

## **Else Nutrition Reports 23% Sequential Revenue Growth in the First Quarter of 2023**

Conference call will be held on Monday, May 15 at 10 AM ET

VANCOUVER, British Columbia, May 15, 2023 — **ELSE NUTRITION HOLDINGS INC (BABY) (BABYF) (OYL.F)** (“**Else**” or the “**Company**”) the Plant-Based baby, toddler, and children nutrition company, today reported first quarter 2023 financial results for the period ending March 31, 2023. The financial statements and MD&A are available on SEDAR under the Company’s profile.

### **First Quarter 2023 Financial Highlights**

- 1Q23 total revenues were \$2.9M, an 82% increase versus \$1.6M in 1Q22, and a 23% increase versus \$2.3M in 4Q22. Revenue growth continued to be hampered by product shortages. While the company increased its production pace, the demand for its products also continued to grow, a combination that challenged available supply, especially in the first half of the quarter. Management estimates the revenue loss from inventory constraints was roughly \$1M in 1Q23.
- Sales to brick-and-mortar retailers in the US and Canada during 1Q23 increased by 105% versus 4Q22. As of 1Q23, Else products were listed in nearly 12,000 stores in North America, compared with 1,200 stores in 1Q22. Management expects to reach 20,000 listed stores and 50,000 points of distribution by the end of 2023.
- Sales in Canada, via Amazon and brick-and-mortar retailers increased over 240% in 1Q23 versus 4Q22 and represented over 28% of the Company’s formula sales.
- Retail sales velocity is growing, and as additional products are added to existing accounts, annual revenue per store is improving as well.
- Cash balance as of March 30, 2023, was \$10.1M CAD, including restricted cash and short-term bank deposit.

### **Recent Business Highlights**

- Expanded distribution to more than 7,000 CVS stores, more than 750 Walmart stores, over 440 Loblaws stores, over 600 Sobey’s stores and to 161 Giant Food Stores.
- Else products were listed in nearly 12,000 stores in North America, compared with 1,200 stores in 1Q22 reflecting 10 times growth.
- Significantly increased in-store sales velocity. For example, according to Spins data, the sales velocity of our Toddler Organic product in natural food stores grew by more than 50% in the last year (measured in 12-week periods).

- Expanded production capacity by adding a second manufacturing facility in the US and launching its first production facility in Europe. The additional facilities will increase the Company's production capacity by about three times, greatly reducing the risk of future out of stock situations. The Company anticipates the new scaled manufacturing capacity to significantly decrease its manufacturing costs, beginning in 2H23.
- Entered the Canadian market with the launch on Amazon.ca and in brick-and-mortar stores. The success of the launch exceeded expectations given a fast entry into major retailers across the country and the strong demand for Else's products. The Company expects to be listed in more than 3,000 Canadian stores by the end of 2023.
- The Company plans to enter Western Europe in 2H2023. The initial launch will be in the UK via Amazon and natural food distributors, with other European countries to follow.
- The Company plans to enter Australia in 2H2023. The initial launch will be via Amazon to be followed by drug and grocery chains.
- Received critical approval by the Institutional Review Board (IRB) of the infant growth study protocol for the testing of the Else Infant Formula.

## **Management Commentary**

Hamutal Yitzhak, CEO of Else Nutrition, commented, "In 1Q23, Else returned to strong sequential growth, after two quarters in which we experienced severe product shortages. Over the past months we secured two additional manufacturing facilities in the US and Europe. The two new facilities have more than tripled our current production capacity, mitigating the risk of future out-of-stock situations.

Although our manufacturing facilities are fully operational, out of stock and product shortages were still a limiting factor for sales growth in the first quarter. Limited inventory continued to force us to prioritize retail orders over Amazon and our E-store orders. We estimate the revenue impact due to the product shortage to be approximately \$1M in 1Q23, mostly in January and February. In March and April, we have begun to see a rebound in our ecommerce sales as we have been building inventory to meet the growing demand.

Our sales to retail stores accelerated in 1Q23 as retailers are seeing strong sales of our products and we continue to grow our store count. Else is becoming a recognized national brand in the US, carried by major grocery and drug retailers. Our customers now include prominent retailers such as CVS and Walmart, as well as leading e-commerce sites such as Amazon and Walmart.com. We expect to reach 20,000 retail locations by end of 2023.

Our international expansion remains strong, growing over 200% in 1Q23 versus 4Q22. Our launch into the Canadian market in 3Q22 was above our expectations, and the consumer enthusiasm has continued. In recent months we entered the Chinese market, and while our

presence is currently nascent, we are continuing to make inroads.

As we look out over next few months, we remain focused on our growth objectives to become a global leader in the plant-based nutrition arena. We plan to increase the number of retailers we sell in and expand our shelf space in those stores. We remain enthusiastic about our international expansion. Our entry into Canada in August had a much greater than-anticipated start, and we expect to reach 3,000 stores in Canada in 2023. Furthermore, we are excited to enter the UK and Australia in the second half of 2023, and to continue our journey into the large Chinese market.

In 2023 we remain on track to begin our infant growth clinical study for the FDA and European permits. Receiving FDA approval is a very high priority for Else Nutrition, as we believe that becoming the first non-dairy and non-soy FDA-approved infant formula will be transformational for the valuation of the Company.

### **FDA Update**

As part of the pathway to bring its infant formulation to market under FDA and other authorities' approvals, Else concluded two successful preclinical safety studies during 2021 and 2022 on its plant-based infant formula, to demonstrate safety and nutrient bioavailability of the infant formula and its ingredients. The results demonstrated proper growth, similar to dairy-based infant formula, in a neonatal preclinical model, as well as the infant formula protein efficiency and quality. Those are the key two steps out of three, on the path to obtaining the FDA and other regulatory permits to bring the product to market.

In February 2023, the Company announced that the Institutional Review Board (the ethical committee) approved the infant growth study protocol for the testing of the Else Infant Formula.

As a final step before initiating the study, the Company has now submitted the infant growth study protocol to the FDA for review and is awaiting the FDA confirmation, in parallel to continuously seeking for a comparator formula which is currently unavailable due to the continuous infant formula shortage followed by several recent product recalls in the US.

### **Conference Call**

Hamutal Yitzhak, CEO and Co-Founder, will hold a conference call to discuss the quarter's financial results at 10:00 a.m. (Eastern Time) on May 15, 2023.

Interested parties can listen via a live webcast, from the link available in the Investors section of the Company's website or at <https://app.webinar.net/baVn86WGdw0>

A replay will be available after the call, in the Investors section of the Company's website at <https://app.webinar.net/baVn86WGdw0>

## **About Else Nutrition Holdings Inc.**

Else Nutrition Holdings Inc. is a food and nutrition company in the international expansion stage focused on developing innovative, clean, and plant-based food and nutrition products for infants, toddlers, children, and adults. Its revolutionary, plant-based, non-soy formula is a clean-ingredient alternative to dairy-based formula. Else Nutrition (formerly INDI) won the “2017 Best Health and Diet Solutions” award at Milan’s Global Food Innovation Summit. The holding company, Else Nutrition Holdings Inc., is a publicly-traded company, listed on TSX Venture Exchange under the trading symbol BABY and is quoted on the US OTC Markets Q.X. board under the trading symbol BABYF and the Frankfurt Exchange under the symbol OYL. Since launching its Plant-Based Complete Nutrition for Toddlers, made of whole foods, almonds, buckwheat, and tapioca, the brand has received thousands of powerful testimonials and reviews from parents and gained national retailer support from Sprouts Farmers Market, and achieved rapid sales growth. Else became the #1 Best Seller on Amazon in the Fall of 2020 in the New Baby & Toddler Formula Category. It recently won the ‘Best Dairy Alternative’ Award 2021 at World Plant-Based Expo and was a Nexty Award Finalist at Expo West 2022 in the Plant-Based lifestyle category.

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