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29 October 2021

## September 2021 Quarterly Update

- **Group<sup>1</sup> unaudited revenues of \$1.05m for the year, up 10% QoQ**
- **Meluka Australia unaudited revenues in Australian market up 71% QoQ**
- **Strong growth in probiotics sales Aust (66% QoQ), US (212% QoQ)**
- **New probiotic product range development in collaboration with Probiotics Australia**
- **Japan sales outperforming budgeted forecast for the quarter**

**EVE Investments (ASX:EVE, EVE or the Company)**, a vertically integrated health, nutrition and wellness company, has today released its Appendix 4C Report for the three-month period to 30 September 2021 and is pleased to provide a review of operational progress during the quarter.

The September quarter saw group<sup>1</sup> company revenues of \$1.05 million, up slightly on the June 2021 quarter with Meluka Australia performing well. This result was pleasing given that contract manufacturing revenues were reduced due to commissioning of a new production line and lower Jenbrook oil sales due to a later harvest and longer logistics lead times.

Growth in Meluka Australia sales, led by a strong result in the Australian market which saw 71% quarter-on-quarter growth, highlighted by the Probiotic Concentrate beverage range which jumped 66% QoQ. Meluka Australia also experienced strong growth in the Japan and Canadian markets in the quarter.

The sale of bulk oils in the Australian market was slower in the quarter. This year's organic tea tree harvest, of which 5.5 tonnes has been harvested to date, primarily in the September quarter, is expected to be sold across the next two quarters. The remainder of this year's season's harvest is expected to be completed in November.

The following is a summary of the breakup of group<sup>1</sup> revenue by category, region and sales channel for the quarter and YTD.

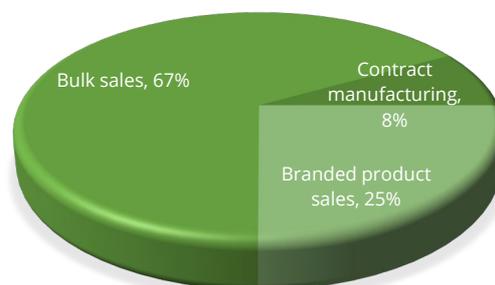


Figure 1: Breakdown of sales across EVE companies by product type in September quarter

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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.



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Figure 2: Breakdown of sales across EVE companies by region and sales channel in September quarter

Sales of bulk oils and sales to wholesale customers continued to provide a significant portion of sales. Although both are a lower proportion compared to FY21 results, reflecting the continual push to branded product sales to consumers.

The higher proportion of revenue from Australia compared to June 2021 and FY21 also reflects the strong growth the company is seeing in sales of Meluka Australia products through its website channel.

## Expansion of Probiotic Offering in collaboration with Probiotics Australia

### **Strategic decision: New probiotic range in collaboration with Probiotics Australia**

In Australia, over the past six months the Probiotic Concentrate beverage range achieved a 175% increase in sales while in the US there was a 239% increase in the same period. As a result of sales performance, EVE has taken a strategic decision to expand its range of probiotic products incorporating prebiotics, probiotics and the newly emerging postbiotics. To expedite the development of these new products, EVE has formalised a Collaboration Agreement with leading Australian probiotics company, Probiotics Australia for the production of new unique probiotic strains derived from Meluka's beehives. Probiotics Australia has a TGA/cGMP certified facility dedicated to producing high quality probiotic organisms and Active Pharmaceutical Ingredients (APIs). (See ASX releases dated 19 November 2021)

Under the Agreement, Meluka and Probiotics Australia have agreed to collaborate to identify and produce new bacterial strains from Meluka beehives located on the EVE organic tea tree properties in the Bungawalbin Valley in Northern New South Wales and will collaborate in developing a range of products that incorporate the strains that are produced.

Meluka has provided samples of honey collected from its beehives which have been used in Probiotics Australia's research and development. Probiotics Australia have identified several bacterial strains from the honey samples. These are currently being isolated and characterised using genetics and biochemical analytical methods in order to culture and develop them into commercial quantities.

Potential consumer products utilising the probiotic strain are to be developed over the coming months, with Meluka and Probiotics Australia to define the most suitable products for an initial launch of a Meluka probiotic strain product.

The development of this new product range will contribute to establishing Meluka as a leading Australian producer of probiotic products for both local and international markets.



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### ***Growth of the probiotics market***

A heightened awareness of the importance of health and wellbeing will be a key driver for continued growth in the domestic health and wellness market category, including probiotics. In 2020, seven out of ten people supported their health with a form of complementary medicine<sup>2</sup>. The popularity of natural healthcare products continues to increase with a growth rate of seven per cent year on year.<sup>3</sup>

The Australian dietary supplements market size is expected to record a 3% current value CAGR to reach sales of AUD2.1 billion in 2026. Consumer focus has shifted to taking a proactive approach to support gut health, which is inextricably linked to overall immunity. This is a major factor projected to drive demand for products that contain probiotics. Industry projections report that interest in immune health is likely to increase post Covid-19, demonstrating substantial market potential.<sup>4</sup>

Interest in functional nutrition, such as probiotic fortified foods and beverages, has seen a boost in popularity, which is expected to continue, as immunity building for overall wellbeing appeals to the health-conscious consumer that has an increased awareness of the link between diet and overall health.

In Australia, the domestic consumption opportunity for fortified and functional foods is expected to reach \$5.5 billion by 2030 and the export market opportunity expected to reach \$4.2 billion<sup>5</sup>. Australia's clean and green brand reputation is said to support the growth of this sector in overseas markets.

Opportunity also exists to diversify into other markets, given the versatility of probiotics, which can be utilised in a wide variety of applications including in functional foods and cosmetic and personal care. The probiotics market is estimated to be valued at USD 61.1 billion and projected to reach USD 91.1 billion by 2026.<sup>6</sup>

## **Meluka Australia**

### ***United States***

The Probiotic Concentrate beverage line saw QoQ revenue growth in September of 212%. This growth is attributable to increasing brand awareness due to investment in an online marketing campaign with further commitment of marketing expenditure planned for the forthcoming 12 months. Additionally, the Company continued social media market activities to support the honey range on the Amazon channel and the sales into the Whole Foods supermarket chain in North Western California.

Shipping timeframes to the US have increased along with the cost for shipment. As a result, Meluka has been sending smaller shipments on a more frequent basis to ensure that sufficient inventory is available to meet consumer requirements. It has also instituted a price increase of 15% for its raw organic honey, its leading sales product in the US. The price increase has had no impact on sales volumes of the product.

### ***Australian growth***

Meluka Australia backed up its strong June quarter with another record quarter of sales, up 71% QoQ. This was primarily driven by the strong growth in the Probiotic Concentrate beverage range up 66% QoQ.

The September quarter saw the launch of a new range of botanical honeys, incorporating Australian botanical ingredients such as Davidson Plum, Lemon Myrtle and Finger Lime. The December quarter will see the botanical flavours incorporated into an expansion of the Probiotic Concentrate beverage range.

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<sup>2</sup> Complementary Medicines Australia

<sup>3</sup> Austrade

<sup>4</sup> Euromonitor International

<sup>5</sup> CSIRO Growth Opportunities for Australian food and agribusiness 2019

<sup>6</sup> <https://www.globenewswire.com/en/news-release/2021/07/23/2268057/28124/en/Global-Probiotics-Market-2021-to-2026-Probiotics-Can-Replace-Pharmaceutical-Agents-Presenting-Opportunities.html>



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### **Asia**

The Company is continuing to see strong growth in its newest market, Japan. Sales on Amazon Japan well exceeded budget forecasts for the quarter, with very favourable reviews being received across our product range. The cosmetic registration process has been completed allowing the sale of Meluka Australia's essential oil products.

Further shipment of honey products as well as concentrate and essential oil ranges were shipped in the quarter with more shipments planned at regular intervals. Currently shipping timeframes are approximately 4-6 weeks.

### **Meluka – Award Recognition**

The Company was recognised in the 2021 Premier's NSW Export Awards with Meluka Australia a finalist in the E-commerce category. A category that included much more experienced companies such as Bubs Australia.

Separately, the Company has been nominated in two categories for the 2021 Australian Organic Annual Industry Awards.

- New Product of the Year - Apple Cider Vinegar infused Raw Honey; and
- Exporter of the Year.

The award ceremony will be held in mid-November.

### **Jenbrook**

The Company owns and operates the Robyndale organic tea tree plantation in the Bungawalbin Valley in Northern New South Wales. Harvesting operations continued throughout the quarter with 5.5 tonnes of organic tea tree oil harvested this season. It is anticipated harvesting activities for the season will conclude in November, subject to weather conditions, to yield between 0.5 and 0.7 tonnes of further organic tea tree oil. This will be consistent with the long-term yield, albeit down on the prior year's harvest.

This year's harvest is expected to be sold over the coming two quarters. Shipping timeframes and increasing costs are impacting customers in Europe and the US as deliveries can take up to 4 months. Jenbrook is currently liaising with its European and US customers to provide competitive solutions to the challenging logistics issues.

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

Naturally Australian Products (NAP), the US distribution business held 49% by EVE, which sells bulk essential oils and extracts to North American businesses recorded revenue of \$0.56 million in the quarter, up \$0.1m on the prior quarter. Further growth continues to be temporarily hampered by supply and logistics delays getting essential oils into the US.

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 (38% EVE)**

Omni Innovation ("Omni") continued to progress its agreement with Myopharm Limited ("Myopharm"), an unlisted Australian biotechnology company following entering into a binding term sheet in January for a 15-year licence. Omni Innovation has already received \$0.5m in upfront consideration, with a further \$0.4m to



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arrive in stages through to FY24. On-going royalties to Omni Innovation, with significant minimum annual payments to maintain exclusivity, are also payable under the agreement between the parties based off product sales in the territories. (See ASX Announcement on 14 January 2021)

Myopharm, supported by Omni Innovation, have been continuing to progress activities towards a consumer launch of Omni Innovation's product with activities including brand development, packaging development and work to establish consumer pathways.

Under brand name, Omni-D™ the product was launched to participants at the Australasian Diabetes Congress, this step is in the leadup to a full consumer launch early in 2022 through healthcare and allied health network in Australia.

Omni Innovation has also licensed the product to Myopharm for China, Europe and the UK and these launches are also expected to follow later in 2022.

Omni Innovation continues to pursue licensing arrangements in other territories including the USA and India, both territories with large populations of those living with diabetes and pre-diabetes as well as being markets that Omni has patented its pre-meal drink technology.

Omni is owned 38% by EVE, accordingly it is accounted for as an investment in an associate, **meaning its revenue is not consolidated into the Appendix 4C.**

## Corporate & Financial Update

### Key statistics

- Total unaudited Group<sup>1</sup> revenue for the quarter was \$1.05 million
- Cash at bank of \$2 million
- Inventory consistent at \$1.1 million
- Receivables and prepayments increased to \$0.8 million from \$0.35m
- Creditors payable decreased to \$0.4 million from \$0.7m
- \$1.1 million in debt facilities with \$0.7 million drawn

Overall, the cash outflow was higher in the quarter due to the prepayment of inventory, increase in receivables and the build and launch of two new product ranges (botanicals honey and botanicals probiotic concentrate drink). Sales of organic tea tree oil harvested during the quarter is expected to be realised as revenue in the next two quarters.

The key financial metrics for the quarter include:

- Receipts from customers totalled \$0.5m, slightly down from \$0.6m in the prior quarter due to an increase in receivables of \$0.45m
- Product manufacturing and operating costs of \$0.4m, were \$0.2m higher than the prior quarter
- Advertising and marketing activities spend of \$0.5m in the quarter, were \$0.1m higher than the prior quarter. This included marketing costs for the launch of the botanical honey range.
- Net cash used in operating activities of \$1.2m, an increase from the prior quarter cash used of \$0.9m, primarily due to the higher production costs in the period. Staff costs were slightly below the prior quarter and administration costs were slightly higher than the prior quarter
- \$60,000 on one of plant and equipment purchases
- During the quarter the Company has paid \$98,000 in director fees and \$32,000 for a fully provisioned office and administration staff



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## Outlook

The next two quarters are very active for the company with company highlights to include:

- Rollout of new Probiotic Product Range in collaboration with Probiotics Australia
  - Buildout of probiotic strain by Probiotics Australia
  - Launch of new products in probiotic concentrate drinks range
  - Development of the several new ranges of probiotic product
  - Development of new products incorporating the Meluka probiotic strain
- New honey products to expand current range
- Return of the “sold out” oil diffuser range
- Marketing programs centred on key sales periods such as Black Friday/Cyber Monday and Christmas
- Expansion of product offering into Japan and the US with the launch of the botanic honey range and essential oil blends range

**Commenting on the update, Managing Director Bill Fry said:** “The September quarter has proved particularly pleasing, with continued growth in in our probiotics range of products in the Australian, North American and Japanese markets. Particularly pleasing has been the growth. Our new customers numbers and returning customers rates for these products have been especially encouraging and are the key reason behind the formation of a collaboration with Probiotics Australia. The involvement of Probiotics Australia in developing new strains of probiotics and manufacturing new product ranges for Meluka will provide the ability to launch new and unique products more rapidly into developing market. We are excited about the opportunity to launch these products into our evolving distribution channels.

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

— ENDS —

### **For more information, please contact:**

#### **Company enquiries**

Bill Fry, Managing Director

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#### **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 cash flows from EVE, Jenbrook Pty Ltd and Meluka Health are included. Cash flows 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")**

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	471	471
1.2 Payments for		
(a) research and development	(7)	(7)
(b) product manufacturing and operating costs	(406)	(406)
(c) advertising and marketing	(476)	(476)
(d) leased assets	(30)	(30)
(e) staff costs	(551)	(551)
(f) administration and corporate costs	(259)	(259)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	63	63
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,199)</b>	<b>(1,199)</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	(18)	(18)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
	(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>(18)</b>	<b>(18)</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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	107	107
3.6	Repayment of borrowings	(20)	(20)
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>87</b>	<b>87</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	3,160	3,160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,199)	(1,199)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18)	(18)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	87	87
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>2,031</b>	<b>2,031</b>

<b>5.</b>	<b>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</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,531	1,660
5.2	Call deposits	500	1,500
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>2,031</b>	<b>3,160</b>

<b>6. Payments to related parties of the entity and their associates</b>		<b>Current quarter \$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. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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	1,066
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>	372
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>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. Vehicle financing with a 36-month term and a 2.84% 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)	(1,199)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,031
8.3	Unused finance facilities available at quarter end (item 7.5)	372
8.4	Total available funding (item 8.2 + item 8.3)	2,402
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	2
	<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

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
  - This statement gives a true and fair view of the matters disclosed.
- Date: 29 October 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.