growth in Q3 due to capital timing, we are encouraged by the positive momentum we're seeing as marketing activities ramp up. We are laser-focused on improving gross margins in Q4 and have built sufficient inventory cover to meet the anticipated demand.

"Additionally, further reductions in OPEX and a forecasted Q4 revenue of approximately \$1M USD place us on a strong footing for FY25. The expansion into Asia, with our new distribution agreements, is a significant milestone for NGS and positions us well for future growth.

"I am confident in our trajectory toward profitability, and we remain committed to delivering long-term value for our shareholders," Mr. Turner said.

REVENUE PERFORMANCE AND OUTLOOK

NGS reported Q3 FY24 revenue of \$636,193 USD (\$952,991 AUD), representing a decrease of 3.2% QoQ and 18% YoY due to the timing of capital deployment. However, the Company is already seeing month-on-month revenue growth return, with marketing efforts reactivated. NGS forecasts Q4 revenue to reach approximately \$1M USD (\$1.5M AUD), supported by ongoing marketing initiatives and strategic partnerships. Monthly revenue is expected to return to \$300K USD (\$445K AUD) in October, with a target of \$380K USD (\$565K AUD) per month across channels like Amazon, Shopify, iHerb, and Walmart by the end of FY24.

GROSS MARGIN IMPROVEMENT

NGS continues to make significant progress on improving margins. The Q3 FY24 gross margin of 35.3% represents an increase of 1.8 margin points QoQ and 1.3 margin points YoY. This improvement is driven by reductions in the cost of goods, enhanced manufacturing efficiencies, better inventory management, and targeted sales promotions and pricing strategies. The Company aims to further improve gross margins to over 50% by expanding its Healthy Chef® product portfolio in FY25.

BALANCED INVENTORY

Management continues to strategically control cash outflows, prioritising the rebuilding of inventory to support forecasted sales growth. With finished goods inventory now stabilised, the Company achieved 100% order fulfillment in Q3. NGS is currently holding more than 12 weeks of inventory cover, positioning itself well for continued sales momentum into Q4 and FY25.

COST MANAGEMENT

Disciplined management of operating expenses remains a key focus. NGS continues to demonstrate disciplined cost management, with operating expenses for Q3 FY24 totaling \$954K USD (\$1,427K AUD). YTD expenses are \$2.4 million USD (\$3.6 million AUD), a reduction of \$967K AUD or 21% YoY compared to the same period in FY23. The average monthly cash burn has been reduced by 17%, down to \$186K USD (\$278K AUD) from \$223K USD (\$333K AUD) in FY23.

The net cash burn for Q4 FY24 is expected to be approximately \$200K USD, providing sufficient runway to achieve breakeven and positive operational cash flow by Q1 FY25. The net cash burn is projected to decrease substantially as NGS moves through December, nearing break-even on a run rate basis. Further OPEX reductions are planned for the fourth quarter of FY24, supporting the Company's pathway to profitability.

SIGNIFICANT ACTIVITIES IN WALMART

During Q3 NGS was invited to participate in Walmart's "Open Call" major industry event, where the Company had two merchant meetings in support of expanding its Grow Daily® 3yr+ range. This could lead to additional distribution in the active nutrition category, further enhancing the Company's retail footprint. Discussions are ongoing with both Walmart and Albertson's for broader distribution opportunities.

TARGETING SUSTAINED PROFITABILITY

NGS remains on track to achieve a breakeven position in Q1 FY25. With continued OPEX reductions and revenue growth, the Company is targeting positive operational cash flow by the end of 1H FY25.

Key focus areas include:

1. **Revenue Growth:** Targeting a minimum of \$380K USD per month by the end of FY24.
2. **Gross Margin Improvement:** Aiming for over 50%, driven by the expansion of the Healthy Chef product range in FY25.
3. **Cost Discipline:** Maintaining strict control over corporate costs, with additional reductions planned for 2H FY24.
4. **Pathway to Profitability:** Targeting EBITDA break-even in Q1 FY25 and positive cash flow by 1H FY25.

NEW DISTRIBUTION PARTNERSHIPS IN ASIA

As announced on the ASX on 16 October 2024, NGS is expanding its international presence with a new distribution agreement for China. Building on this momentum, NGS has now secured an additional distribution agreement for Vietnam. Both partnerships are expected to unlock significant growth opportunities in the region, with a first-year sales target exceeding \$1M USD (\$1.5M AUD).

CASH POSITION

As of 30 September 2024, the Company's cash balance was \$103,683 USD (\$155,313 AUD).

As announced today, NGS has secured binding commitments for the issue of 18.0 million ordinary shares at \$0.03 per Share. The Placement was offered to sophisticated and professional investors in Australia and successfully closed, raising A\$0.540 million. The 18.0 million Placement Shares will be issued within the Company's placement capacity under ASX Listing Rule 7.1 and ASX Listing Rule 7.1A. For further details regarding the Share Placement, please refer to the separate announcement published today.

ASX ADDITIONAL INFORMATION

In accordance with Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent \$410k USD (\$614k AUD) on product manufacturing and operating costs, \$279k USD (\$418k AUD) on administration and corporate costs, \$224k USD (\$336k AUD) on staff costs, and \$531k USD (\$795k AUD) on advertising and marketing.

This announcement has been authorised for release by the Board.

For further information, please contact:

Stephen Turner

Managing Director and CEO

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About Nutritional Growth Solutions

Nutritional Growth Solutions is a U.S.-based health, nutrition, and wellness company. NGS develops, produces and sells clinically tested nutritional supplement formula for children following 20 years of medical research into pediatric nutrition. The nutritional supplements market has experienced tremendous growth in recent years, but most attention has been focused on adult users and children under three years of age. The three to twelve-year-old consumers represent a larger market opportunity and NGS is highly differentiated from its competitors with clinically tested products and an expanding product portfolio to capture this market opportunity.

<https://healthyheights.com> | <https://ngsolutions.co>

For more information visit: <https://ngsolutions.co/investor-centre/>

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Appendix 4C

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

Name of entity

Nutritional Growth Solutions Ltd.

ABN

642 861 774

Quarter ended ("current quarter")

On 30/09/2024

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	618	1,819
1.2 Payments for		
(a) research and development	(67)	(109)
(b) product manufacturing and operating costs	(410)	(884)
(c) advertising and marketing	(531)	(981)
(d) leased assets	-	-
(e) staff costs	(224)	(722)
(f) administration and corporate costs	(279)	(520)
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	(893)	(1,397)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,010	1,040
3.2	Proceeds from issue of convertible debt securities	0	576
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(132)	(132)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(3)	(148)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(6)	(8)
3.10	Net cash from / (used in) financing activities	869	1,328

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	128	172
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(893)	(1,396)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	869	1,328
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	104	104

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	104	128
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)	104	128

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
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	-
<i>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.</i>		

7.	Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
	<i>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.</i>		
7.1	Loan facilities	207	210
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	207	210
7.5	Unused financing facilities available at quarter end		-
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.		
	<p>On September 4, 2024, a US\$ 140K loan from Parafin total cost of US\$158,200 paid back weekly as 13% of Amazon sales for up to 12 months. Annual interest rate 13%, secured. The prior Amazon Lending loan was paid off Sept 27th, 2024.</p> <p>April 19, 2024 a US\$ 82K loan from Shopify Capital for 10 months, repayment rate of 25% of daily sales until total of US \$92,660 received, 13% rate of interest cost.</p> <p>Subsequent to end of Q3 2024, on Oct 2, 2024 an additional Shopify Capital loan for US \$88k was received, at 13% interest rate cost, total cost US \$99,440 repayment at 25% of daily sales once prior loan is paid off.</p>		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(893)
8.2	Cash and cash equivalents at quarter end (item 4.6)	104
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	104
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	(0.11)
	<i>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.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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?	
	Yes, we expect to have the current level of net operating cash flows.	
8.6.2	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?	
	Yes, the entity is actively taking steps to raise additional funds and expects to be successful in order to continue operations.	

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

Yes, revenues generated from sales, growth on current activities and our ability to access capital from investors.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: ...October 21, 2024.....

Authorised by: ...Board of Directors.....
(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.