

## JUNE 2022 QUARTERLY ACTIVITIES REPORT

### UNITED STATES AND SOUTHEAST ASIA EXPANSIONS ON TRACK

#### KEY HIGHLIGHTS FOR Q2 FY22

- Commenced Asia Pacific sell-through of New Zealand manufactured product; APAC sales up 958% quarter on quarter (QoQ)
- Continued retail expansion rollout in the US with full product ranging on Kroger.com, Ralphps.com, and Smiths.com
- Post reporting period distribution agreement signed with United Natural Foods Inc. (NYSE: UNFI)
- Revenue from sales of Healthy Heights® products of US\$755k<sup>1</sup> (excluding Italy) up 14% on pcp despite stock shortages during the first month of the quarter, which have now been resolved
  - Overall revenue of US\$755k, up 20% QoQ (US\$631k); but down 26% on pcp (US\$1,030k) due to timing of an initial order from Italy;
  - Quarterly cash receipts from customers of US\$684k, up 12% QoQ (US\$609k) but down 20% on pcp (US\$859k)
- Appointed Peter Osborne as a strategic advisor for China and Southeast Asia and Yossi Nizhar as Chief Financial Officer

28 July 2022 – **Nutritional Growth Solutions Ltd. (ASX: NGS)**, a global provider of scientifically formulated and clinically studied paediatric nutritional products, is pleased to provide a business update for the quarter ending 30 June 2022 (Q2 FY22), along with its Appendix 4C quarterly cash flow report.

#### Milestone initiatives delivering growth in the US and Southeast Asia

Nutritional Growth Solutions has delivered a solid June quarter for revenue and cash receipts, with sell-through of New Zealand manufactured Healthy Heights® in China driving sales growth of 958% in the region.

In the US, the continued rollout of the retail expansion strategy continued with new agreements with Kroger.com, Ralphps.com, and Smiths.com to drive continued growth.

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<sup>1</sup> Unaudited

Quarterly overall revenue was US\$755k, down on the prior corresponding period (pcp), due to the timing of an initial order from Italy in 2021. Quarterly revenue from sales of Healthy Heights® products in the US and China are up 14% on pcp.

Commenting on the Company's progress during the quarter, Nutritional Growth Solutions CEO Liron Fendell said, "Our expansions in the US and Southeast Asia are gathering momentum, playing a key role in growing Healthy Heights® into a global household name in child nutrition. Ranging the full Healthy Heights® portfolio on the ecommerce site of Kroger, the US' third largest general retailer behind Walmart and Amazon, is a testament to our team's hard work over the quarter and complements our recent agreements with Walmart.com and Rangeme.com.

"With our new manufacturing facility in New Zealand now fully operational and distributing into Southeast Asia, sales increased 958% in China compared to the previous quarter, demonstrating the growing demand for paediatric products that are safe and healthy to provide optimal nutritional to children during their most formative years. Our agreements with Chemist Warehouse China, JD.com, Lazada and Shopee are well placed to scale given we have sufficient NZ manufactured product to ramp up stock levels as the demand increases in the region.

"The appointments of industry specialists Mark Sargent and Peter Osborne, will ensure our operations in the Asia Pacific are overseen by the best talent in the industry and are a key part in growing Healthy Heights® in the lucrative China and Australian markets."

## **OPERATIONAL UPDATE**

### **Sales commenced on Kroger.com, Ralphs.com, and Smiths.com as part of US retail expansion**

The full Healthy Heights® range commenced sales on the ecommerce channel of United States' largest supermarket chain by revenue, Kroger (**NYSE: KR**) which has reported an increase in sales of 113% across 2020 and 2021. All Healthy Heights® products are also available on the ecommerce channels of Kroger subsidiaries, Ralphs and Smith's Drug and Food.

Ranging on Kroger.com is a milestone in NGS' grocery and retail expansion strategy in the US and compliments recent ranging agreements with Walmart.com and Rangeme.com

### **US Distribution deal signed with United Natural Foods Inc. (NYSE: UNFI)**

Post reporting period, NGS signed a distribution agreement with the largest natural products wholesale distributor in the US, United Natural Foods Inc. (NYSE: UNFI) which will expand Healthy Heights'® retail and online presence across the United States.

The entire 22 product range, including the recently launched KidzProtein and KidzProtein Vegan lines, will be available wholesale from July 2022, via UNFI's marketplace platform or physical distribution centres. Its network of reputable natural product superstores includes independent retailers, conventional supermarket chains and ecommerce retailers such as Whole Foods, The Fresh Market, Jerry's Foods, Superior Grocers and Vallarta Supermarkets.

### **New senior appointments**

During the quarter NGS appointed Peter Osborne as a strategic advisor for China and Southeast Asia and Yossi Nizhar as Chief Financial Officer.

Peter Osborne commenced as a Strategic Advisor for China and Southeast Asia, bringing more than 20 years' industry experience to the role. Peter was previously Managing Director Asia for Blackmores Limited (ASX:BKL) and has served as Australian Senior Trade Commissioner in Beijing, Shanghai, Hong Kong and Taiwan. Currently, Peter is a Strategic Advisor in Asia for ASX listed retail and consumer goods companies, Ecofibre Limited (ASX:EOF) and BWX Limited (ASX:BWV).

Yossi Nizhar was appointed Chief Financial Officer (**CFO**) effective 1 July 2022. Yossi joins NGS with more than 20 years' accounting experience in the biotech and international pharmaceutical industries. As a certified public accountant, he served for approximately 10 years as Chief Financial Officer, Israel for AstraZeneca, one of the largest global pharmaceutical companies. Most recently, he was CFO for Kadimastem (TASE:KDST), a global innovator in cell therapy that develops regenerative therapies for incurable diseases

## **LOOKING AHEAD**

"Our current agreements with some of the US' most well-known companies, sees Healthy Heights® in front of millions of parents when considering purchases for nutritional paediatric products. We will continue to rollout to more retailers to ensure more parents have access to our nutritional paediatric products and in turn, set NGS up for a strong future as sales momentum increases.

"We will place increased focus on capturing the opportunities in Southeast Asia now that we have a fully operational manufacturing facility in New Zealand and distribution partners in the region. There is increasing demand for Healthy Heights® in this market, with sales increasing dramatically throughout the quarter as parents look for safe and healthy products to ensure their children are receiving the best nutrition to support their growth development.

"The continued rollout of these initiatives along with entering new markets and expanding our product range, will play a large role in growing Healthy Heights® into a global household name in child nutrition."

## **WEBINAR DETAILS**

An investor webcast will take place on Thursday 28 July 2022 at 2:30pm AEST. Following the briefing, participants will have an opportunity to ask questions via an online facility. Please pre-register for webcast via:

[https://us02web.zoom.us/webinar/register/WN\\_MawrHsSKS4a8Qnpk4Ypmcg](https://us02web.zoom.us/webinar/register/WN_MawrHsSKS4a8Qnpk4Ypmcg)

## **FINANCIAL OVERVIEW**

The Company achieved quarterly customer collection of US\$684K, down 20% on Q2 FY21.

Operating cash outflows of US\$1,676k for the quarter included:

- US\$995k in advertising and marketing;
- US\$75k in research and development; and
- US\$1,085 in product manufacturing and operating costs
- US\$205 in other, general and administrative expenses.

The Company's cash balance as of 30 June 2022 is US\$1,421k.

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

- Item 6.1 includes US\$55k directors' fees and US\$131k payroll expenses

-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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