

29 April 2021

## March 2021 Quarterly Update

- **Group unaudited revenues of \$1.7 million for the quarter (up 21% on PCP)**
- **Cash balance at \$4.1 million at the end of the quarter**
- **Another record quarter of US branded product sales**
- **US Whole Foods store rollout confirmed with product expected to launch by the end of June**
- **New Meluka Australia products being launched in Australia**
- **Launch of products on Amazon Japan expected in May**
- **Tea tree harvest operations expected to commence in June**
- **Work continues to prepare for UK and Germany Amazon launches in 2021**

**EVE Investments (ASX:EVE, EVE or the Company)**, an ASX-listed health, nutrition and wellness company, has today released its Appendix 4C Report for the three-month period to 31 March 2021 and is pleased to provide a review of operational progress during the quarter.

The March quarter saw a strong period in group<sup>1</sup> company revenues of \$1.7 million, a 21% increase on the previous corresponding period (PCP) and a decrease of 11% on the prior quarter due to the seasonal nature of the tea tree harvest. The next harvest season is expected to commence late in Q4 2021. On-going growth of non-harvest products continued in the US and Australia with Canada also continuing to provide positive early results on branded products. Further sales into China and the expansion of a sales presence into new territories is expected in Q4, subject to the challenges posed by COVID-19 and logistics for certain markets. Growth in these key territories and new markets is expected to deliver revenue growth throughout FY22.

The following is a summary of the breakup of sales by category, region and sales channel for the quarter and YTD.

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<sup>1</sup> Group revenue includes the revenue from all 100% owned subsidiaries as well as associates Naturally Australian Products (49% owned by EVE) and Omni Innovation (38% owned by EVE), the figures for associates are not consolidated into the Appendix 4C.

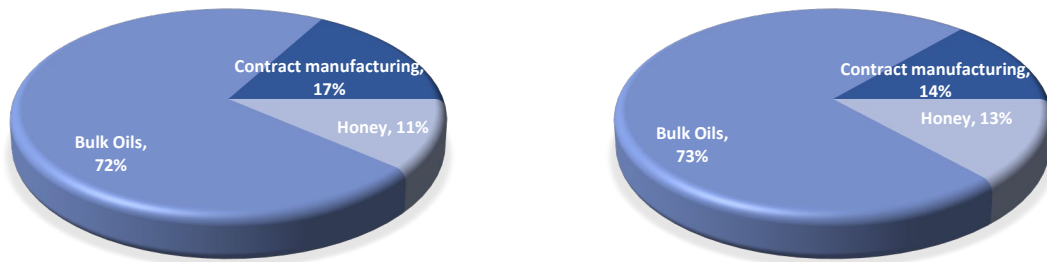


Figure 1: Breakdown of sales across EVE companies by product type in March quarter (left) and YTD (right)

Sales of bulk oils continued to provide a significant portion of sales, albeit slightly down as a proportion in the period. Contract manufacturing revenue is derived from manufacturing product for third parties and remained a strong performer, with continual growth in this division quarter on quarter.

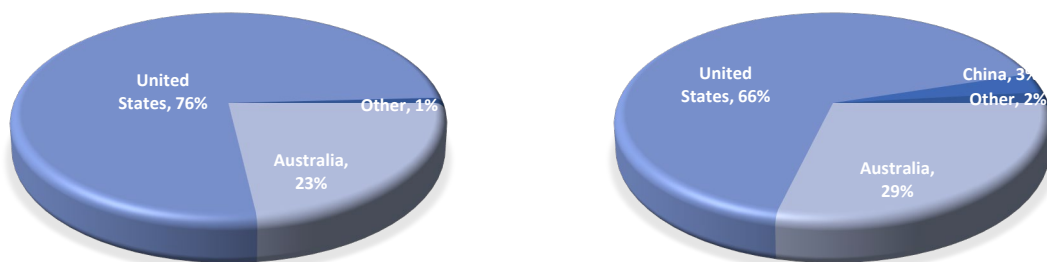


Figure 2: Breakdown of sales across EVE companies by region in March quarter (left) and YTD (right)

US sales continued to represent the largest percentage of sales, while the growing Australian sales numbers remained relatively constant as a proportion of total sales. No China sales were recorded for the quarter, as mentioned previously, due to previous orders being received later than expected. Sales to China and other new markets Canada, Japan, UK etc, will comprise an increasing percentage throughout 2021 and subsequent years.

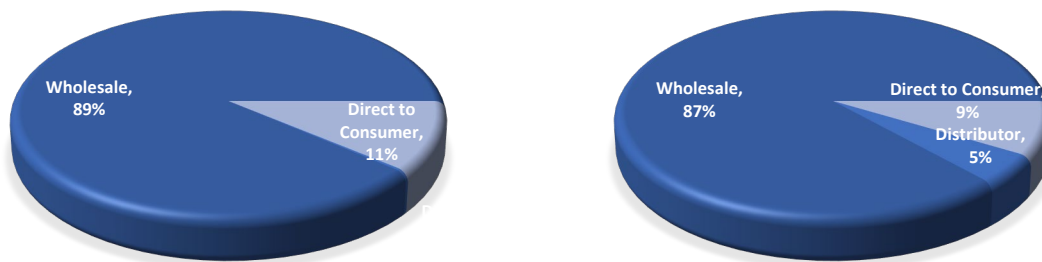


Figure 3: Breakdown of sales across EVE companies by sales channel in March quarter (left) and YTD (right)

Wholesale sales continued to be the mainstay of revenue generation during the quarter. Direct to consumer sales are expected to increase over the coming quarters through continued US and Canada growth and sales into our distribution channels.

## Meluka Australia Sales & Distribution

### Another record quarter in the USA

The March quarter in the US was the most successful quarter in terms of sales for Meluka Australia. Meluka Australia's raw native honey continued to rank highly in Amazon's listed honey category, with approximately 2,000 reviews for a rating of 4.5 stars by Amazon consumers.

The Company continues to see positive early-stage sales on the Amazon Canada platform, with consistent sales and positive product reviews. Meluka Australia will continue to push its honey products on Amazon Canada and introduce new products where possible in line with its US strategy.

### Whole Foods distribution in Northern California

Whole Foods Market, Inc. ("Whole Foods") is a large American supermarket chain focusing on organic products and has over 500 stores across the United States of America. Whole Foods is a wholly owned subsidiary of Amazon.com, Inc. The Company previously advised (see ASX release 11 January 2021) that two of the Company's products have been accepted into Whole Foods in Northern California. Meluka Australia has now completed all the required processes to have its products included in Whole Foods store's planograms.

The Company confirmed it has been advised that the products will initially be ranged in all 48 stores in Whole Foods' North Western California network. An initial purchase order is expected in May, with stores to be stocked by the end of June. Whole Foods will initially be listing two of Meluka Australia's leading products, its Organic Raw Native Honey and Organic Raw Native Honey infused with Tea Tree (TTF24 strength). This milestone builds on the success the Company has been seeing on the Amazon platform in the US market.

During the quarter, the Company dispatched further stock to the US from Australia to rebuild inventory levels in the US for the Whole Foods order and for sale into Amazon. Whole Foods order volumes are to be

confirmed on an ongoing order basis, which is typical in the industry and the financial benefit cannot be determined in advance of received orders as volumes will be confirmed on an order-by-order basis.

### **Australia continues to perform**

Australian online sales for Meluka Australia continued to be strong in the quarter and through April. The launch of the refreshed website and campaign with a key dietician were well received by consumers, discussed further below.

### **China sales**

EVE's China distribution strategy continued in the quarter through the Yandi Biotech (**Yandi**) distribution network of wholesalers across Mainland China. These wholesalers provide an excellent platform for EVE due to their extensive membership network. Some marketing and sales activities of Yandi wholesalers have been restricted by COVID-19. This restriction, combined with the most recent shipments of raw honey, tea tree honey and tea tree oil only arriving and clearing customs in early December, led to no orders from Yandi during the quarter.

It is expected that orders from Yandi will be received across the coming quarters as sales activities pick up in China.

### **Japan market**

The Company's first shipment into Japan has cleared customs and will be delivered to our Japanese warehouse on 1 May, the product will then be transferred into the Japan Amazon network for sale. The launch on Amazon Japan will be the fourth consumer market added following Australia, the United States and Canada. Marketing and brand communications are currently being finalised for the Japan market ahead of the launch.

### **Expansion into European markets**

The initial focus will be Amazon UK and Germany as sites for listing optimisation and advertising initiatives before broadening to other European markets.

Meluka Australia continues its preparation for shipments to Europe ahead of launching on Amazon in 2021.

## **Meluka Australia Marketing Update**

The Company continued to invest heavily in marketing activities in developing the Meluka Australia brand and positioning the brand for long-term growth.

During the quarter, the Australian consumer website was re-launched, with the aim to strengthen the consumer shopping experience and simplify the navigation journey by focusing on consumer needs. Initial feedback to the refreshed site has been positive with an increase in the conversion rate of visitors to completed sales.

The quarter also saw a successful collaboration with Chloe McLeod, an accredited dietician and nutritionist, who was appointed as a brand ambassador for the Meluka Australia product range. This saw a range of content developed that was rolled out in Australia and US marketing channels.

Further work was conducted in preparation of upcoming product launches and key consumer shopping days for development of marketing collateral.

### **Meluka – Production Expansion**

The Company continues to make substantial progress in developing out its consumer range of products for the Australian and overseas markets.

Post quarter end, two new offerings launched as extensions to existing product lines, including an Apple Cider Vinegar infused with Raw Honey and a Raw Honey Probiotic Concentrate with Tea Tree. Early sales and feedback of the products has been extremely encouraging. Both products will launch in international markets in the next quarter.



*Figure 4: Expansion of Meluka Australia's product offering*

In addition, new product development is ongoing across the honey and beverage product lines, with further new product launches expected in the second half of 2021.

### **Jenbrook**

The Company owns and operates the Robyndale organic tea tree plantation in the Bungawalbin Valley in Northern New South Wales. The region has seen unseasonably high rainfall in the last few weeks which will delay the commencement of this season's organic tea tree harvesting until June. Jenbrook's essential oil trading business continues to trade bulk third party oils, with interest growing from international customers seeking Australian native essential oils.

### **Naturally Australian Products Inc (49% EVE)**

Naturally Australian Products (NAP), a US distribution business recorded revenue of \$1.1 million in the quarter, relatively consistent quarter on quarter. NAP continues its strong performance, attributable to the growing demand for essential oils and extract products in the US. NAP has developed strong relationships with several large skincare businesses and has become a trusted supplier of high-quality bulk essential oils. These oils are sourced globally, with Australia being a significant supply source, predominantly for tea tree, eucalyptus and lemon myrtle oils.

NAP is owned 49% by EVE, accordingly it is accounted for as an investment in an associate, **meaning its revenue is not consolidated into the Appendix 4C.**

## Omni Innovation

Omni Innovation (“Omni”) entered into a binding Term Sheet agreement with Myopharm Limited (“Myopharm”), an unlisted Australian biotechnology for a 15-year licence for the manufacture, marketing and distribution of Omni’s foundation product, the clinically proven pre-meal glycaemic control product for Type 2 diabetes and Pre-Type 2 diabetes, throughout Australia, mainland China and the UK/Europe (See ASX Announcement on 14 January 2021). The product is expected to be launched in Australia in 2021 with the other territories to follow, with the product positioned to be sold through a prescription channel in Australia and Europe, an approach not explored by previous licence holders in those markets.

This agreement includes a mixture of upfront and deferred licencing fees as well as an on-going royalty on product sales. Initial upfront consideration of \$70,000 has already been received as well as \$265,000 in equity. Further cash payments of the initial licence fees of \$565,000 are due in various instalments up to 31 January 2024.

## Corporate & Financial Update

### Key statistics

- Total unaudited group revenue for the quarter was \$1.7 million
- Cash at bank of \$4.1 million
- Inventory consistent at \$1 million
- Receivables of \$0.4 million
- Creditors payable of \$0.6 million
- \$1 million in debt facilities with \$0.6 million drawn

### Board Changes

Post quarter end, the Company announced that effective immediately, Mr James Lin has been appointed to the Company’s board and Ms Joalin Chou has retired from the Company’s board. (refer ASX release 22 April 2021)

Mr Lin has over 25 years of experience specialising in marketing, direct selling, development and management with a particular focus on the direct selling industry. Mr Lin has served as a senior executive and professional manager of direct selling companies in Mainland China, Taiwan, Malaysia and the United States.

In accordance with Section 6 of the Appendix 4C, during the quarter the Company has paid \$105,000 in director fees and \$26,000 for a fully provisioned office and administration staff.

## Outlook

The Company has produced a strong quarter with revenues growing 21% up on PCP. There was substantial growth in the underlying US and Australian markets in both our branded and bulk products which underpinned this result despite a delay in harvest from Jenbrook. In Q4, growth is expected to continue in the US and Canadian markets and further orders for the Chinese market. Also expected are the first revenues from Japan once sales commence on the Amazon.com Japan platform.

Further planned growth initiatives over the next two quarters include the following;

- Commencement of sales to Whole Foods Market in the US
- Launch of products on Amazon Japan, UK and Germany

- Further ordering from China
- Achieve increased sales volumes across the entire range
- Marketing programs to be expanded to build brand and product awareness
- Commencement of new product development in preparation of product launches
- Continued sales of bulk essential oils products from both on-farm and third-party suppliers
- Research and development program to include further advancement of tea tree extract and hydrosol products

**Commenting on the update, Managing Director Bill Fry said:**

“The revenue growth in our US and Australian markets was very pleasing. Our marketing activities, particularly for our Meluka Australia branded products is resonating with consumers and has the brand well positioned to grow further with new products launched in Q4. Harvest at Jenbrook is due to commence during the June quarter, further orders are anticipated from China and new markets commencing I am excited for our future prospects.”

*Authorised for release by Bill Fry, Managing Director.*

For more information, please contact:

**Company enquiries**

Bill Fry  
Managing Director  
Eve Investments Ltd  
+61 8 6465 5500  
billf@eveinvestments.com.au

**Media enquiries**

Melissa Hamilton  
Media and Capital Partners  
P: +61 417 750 274  
[melissa.hamilton@mcpartners.com.au](mailto:melissa.hamilton@mcpartners.com.au)

**About EVE Investments**

EVE Investments (ASX: EVE) is a leading, vertically integrated producer of branded nutrition, health and wellness products. The Company has global reach and application to fast-growing markets across Australia and New Zealand, Asia Pacific and North America. Our mission is to help provide access to the world’s best natural organic products that have demonstrated medicinal benefits and can help enrich the lives of everyday people.

For further information, please visit [www.eveinvestments.com.au](http://www.eveinvestments.com.au) and follow us on Twitter @EVEInvestments

<sup>1</sup> Group revenue includes the revenue from all 100% owned subsidiaries as well as associates Naturally Australian Products (49% owned by EVE) and Omni Innovation (38% owned by EVE), the figures for associates are not consolidated into the following Appendix 4C.

Appendix 4C

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

For the purposes of the consolidated statement of cash flows, only cashflows from EVE, Jenbrook Pty Ltd and Meluka Health are included. Cashflows from associates Naturally Australian Products and Omni Innovation are not included in the below figures.

Name of entity

EVE Investments Limited

ABN

89 106 523 611

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	488	2,690
1.2 Payments for		
(a) research and development	(1)	(29)
(b) product manufacturing and operating costs	(253)	(1,241)
(c) advertising and marketing	(381)	(988)
(d) leased assets	(30)	(71)
(e) staff costs	(589)	(1,515)
(f) administration and corporate costs	(302)	(675)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	22
1.5 Interest and other costs of finance paid	(4)	(13)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	255	348
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(809)</b>	<b>(1,473)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to or for acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(68)	(203)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(68)</b>	<b>(203)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	657
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(18)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>639</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,978	5,138
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(809)	(1,473)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(68)	(203)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	639
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,100</b>	<b>4,100</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter</b> <b>\$A'000</b>	<b>Previous quarter</b> <b>\$A'000</b>
5.1	Bank balances	2,100	1,678
5.2	Call deposits	2,000	3,300
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,100</b>	<b>4,978</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter</b> <b>\$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	131
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.*

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end</b> <b>\$A'000</b>	<b>Amount drawn at quarter end</b> <b>\$A'000</b>
7.1	Loan facilities	1,046	571
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>		
7.5	<b>Unused financing facilities available at quarter end</b>		475
7.6	<p>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> <p>Business Loan (maturity of 25/03/2034) and Revolving Agri Line Facility (on-going) provided by ANZ to Jenbrook Pty Ltd. Interest rate is 2% less than the Business Mortgage Index Rate (variable). Security provided over the Robyndale farm.</p> <p>On acquisition of Meluka Health, an existing shareholder loan of \$100,613 became a facility of the group. This loan is unsecured with nil interest and is due on 25/02/2022.</p> <p>Equipment financing facility with a 36-month term and nil interest rate.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(809)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,100
8.3	Unused finance facilities available at quarter end (item 7.5)	475
8.4	Total available funding (item 8.2 + item 8.3)	4,575
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>6</b>
	<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:	
	<i>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.</i>	

## 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: 29 April 2021

Authorised by: Bill Fry, Managing Director  
(Name of body or officer authorising release – see note 4)

## Notes

- 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.
- 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.
- 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.
- 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".
- 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.