

## COMPANY UPDATE

L6, 121 King William St  
Adelaide SA 5000  
bakeryoung.com.au  
ABN 92 006 690 320 AFSL 246735

## Nutritional Growth Solutions Limited (ASX : NGS)



### At the core of Nutritional Growth Solutions (ASX [NGS](#))

NGS has developed a scientifically formulated nutritional product over twenty years by leading pediatric specialists from the world renowned Schneider Children's Medical Centre in Israel. NGS is a global nutrition company with a range of Healthy Height® (HH®) products that support growth and development in children and young people.

#### Executive Summary

NGS has a three pillar growth strategy; new products, new territories, and new sales channels, which it has done via Grow Daily 3+, Grow Daily 10+, and a HH® nutrition bar (formulated with the same profile as the NGS patented shake range). Sales traditionally have been in U.S., however recently (March 2021), a sales agreement via [Dicofarm](#) in Italy has contributed materially to the top line. In addition, on August 9, 2021, NGS signed a sales and distribution agreement with Chemist Warehouse in China. The company has recently completed a A\$5 million placement, and employed experienced personnel from leading global organisations to drive rapid growth in existing regions whilst continually looking to enter others. The company trades at a market capitalisation of approximately A\$18.8m, with an enterprise value of A\$12.2m (cash at bank A\$6.6m), and a revenue

multiple of around 3.42x (based on June quarter sales not adjusted for ongoing QoQ growth).

#### Life as an ASX company

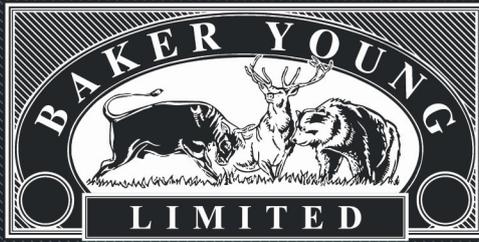
Since listing on October 30, 2020, NGS has done an exceptional job leveraging a patented, clinically proven product in the children's health and nutrition industry. The Company delivered second half FY21 revenue growth of US\$1.8m, up 83% on the prior corresponding period.



*"...Healthy Height® is already clinically proven to increase height and weight in short and lean children aged three to nine years old by 13.8% – 34% to their annual growth with no increase in Body Mass Index (BMI) over a one-year period – the only nutritional supplement in the world to able to make this claim..."* said Liron Fendell, CEO and Managing Director of NGS.

#### NGS business model

Their ambition is to grow organically via strategic online distribution channels, combined with a bricks and mortar presence. Sales have primarily derived from the U.S., with sales in Italy contributing to the top line in recent quarters. NGS has signed a three year exclusive distribution agreement with Dicofarm, a company with an annual turnover of €40 million. Dicofarm was founded in 1977 and is a leading distributor of clinically proven products throughout the European Union. Since launching in Italy on March 2021, NGS has received three purchase orders equaling US\$508,000 (as at June 30, 2021). This agreement will



## COMPANY UPDATE

L6, 121 King William St  
Adelaide SA 5000  
bakeryoung.com.au  
ABN 92 006 690 320 AFSL 246735

see the Company's products available in pharmacies and health food stores across Italy. Italy was chosen due to its high child population of 8.2m children under the age of 14, with customers able to claim for reimbursement under the country's insurance scheme. HH® products are now available in five markets; China, India, Italy, Israel, and the U.S.

NGS has made significant inroads positioning the company to capitalise on a thriving Chinese ecommerce market. To make this possible, NGS hired three well regarded and experienced personnel.



Mr Stephen Turner will lead the Company's expansion into the U.S., and is responsible for retail and wholesale distribution. Stephen has worked with many reputable pharmaceutical companies including [Strides Pharma](#), [PharmaCare](#) and SCOLR Pharma. Ms Vicky Hou joined NGS as Commercial Director for China having previously worked for [Bayer](#), [Natures Care](#) and [GSK](#), and is responsible for sales and marketing. Ms Linda Luo will assume the role of Global Strategic Advisor, and will work alongside Vicky and Stephen on the Company's global strategic direction. Linda previously worked with [A2 Milk](#), [Blackmores](#), and [Bellamy's](#), and brings a wealth of knowledge and experience.

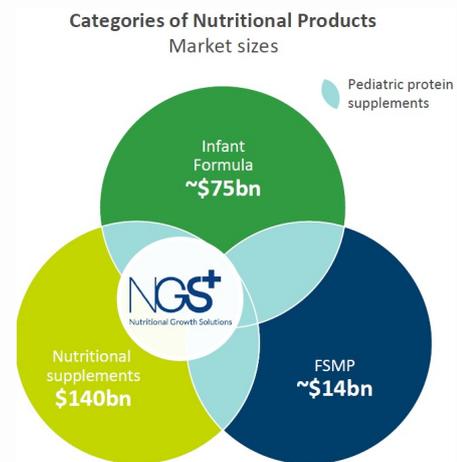
Liron Fendell, said:

"...Pediatric supplements are the nexus of infant formula, foods for special medical purposes, and nutritional supplements, which collectively is a market now worth more than US\$140 billion annually<sup>1</sup>. With these expert appointments Nutritional Growth Solutions is now better positioned to increase its

market share across current and new markets and deliver on our vision of being a leading household name for child nutrition, and the market leader globally for nutritional products to assist children reach their optimal height.

The need for our products is universal, and we set ourselves apart from our competitors with products that are scientifically formulated by paediatric doctors, clinically proven to work and are filled with macro and micronutrients that are ideal for child growth.

Each of our new senior hires comes to Nutritional Growth Solutions with a wealth of industry knowledge and will play a key role in driving our success into the future and more immediately, through our next stage of growth..."



### What makes NGS different

NGS is motivated to develop its clinically proven protein powder, and will continue to work with the Schneider Children's Medical Centre of Israel to test the effectiveness of HH® on height and weight in children treated with ADHD (Attention Deficit Hyperactivity Disorder) medication.

The randomised, double blind, placebo-controlled clinical trial will treat between 70-140 children under the age of 10 currently treated for ADHD through prescribed medication. Half of the trial population will supplement their diet with HH® formula, whilst the other half will receive a placebo. The trial will assess HH® against placebo for six months, followed by six



## COMPANY UPDATE

L6, 121 King William St  
Adelaide SA 5000  
bakeryoung.com.au  
ABN 92 006 690 320 AFSL 246735

months of open label with HH® only in prepubertal children treated with medications for ADHD. Each patient will require five visits spread evenly over a 12 month period. At this stage it is unknown when NGS will be able to present endpoint data for this trial.

ADHD has been found to impact roughly 2% of the global population according to the [ADHD Institute](#), highlighting a significant addressable market.

Liron Fendell, said:

“...ADHD is a prevalent disorder globally with treatment’s adverse side effects including decreased appetite. In the U.S., insurance coverage decisions by commercial insurance and government payers are tied to medical necessity and discreet diagnoses. If the trial provides clear evidence that Healthy Height supports children with an ADHD diagnosis who have been prescribed meds achieve normal growth and counteract the negative effects of the drugs, we believe the payers will be more likely to cover Healthy Height alongside an ADHD diagnosis...”

### NGS achieves positive clinical trial results for HH® Grow Daily Boys 10+ formula

With the formula for children aged 10+ clinically proven, NGS can publically state its products make a meaningful and positive impact on children’s lives between 3-15 years of age (previously 3-9 years). The trial was a randomised, double-blinded placebo-controlled study conducted over a twelve month period with 160 healthy, lean and short pre-adolescent 10 to 14.5 year old males. The results were compelling, highlighting participants who consumed Grow Daily Boys 10+ displayed an increase in muscle mass and fat free mass while maintaining their average height increase rate, compared to those taking a placebo formula who displayed a decrease. The results of this trial can be found published in a peer reviewed medical journal [Acta Paediatrica](#).

To avoid confusion this product will be the first HH® supplement to be launched under NGS new branding Grow Daily Boys 10+. The original HH® product will change name to Grow Daily 3+. These products complement the Company’s HH® nutrition bar launched on May 18, 2021.



Lead researcher of the study Dr Michal Yackobovitch-Gavan said:

“...Intervention with a multi-nutrient, protein-rich formula was effective at increasing weight, fat-free-mass, muscle mass, and BMI in short and lean pre-pubertal male adolescents. It also prevented the expected decline in height increase rate in older participants. All the participants were with no pubertal signs at the study entry. Hence, older participants were with delayed puberty as compared to their peers, and expected to grow slower as compared to children in the same age who already have begun their pubertal growth spurt.

This is a key trial that evaluated the importance of nutrition for pre-adolescents and is certain to inspire more research...”

### [Gavin Thomas](#) promotes HH® in China

With more than eight million social media followers appearing at Chinese technology conventions, starring on the cover of China’s edition of ELLE Magazine, and the youngest winner of the [Weibo](#) (China’s Twitter equivalent) Influencer Award, Gavin has agreed to promote the NGS brand. Gavin will endorse the HH® product range through multiple promotions to drive traffic to NGS cross-border e-commerce flagship store on T-mall Global.

T-mall Global is Alibaba’s Business to Consumer cross-border market place for foreign brands and merchants to sell directly to more than half a billion consumers in China. This builds on a recent agreement between NGS and [Yoola](#), a U.S. based Entertainment Company and a world leading You Tube multi-channel network. Yoola works with influencers and brands to promote their products and content across various online platforms. Yoola is particularly popular in China and is seen as a great opportunity to allow cross-promotional initiatives.



## COMPANY UPDATE

L6, 121 King William St  
Adelaide SA 5000  
bakeryoung.com.au  
ABN 92 006 690 320 AFSL 246735

Brian Leedman, NGS Chairman said:

“...Social influencer engagement between brands and customers through e-commerce platforms is much more advanced and ingrained in China than other markets. Partnering with Gavin Thomas and Yoola is key to quickly gaining scale in this key market where there is an unmet need for our clinically proven product...”

Byron Ashley, Gavin Thomas agent said:

“...We are beyond thrilled for Gavin to be partnering with Healthy Height. Liron and the NGS team have built an incredible product and are extremely forward-thinking marketers. The demand for these products matched with Gavin's extraordinary fanbase is a recipe for surefire success in China, and we are elated to be on this ride together...”

Gavin has agreed to an incentive based payment scheme for the two year term of the agreement.

1. NGS has granted 250,000 options with an exercise price of A\$0.27 cents, and have been issued under the same terms as the Company's 2020 Share Incentive Plan.
2. Cash compensation – Gavin received US\$15,000 on signing and will receive a further US\$15,000 after 12 months.
3. Success based compensation as illustrated on the milestone table.

Milestone	Compensation
US\$1m in attributed sales	US\$ 50,000
US\$4m in attributed sales	US\$ 150,000
US\$7.5m in attributed sales	US\$ 175,000
US\$10m in attributed sales	US\$ 125,000

### The Chinese growth opportunity

On April 9, 2021, the Company secured the rights to Healthy Daily Height® trademark in China. The brand is registered as a Class 5 trademark (30990741) covering pharmaceuticals, dietary supplements and food for babies. The trademark protects against imitation, and

allows NGS to build relationships with reputable distributors, retail outlets and stockists.

On May 17, 2021, NGS entered into a binding memorandum of understating to manufacture HH® in New Zealand by [Nig Nutritionals](#) (NIG). Under the license NIG will package and assist in commercialisation of HH® into China improving cost, production, and distribution efficiency. NIG is a manufacturer and global distributor of scientifically formulated high quality dairy products having pioneered the formulation of colostrum and goat milk consumer products in New Zealand. NIG is well known throughout China and Asia for its high quality, local dairy supply chain.



NIG Nutritionals CEO Chris Macbeth said:

“...The partnership with NGS leverages the intellectual capability of both businesses, along with the world class manufacturing and supply systems we have established here in New Zealand.

The whole world has become more aware of the value of good nutrition over the past two years, not only for building young bodies, but also for assisting people of all ages to maximize their potential. Nutrition is at the heart of our business. It is what we are great at. We are excited to be working with NGS to help it deliver great products to consumers throughout the Asia Pacific region...”

In addition to NGS products sold on T-mall Global, the Company announced on August 9, 2021 a 12 month supply agreement with Chemist Warehouse to stock HH® products. The supply agreement is largely attributable to the Company's appointment of a Commercial Director, and is a key milestone for expansion into China. The agreement was highly anticipated, as it provides NGS products exposure to a



## COMPANY UPDATE

L6, 121 King William St  
Adelaide SA 5000  
bakeryoung.com.au

ABN 92 006 690 320 AFSL 246735

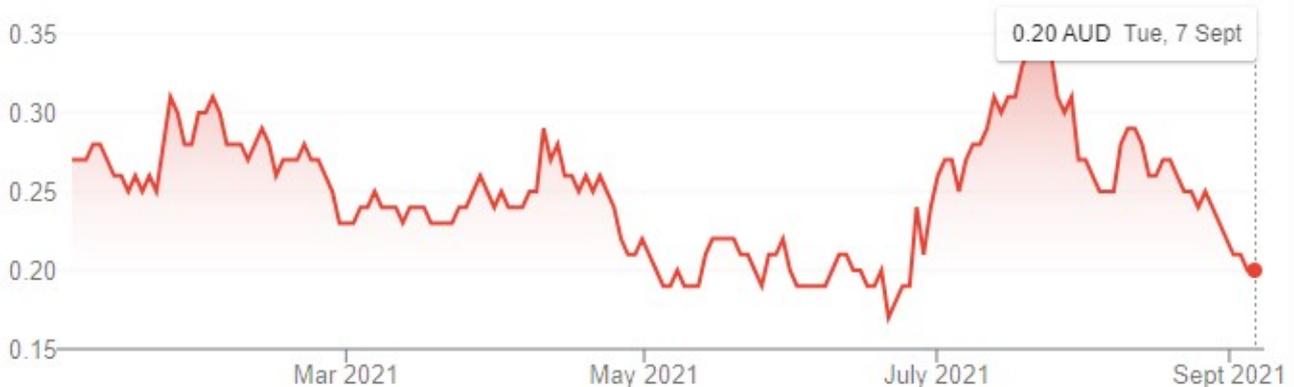
huge market place where Chemist Warehouse China T- Mall Global store is one of the largest pharmacy stores currently on the platform.

### Financials

NGS life as an ASX listed company has so far been as expected. Whilst the share price has endured a volatile ride, having reached a 52-week high of A\$0.38 cents, and a low of A\$0.17 cents, its current share price of A\$0.20 cents trades in line with its IPO price (as at September 7, 2021).

On August 30, 2021, NGS issued 22.8m shares at A\$0.215 cents through a placement to institutional and sophisticated investors, the Company currently trades at a market capitalisation of approximately A\$18.8m, and an enterprise value of A\$12.2m (cash at bank A\$6.6m). Cash burn for Q4 FY21 was A\$714k, in line with the average of the previous two quarters A\$1.104m and A\$509k. The current share price trades at a 7% discount to the recent placement price.

NGS has delivered second half FY21 revenue of US\$1.8m, up 83% on the prior corresponding period. This growth is attributed to sales in recently entered markets (China and Italy), as well as consistent growth in the Company's key market North America.



### Summary

NGS addressable market is considerable. For comparison we highlight the Company's larger U.S. competitor [PediaSure](#) (owned by [Abbot](#)). We consider PediaSure products inferior given they contain a large amount of [corn syrup](#). NGS has improved the Company's position through key appointments, and has achieved several breakthroughs developing new products, entering new territories, and establishing multiple new sales channels. Earlier this year the Company was assigned an insurance billing code in the U.S. and strengthened its distribution channels with [IMCO](#), a leading medical distributor with access to 1,000 field sales agents. The recent A\$5 million placement allows for rapid growth in the aforementioned markets. Whilst we consider NGS to be in a good position, we recommend speaking with an adviser prior to making an investment.

**Disclaimer** \*Baker Young has a Corporate mandate with NGS and has raised capital in the last 12 months for which it received fees.

This article has been prepared for the general information of investors and not having regard to any particular person's financial situation, objectives, or needs. Accordingly, in so far as any information may constitute advice (whether express or implied), it is general advice and no recipient should rely upon it without having obtained specific advice from their advisor at Baker Young Limited. Baker Young Limited makes no representation, gives no warranty, and does not accept any responsibility for the accuracy or completeness of any recommendation, information, or advice contained herein. To the extent permitted by law, Baker Young Limited will not be liable to the recipient or any other persons in contract, in tort or otherwise for any loss or damage (including indirect or consequential loss) as a result of the recipient, or any other person acting or refraining from acting in reliance on any recommendation, information or advice herein. Baker Young Limited or persons associated have a material interest in the securities or financial products mentioned in this document and may earn brokerage and other fees as a result of transactions in any such securities. Australian Financial Services Number 246735.