

MARCH 2021 QUARTERLY ACTIVITIES REPORT:

RECORD REVENUE AS NGS ENTERS TWO NEW MARKETS

HIGHLIGHTS

- Record quarterly revenue of US\$810k, up 76% on previous corresponding period (US\$461k)
- Successfully entered the lucrative China and European markets
- Implemented mass brand awareness campaigns in China with leading multi-channel influencer network, Yoola and with social media sensation Gavin Thomas
- Post-balance date secured trademark for Healthy Daily Height® in China
- Well positioned to continue to roll out 3-pillar growth strategy around new products, new territories, and new sales channels, to drive further sales in large growth markets

21 April 2021 – **Nutritional Growth Solutions Ltd. (ASX: NGS)**, a global nutrition company that creates scientifically formulated and clinically tested supplements to support growth development in children, is pleased to provide a business update for the quarter ending 31 March 2021 (Q1 FY21), along with its Appendix 4C quarterly cash flow report.

Commenting on the Company's progress during the quarter, Nutritional Growth Solutions **CEO Liron Fendell** said:

"The start of 2021 has been instrumental for Nutritional Growth Solutions. Not only were we able to achieve a record revenue result, we continued to expand our international footprint with our scientifically formulated and clinically tested Healthy Height® brand, now available in five countries, including China and more recently, Italy.

"Implementing new sales channels, including our online flagship store on Tmall Global in China along with securing new, reputable distribution partners – Dicofarm in Italy and Medical Co-op Inc. in the US – will increase B2C and B2B sales in these regions and be a key revenue driver moving forward.

"We now turn our focus to increasing brand awareness and sales, and becoming the household name for trusted children's growth support products in these markets. In China, our partnership with leading multi-channel influencer network Yoola, allows us to leverage the power of influencers to generate mass brand awareness over time and place consumers on a path to purchase. Along with our recently formed partnership with social media sensation and much-loved celebrity, Gavin Thomas, this will ensure we are well placed to achieve our mission.

"Lastly, we have secured trademarks in both China and Korea, ensuring our brand is protected to the same high standard as our formula in these regions. The trademarks also open doors to further

develop relationships with reputable distributors, retail outlets and stockists, and most importantly, provide consumers with confidence that they are receiving a genuine product that's filled with nutrients, backed by science and clinically proven to improve height in children."

OPERATIONAL UPDATE

Nutritional Growth Solutions remained focused on growing the Healthy Height® brand distribution in Q1 2021 by expanding the product's international footprint into two new markets, China and Europe, and securing trademarks in China and Korea.

Launch of Healthy Height® in China and flagship store on Tmall Global

Healthy Height® is now selling in China after the official launch of the Nutritional Growth Solutions flagship store on Tmall Global, which is Alibaba's B2C cross-border marketplace for foreign brands and merchants to sell directly to more than half a billion consumers on Alibaba's platform in China. To support the launch, NGS partnered with leading multi-channel influencer network, Yoola, to leverage the power of influencers to generate mass brand awareness and drive traffic to purchase Healthy Height®.

Brand ambassador partnership with Gavin Thomas

Leading child celebrity and social media influencer Gavin Thomas will promote Healthy Height® in China and through his massive social media following, after signing an agreement with NGS in February.

Ten-year-old Gavin Thomas, from Minneapolis in the United States, is a famous and much-loved internet celebrity in China known as the "fake smile boy". GIFs featuring Gavin Thomas have been used more than a billion times across various social media platforms in China, he has more than 8 million followers on social media platforms, has graced the cover of China's edition of ELLE Magazine, has been a special guest at Chinese technology conventions, and is the youngest recipient of the Weibo Influencer Award (Weibo is a Chinese social media platform).

Gavin Thomas will promote NGS' Healthy Height® product range in China through various social media campaigns, physical appearances and associated brand ambassador activity, predominantly to drive traffic to NGS's cross-border e-commerce flagship store on Tmall Global.

Healthy Height® launch in Europe

March saw the launch of Healthy Height® into the EU following a three-year exclusive distribution with Italian product distributor, Dicofarm. With 44 years' experience distributing clinically tested products, Dicofarm will supply Healthy Height® to pharmacies and health food stores throughout Italy and speak to the product's scientific formulation and clinically proven benefits.

Trademark approval in China

In April, after this reporting period, Nutritional Growth Solutions secured the right to the Healthy Daily Height® trademark in China. This allows NGS to register its brand in China under a Class 5 trademark which includes pharmaceuticals, dietary supplements and food for babies, enabling NGS to better protect and enforce its intellectual property rights against imitation products and develop relationships with reputable distributors, retail outlets and stockists.

The Healthy Daily Height® trademark ensures customers can shop confidently for the NGS' patented range of nutritious shakes, knowing they are receiving genuine products that have been clinically tested and scientifically formulated with the highest quality ingredients.

FINANCIAL OVERVIEW

NGS achieved a record quarterly revenue result of US\$810k, up 76% on the previous corresponding period. This revenue results reflects substantial growth in all geographies.

Net cash used in operating activities of US\$1.1M for the quarter included:

- US \$694K receipts from customers;
- US\$763K advertising and marketing costs;
- US\$91K in research and development costs;
- US\$562K in product manufacturing and operating costs in response to increased actual and forecast demand; and
- US \$382K for administration and corporate costs.

The Company's cash balance as at 31 March 2021 is US\$3.402 million, providing flexibility for NGS to execute its growth plans.

Payments made to related parties and their associates shown in the Appendix 4C are as follows:

- Item 6.1 consists of \$47k director's fees and \$131k payroll expenses

ASX Additional Information

Pursuant to ASX Listing Rule 4.7C.2, NGS provides the following comparison of its actual expenditure since admission to ASX (being 30 October 2020) against the total “use of funds” statement in its Prospectus dated 14 September 2020.

Item	Budgeted Amount	Actual Expenditures for the 6 months ending on 31/3/2021
Sales & Marketing Expenses ¹	A\$3,700,000	A\$1,584,573
Intellectual property Protection ²	A\$100,000	A\$69,978
International Expansion and Global Business Development ³	A\$700,000	A\$139,281
Research and Development Expenses ⁴	A\$500,000	A\$154,247
Working Capital ⁵	A\$1,000,000	A\$1,135,997
Costs of the Offer ⁶	A\$1,000,000	A\$971,701
Total	A\$7,000,000	A\$4,055,778

Salaries and Wages	A\$1,900,000	A\$422,802
Social Media campaigns, advertising and brand awareness	A\$1,600,000	A\$619,635
Other Sales and Marketing expenses	A\$200,000	A\$542,136
Total	A\$3,700,000	A\$1,584,573

-ENDS-

This announcement has been authorised for release by the Board of Directors of Nutritional Growth Solutions Ltd.

For more information:

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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 31/03/2021

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	694	1,537
1.2 Payments for		
(a) research and development	(91)	(190)
(b) product manufacturing and operating costs	(562)	(1,116)
(c) advertising and marketing	(763)	(1,690)
(d) leased assets	-	-
(e)		
(f) administration and corporate costs	(382)	(762)
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	(1,104)	(2,221)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(75)	(150)
(c) property, plant and equipment		(5)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
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	(75)	(155)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		5,005
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(49)	(540)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(49)	4,465

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,630	1,313
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,104)	(2,221)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(75)	(155)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(49)	4,465
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	3,402	3,402

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	3,402	4,630
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)	3,402	4,630

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	178
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	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	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	129	129
7.4 Total financing facilities	129	129
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.		
The US\$129K refers to Payroll Protection Plan loan, granted under the US federal Covid-19 aid program.		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,104)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,402
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	3,402
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.08
<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?	
Answer:	
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?	
Answer:	

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?

Answer:

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: 21 April 2021

Authorised by: The Board of Nutritional Growth Solutions Limited

(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.



About Nutritional Growth Solutions Ltd

Nutritional Growth Solutions was established at Schneider Children's Medical Center of Israel by a professional team that focuses research on the interaction between nutrition and growth. Pediatricians at Schneider have over 20,000 patient visits every year from children living around the globe with issues relating to growth. This has spurred these world-renowned scientists, doctors, and researchers to focus on nutritional growth retardation in children and adolescents. Schneider's experts use this wealth of practical and clinical knowledge to develop evidence-based clinically tested nutritional solutions for children. ngsolutions.co