

20 November 2020

ASX Market Release

**Annual General Meeting  
Chairman's Address and Presentation**

Nuchev Limited is pleased to release the following Chairman's Address and presentation which will be delivered to shareholders at the Company's Annual General Meeting to be held today.

*On behalf of the Board, authorized for release by:*

**Ben Dingle**  
**CEO and Executive Director**  
**Nuchev Limited**

**For further information please contact:**

Chantelle Pritchard  
Company Secretary  
[chantelle.pritchard@nuchev.com.au](mailto:chantelle.pritchard@nuchev.com.au)

## CHAIRMAN'S ADDRESS

I am pleased to present the financial report for FY20, the first financial report for Nuchev Limited as a public company listed on the Australian Securities Exchange (ASX), and reflecting a year of significant achievement and growth.

Across the world, FY20 was characterised by once-in-a-generation health, economic, political and social challenges presented by the COVID-19 global pandemic – challenges from which Nuchev was not immune.

In spite of this, as an Australian-based, globally oriented company, Nuchev delivered an impressive financial performance for FY20, which included:

- volume growth of 108% over FY19
- revenue growth of 98% over FY19
- meeting 99% of Prospectus volume and Prospectus revenue forecasts
- strong gains in market share in key channels

Strong sales growth continued across the period as Nuchev expanded distribution of its goat infant formula across key channels with strategic partners including Chemist Warehouse, Coles, our corporate Daigou and Cross Border E-Commerce (CBEC) channels such as Tmall, JD.com and VIP.

The company remained focused on building equity in its premium flagship Oli6® brand through strategic investment in brand and marketing activity, highlighting the research-backed, differentiated health and nutritional benefits that provide Nuchev products with a competitive advantage in the category. In line with the significant growth opportunity in China, targeted research and marketing focused on the Chinese end consumer was successfully undertaken during the year, helping drive brand awareness.

All of this reflects significant momentum in our business strategy, centred on three core growth pillars:

- Brand positioning and awareness
- Product quality and nutritional development
- Multi-channel sales strategy and channel support

The completion of the company's Initial Public Offering (IPO) and successful ASX listing on 9 December 2019 represented an important milestone. The IPO raised a total of \$48.7 million, including \$25 million in new capital, demonstrating a strong appetite from a range of institutional and private wealth investors and positively positioning the company with additional financial flexibility to pursue growth opportunities.

The impacts of COVID-19 became more evident in the fourth quarter of the FY20 year, with consumer offtake in the Daigou channel particularly impacted due to less international students in Australia and less flights to China, as well as unwinding of panic buying in the third quarter.





Nonetheless, compensating sales momentum grew across traditional and social e-commerce platforms in China, in line with a consumer transition toward these channels.

Nuchev maintains a secure and scalable supply chain that combines world-class manufacturing partners with significant in-house experience and capability. I'm proud to report that a laser focus on safety and quality remained central to the company philosophy and supply chain.

While uncertainty and challenges currently persist in the domestic and international trading environment due to Covid-19, Nuchev's capital light business model and multi-channel sales strategy allows us to be agile in how we adapt and respond to such challenges, at the same time continuing to deliver sustainable growth.

As at 30 June 2020, the company maintained a robust and flexible balance sheet, reporting \$9.4 million cash on hand with no debt.

Outside the reporting period, on 29 July, Nuchev announced a \$15.2 million capital raise. Proceeds from the capital raise will be used to invest in key distribution channels and partnerships, in sales, marketing and brand positioning and to fund working capital requirements. This ensures Nuchev is well funded to continue to deliver on its strategy of profitable growth and brand development, and to benefit from inherent operating leverage as the business scales.

On behalf of the Board, I would like to extend our sincere thanks to the focused and highly capable team at Nuchev, led by Chief Executive Officer Ben Dingle, in delivering such a strong result during a year marked by unprecedented challenge.

Significant growth opportunities remain in the global goat infant formula category, and I, along with the Board, hold great confidence in Nuchev's continued success.

Thank-you for your ongoing support.



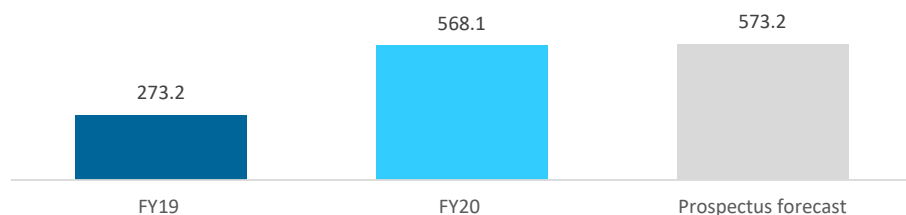
# Nuchev Limited Annual General Meeting Presentation

20 November 2020

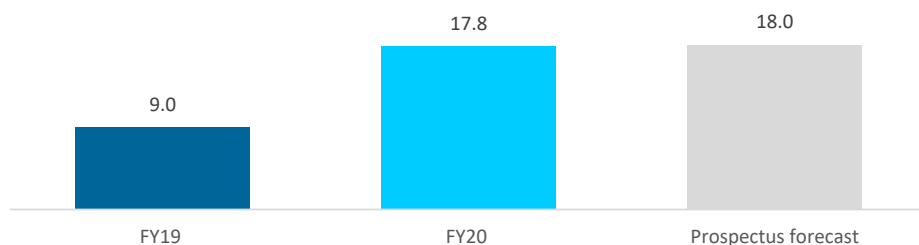


## FY20 Financial and Business Highlights

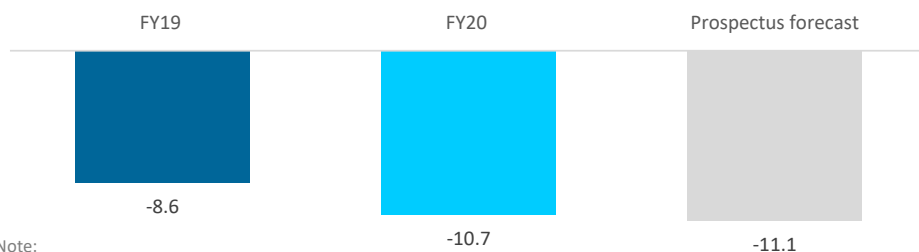
### Volumes (Metric Tonnes)



### Revenue (\$ millions)



### Net operating cashflow (\$ millions)



Note:

1. Revenue / volume reflects the sale of GIF, other goat nutritional products and raw ingredient sales.
2. FY19 revenue excludes \$0.5m of goat milk sales from farming operations.

- Full year revenue and volume almost double prior year
  - FY20 volume growth of 108% over FY19, equating to 99% of Prospectus forecast
  - FY20 net revenue growth of 98% over FY19, equating to 99% of Prospectus forecast
  - Strong sales growth delivered through expanded distribution across Cross Border E-Commerce, Export and Australasian retail channels
  - Continued success of Oli6® relative to key competitors, despite the challenges of the COVID-19 pandemic
- Strong strategic partnerships
  - Leveraged partnerships in the Cross Border E-Commerce and Export channels to meet strong demand from Chinese consumers
  - Secure and scalable supply chain able to withstand COVID-19 challenges with minimal impact, leveraging strong relationships with strategic supply partners
- Successful IPO and ASX Listing
  - Completion of \$48.7 million IPO with offer upsized and oversubscribed
  - Broad institutional support reflected in a strong share register
- Strong balance sheet, positioned for growth
  - No debt, net cash reserves of \$9.4 million (30 June 2020), pro forma net cash of \$24.4 million following successful completion of placement and rights issue in August 2020
  - Net operating cashflow of (\$10.7M) ahead of Prospectus forecast of (\$11.1M)
  - Well positioned with additional financial flexibility to pursue growth opportunities

## FY20 key financial and operational metrics

	FY19 Actual	FY20 Actual	% Change	FY20 Prospectus forecast
Volume (MT) <sup>1</sup>	273.2	<b>568.1</b>	108%	573.2
Revenue (\$ million) <sup>1</sup>	\$9.0	<b>\$17.8</b>	98%	\$18.0
ASP/MT (\$ thousands) <sup>2</sup>	33.4	<b>31.4</b>	(6%)	31.3
Gross Margin% <sup>3</sup>	42%	<b>34%</b>	(8%)	38%
Marketing % of Revenue	38%	<b>37%</b>	1%	30%
CAPEX % of Revenue	-	-	-	-

### Notes:

1. Revenue / volume reflects the sale of GIF, other goat nutritional products and raw ingredient sales and excludes goat milk sales.
2. Average selling price per MT represents the total revenue of Australia-specification GIF and Goat Milk Powder sold divided by the total volume of Australia-specification GIF and Goat Milk Powder sold.
3. Gross Margin is calculated as core revenue, less costs of sales divided by core revenue, expressed as a percentage.

### Commentary

- Continued strong Volume and Revenue performance for the 12 months ending June 2020 with growth of 108% and 98% respectively from FY19 to FY20
  - Sales momentum in Cross Border E-Commerce, as consumers shift to purchasing via traditional and e-commerce platforms in China
  - Significant growth in the Export channel strengthened through exclusive distribution agreement with corporate Daigou partner
  - Growth of 12% in Australian retail sales despite significant impact of COVID-19 in the second half of the year
- ASP/MT was in line with full year Prospectus forecast, with the last two quarters 5% higher than the first half
- Gross Margin was behind full year Prospectus forecast due largely to lower margin on sale of raw ingredients
- Marketing % of Revenue finished ahead of full-year Prospectus forecast driven by:
  - Investment in brand to meet market conditions, leverage growth opportunities and recognising the importance of building brand equity at Nuchev's relatively early stage; and
  - Full, upfront expense of distributor equity (subject to agreed volume thresholds) compared with Prospectus forecast which expensed this cost over the agreement's initial multi-year term
- CAPEX % of Revenue is in line with full year Prospectus forecast reflecting Nuchev's capital light model
- Cost base is relatively fixed, and Nuchev expects to continue to benefit from operating leverage as the business scales

# Business strengths



## Significant global market opportunity

- Goat milk based infant formula (GIF) is a rapidly growing segment of the infant formula (IF) market
- Global GIF market is forecast to grow at an estimated CAGR of 16.6% to A\$13.6 billion by 2023, predominantly driven by the Chinese market<sup>1</sup>



## Premium, differentiated product, supported by science

- GIF offers natural health benefits to infants
- Attractive to health conscious end consumers (key group is Chinese mothers) prepared to pay a premium for differentiated products
- RMIT University published scientific laboratory studies supporting the potential health benefits of Oli6<sup>®2</sup>



## Oli6<sup>®</sup> is a premium, trusted, Australian made and owned brand

- Oli6<sup>®</sup> is Australian made and has demonstrated success in domestic Australian and Chinese markets
- Oli6<sup>®</sup> brand benefits from the premium position of GIF, with growing awareness of GIF health benefits
- Brand positioning attractive to Chinese mothers and channel partners



## High quality, established supply chain & distribution network

- Quality, secure and scalable supply chain - capital light model, with significant excess capacity
- Utilises leading manufacturing partners with necessary certifications and expertise
- Supply chain expertise supported by Nuchev's significant in-house experience & capability



## Proven management and board with deep industry expertise

- Founded and led by Ben Dingle, co-founder of Synlait Milk, processing partner of a2 Milk
- Supported by experienced management team and Board, with deep knowledge of the IF sector and channels to market



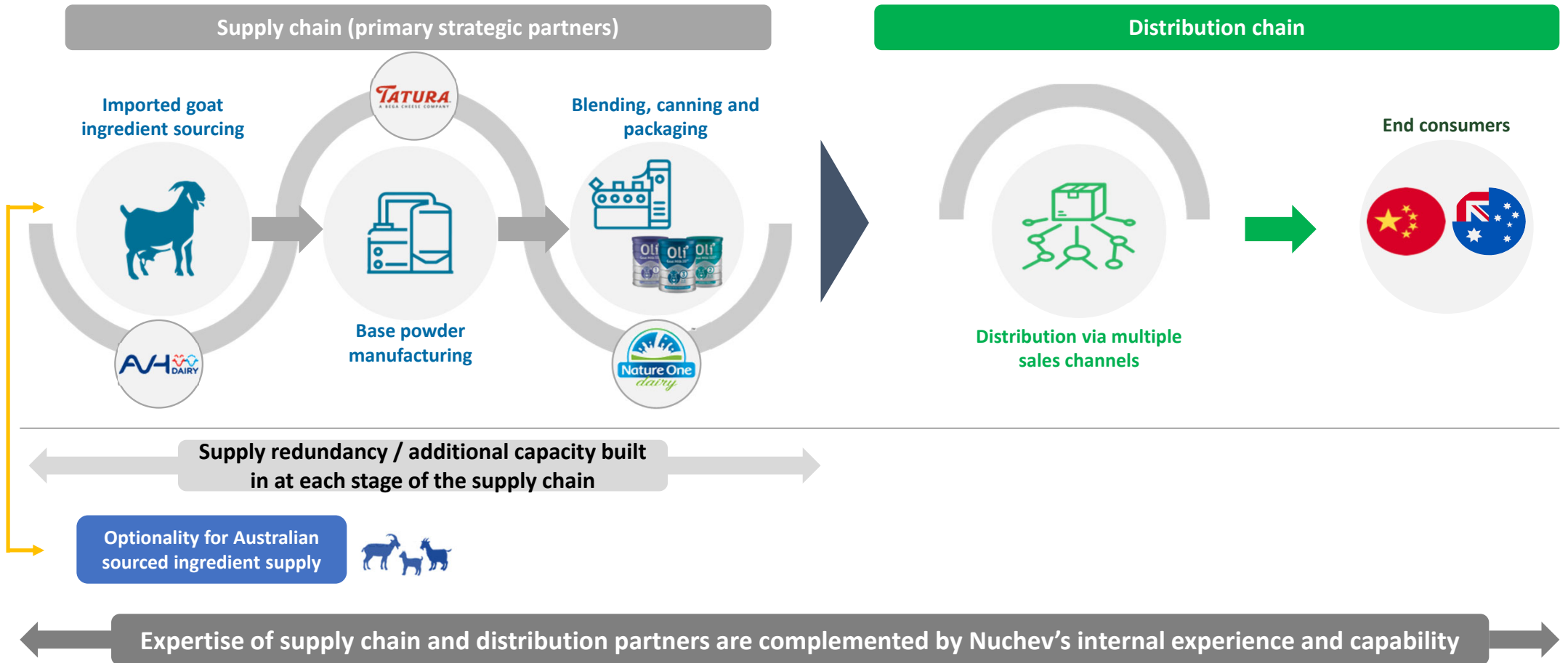
## Significant volume and revenue growth

- Nuchev has and continues to achieve significant sales volume and revenue growth
- Potential upside from sales of China-specification product (subject to SAMR brand registration)

### Sources

1. For the period from 2018 to 2023, based on Frost & Sullivan, *The Infant Formula Market*, October 2019.
2. Leong, A., Liu, Z., Almshawit, H., Zisu, B., Pillidge, C., Rochfort, S., & Gill, H. (2019). *Oligosaccharides in goats' milk-based infant formula and their prebiotic and anti-infection properties*. *British Journal of Nutrition*, 122(4), 441-449.

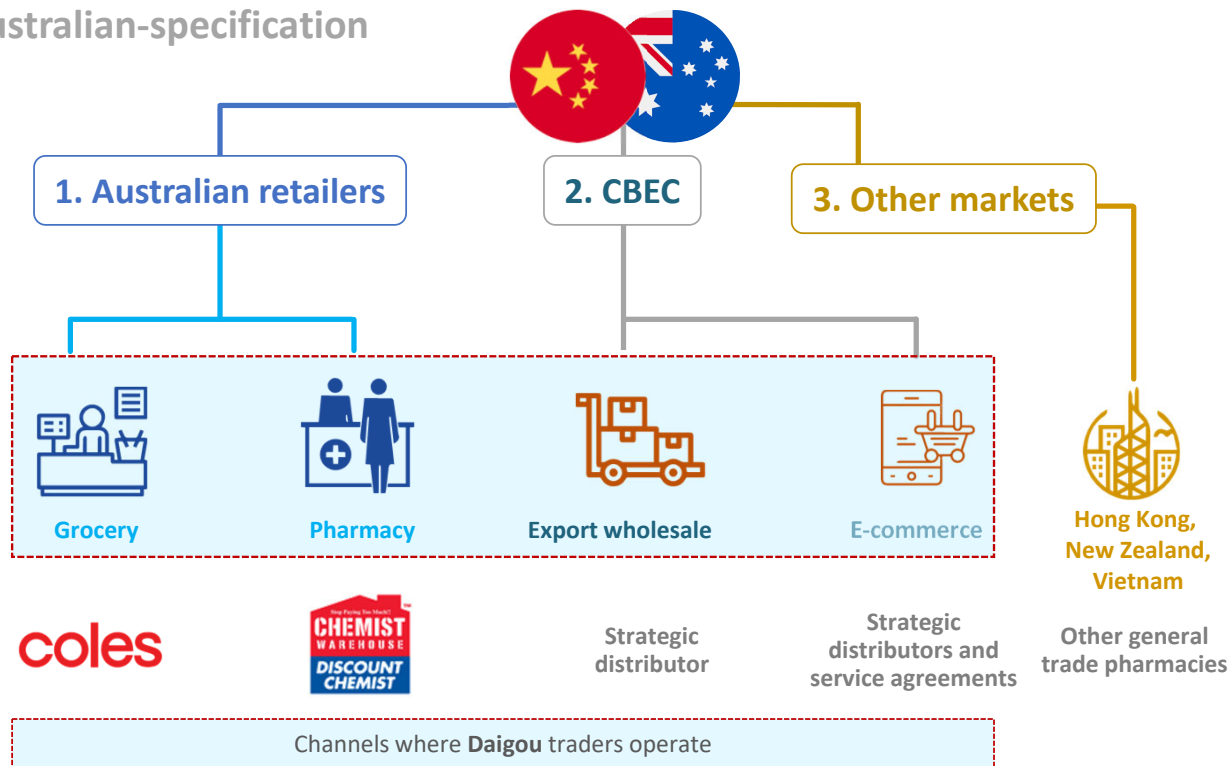
# Capital light business model focuses on quality, security and scalability



\*Nuchev has developed and owns all of its proprietary product specifications, processes and know-how and has control over the chemical and microbiological specifications of its products across the supply chain

# Operating environment

## Australian-specification



## Strong performance in FY20, however, sales have been impacted by challenges in the current environment

- These factors include:
  - Pantry filling / panic buying relating to COVID-19 unwinding, the effect of which is expected to continue into Q2 of FY21 before moderating thereafter
  - Lower numbers of international students in Australia and flights to China restricting the traditional Daigou channel volume
  - Disappointing performance from one of our cross border distributors. That distribution arrangement has been replaced by an upgraded distribution arrangement with a new partner, with transition executed in Q1 FY21

## Strong Oli6 performance in the Goat Infant Formula category relative to peers has been pleasing

- Oli6® FY20 growth outperformed the GIF category in the total Australian pharmacy channel as well as the three key Alibaba online platforms (TMall, TMall Global and Taobao):
  - Leading Australian goat milk brand on Alibaba platforms including Tmall, Tmall Global and Taobao
  - Maintaining No. 1 Australian Goat Milk Brand in pharmacy channel in Australia
  - Listing in Chemist Warehouse New Zealand
  - Oli6® sold in more than 1,000 pharmacies across Australia
  - Oli6® sold in more than 250 Coles grocery stores across Australia. Incremental ranging of Stage 4 in Coles in June 2020, doubling in total monthly sales in the last year



## Double 11 Shopping Festival 2020 Achievements

# Double 11 Shopping Festival – 2020 Campaign Summary

- World's largest global online shopping festival
- Extended promotional period in 2020 – commencing 1 November with promotional events culminating on 11 November.
- Nuchev and Oli6<sup>®</sup> creative territory: Supporting Mum to be the best she can be
- 500 pieces of Oli6<sup>®</sup> video content created for use across e-commerce and social e-commerce platforms



# Oli6® Tmall Flagship Store – Live Streaming Highlights

Boss live streaming  
8-10 pm, Nov 9



**Top 9 amongst all overseas stores  
20k views during live streaming**

Store live streaming  
209 hours during D11



**15 x ROI driven through store  
live streaming**

Top KOLs live streaming  
Hu Ke, Li Xiang, Zu Aima



**Over 7.4m views  
KOL promote Stage 3&4, FCMP 1kg**

# Double 11 Shopping Festival – Results Summary

- Across Alibaba platforms, Oli6<sup>®</sup> achieved:
  - ✓ #1 Australian goat infant formula brand
  - ✓ #3 CBEC goat infant formula brand
  - ✓ #5 goat infant brand (Nov 11)
- Tmall flagship store: GMV +48% vs. LY
- JD.com: GMV +109% vs. LY
- Taobao: Top 3 content seeding of all goat infant formula stores
- CEO Ben Dingle featured in *The Australian* commenting on Double 11 campaign

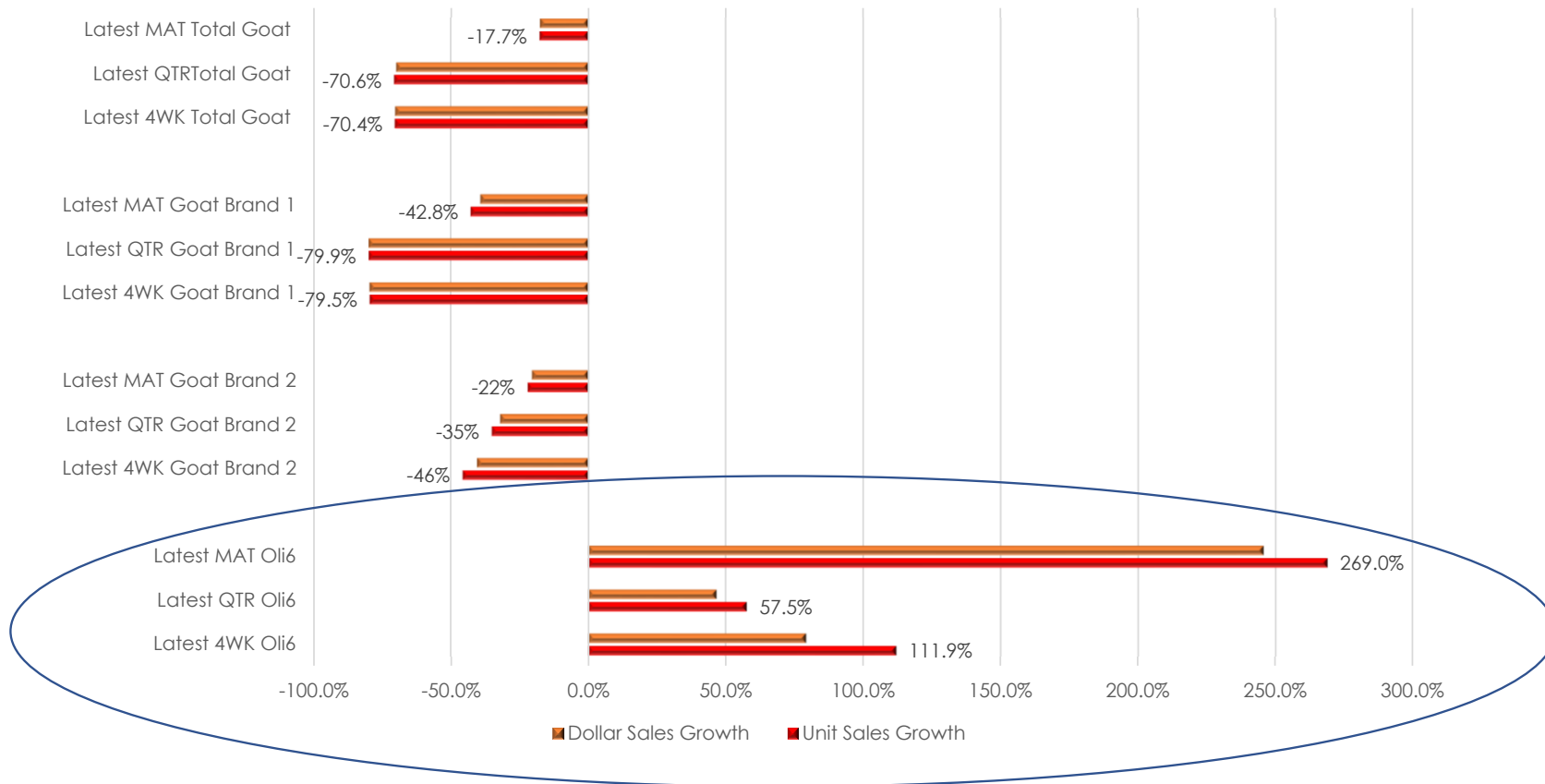


按交易指数排名 ↑ ↓

- 1 KABRITA/佳贝艾特
- 2 blue river/蓝河
- 3 KARICARE/可瑞康
- 04 Karihome/卡洛塔妮
- 05 oli6/颖睿
- 06 bekari/蓓康僖
- 07 BIOSTIME/合生元
- 08 BUBS
- 09 倍恩喜
- 10 羊羊100

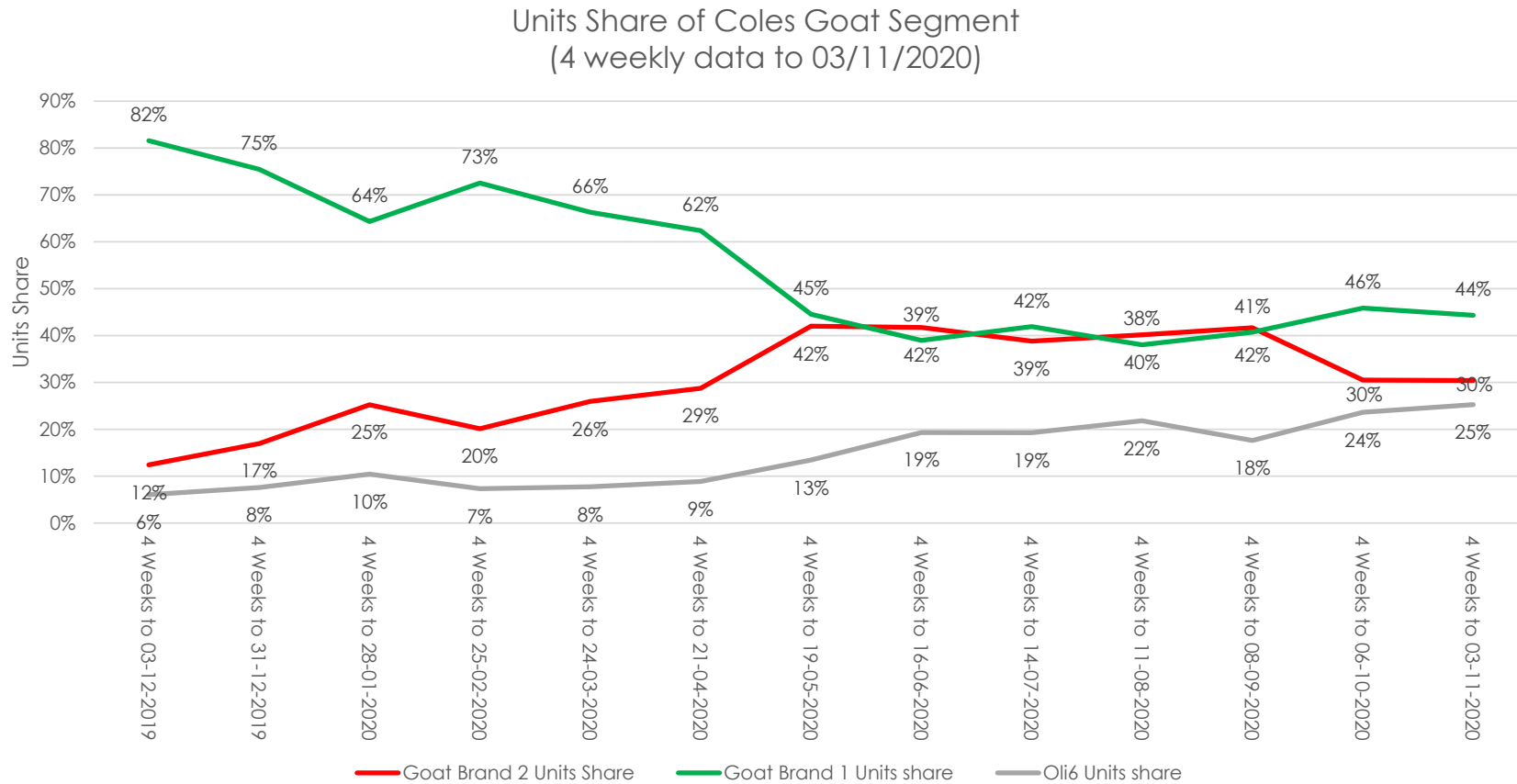
# Oli6® is performing strongly as the only goat brand in growth across all key periods

Value and Volume Growth By Goat Brand to 03/11/2020



Source: Unify data 03/11/2020

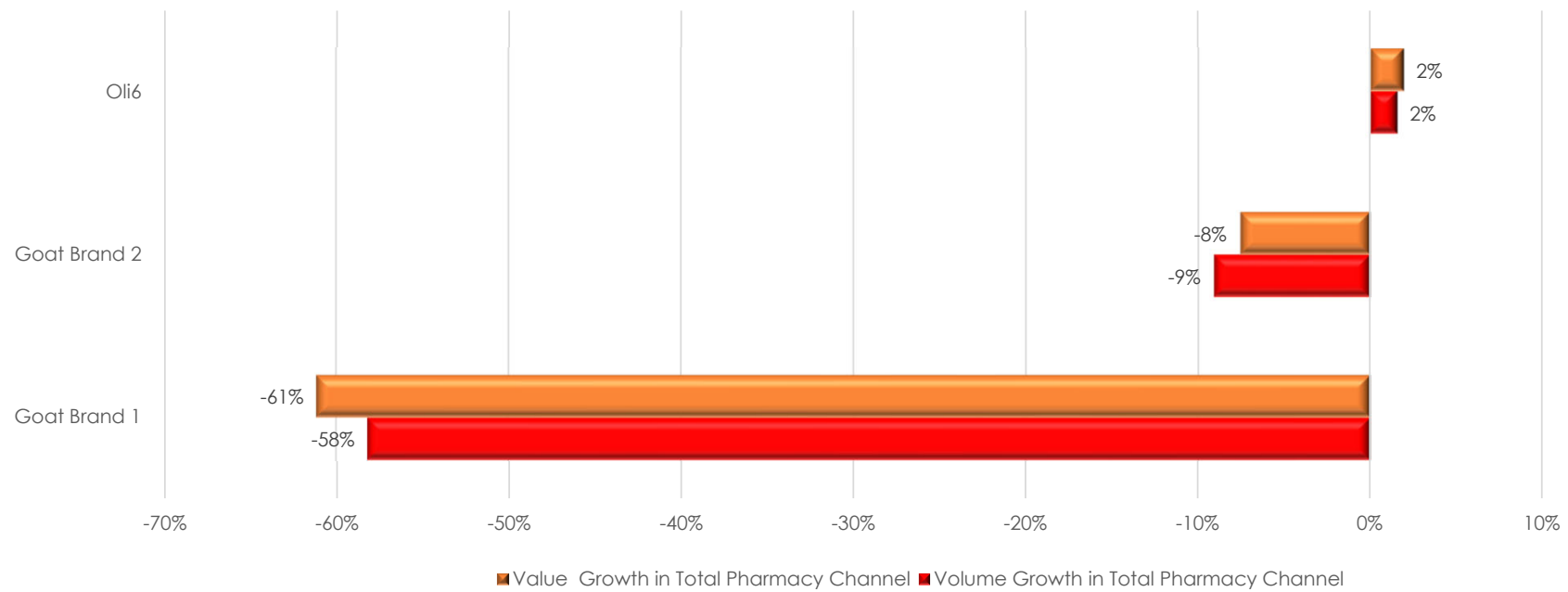
# Oli6<sup>®</sup> share continues to grow in grocery goat category, quadrupling vs same period last year



Source: Unify data 03/11/2020

# In other key channels outside of Grocery, Oli6<sup>®</sup> is the only goat brand to deliver quarterly growth

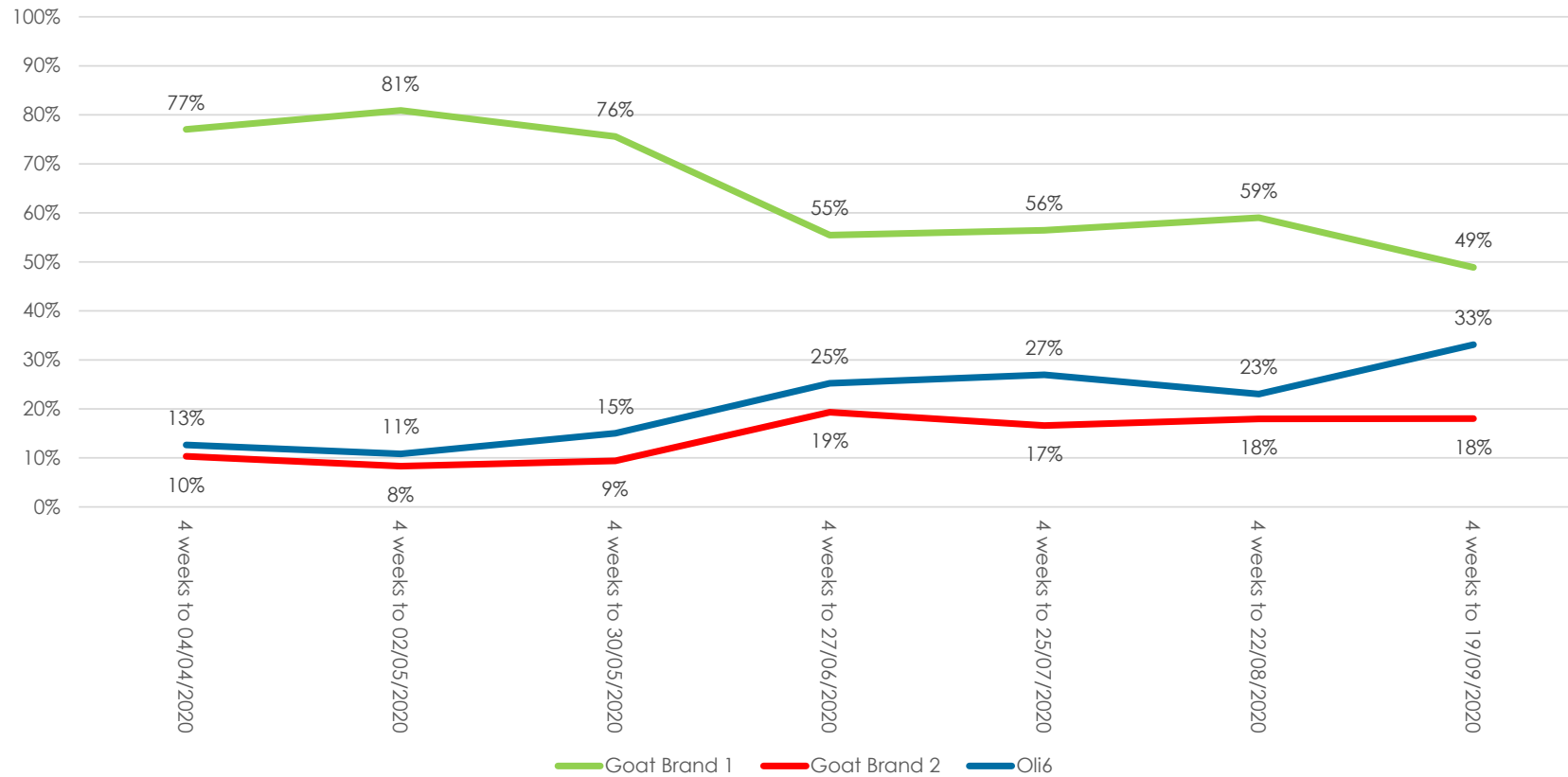
Total Value and Volume Growth in Pharmacy Channel Latest Quarter 19/09/2020



Source: IQVIA DATA 19.09.2020

# This growth is driving significant share gains for Oli6<sup>®</sup> which is being seen both in Grocery and Pharmacy

4 weekly Volume Share for Total Pharmacy



Source: IQVIA DATA 19.09.2020

## FY21 Outlook

- Expect strong revenue and volume growth in H2 FY21, with growth in key CBEC channels offsetting reduction in Daigou channel
- Trading conditions remain uncertain and volatile due to the economic impacts of COVID-19 and the current global trade challenges
- Travel restrictions are having an impact on the speed the Company can develop new business and new markets
- NuChev continues to monitor the situation closely and is well-positioned to respond to market dynamics and opportunities as they are presented
  - Recently secured a long-term strategic partnership agreement to service the China Cross Border channel, representing an upgrade to our current distribution arrangements
  - This provides further opportunity to build the Oli6® brand on the key e-commerce platforms within China, helping to support our strategy to drive profitable growth.
- Expect benefit of operating leverage from increased scale to continue
- NuChev's priority remains building a high growth, sustainable business based on its premium Oli6 brand offering



