

## Else Nutrition Reports Second Quarter 2023 Financial Results

Conference call will be held on Monday, August 14 at 10 AM ET

VANCOUVER, British Columbia, Aug. 14, 2023 — **ELSE NUTRITION HOLDINGS INC (BABY) (BABYF) (OYL.F) (“Else” or the “Company”)** the Plant-Based baby, toddler, and children nutrition company, today reported second quarter 2023 financial results for the period ending June 30, 2023. The financial statements and MD&A are available on SEDAR under the Company’s profile.

### Financial Highlights

- 2Q23 total revenues were \$2.4M, a 3% increase versus \$2.3M in 2Q22. 1H23 revenues increased 35% YoY, versus 1H22.
- Sales to brick-and-mortar retailers in the US and Canada during 2Q23 increased by 157% YoY, versus 2Q22. As of 2Q23, Else products were listed in nearly 13,000 stores in North America, compared with 3,000 stores in 2Q22. Management expects to reach over 15,000 listed stores and over 40,000 points of distribution by the end of 2023.
- Total ecommerce sales during 2Q23 decreased by 42% YoY, versus 2Q22. The decline in sales was the consequence of the Company’s decision to divert product from e-commerce channels in favor of brick-and-mortar retailers in the last three quarters. The Company is amid rebuilding its sales velocity on Amazon and its own e-commerce store and expects these channels to return to growth in 2H23. E-commerce sales increased 26% in 2Q23 vs. 1Q23.
- Cash balance as of June 30, 2023, was \$4.6M CAD, including restricted cash and short-term bank deposit. On July 10, Else received an additional \$3M CAD (\$2.5M US) of investment from Lind Partners. The total amount for potential investment from Lind Partners was up to \$19M CAD (\$13M US) of which the Company has drawn down \$8.1M US.

### Recent Business Highlights

- Expanded distribution to more than 7,000 CVS stores, more than 1,100 Walmart stores, 900 Shoppers Drug Mart locations across 11 provinces and territories, over 440 Loblaws stores, over 600 Sobey’s stores, 161 Giant Food Stores, and 110 Schnucks Supermarkets.
- Else Kids Vanilla, Else Kids Cocoa, and Else Toddler Organic & Else Toddler Omega, were approved for US federal insurance billing under the Center for Medicare & Medicaid Services, opening new avenues for distribution and increasing the accessibility of Else’s plant-based nutrition products.

- Else nutritional products for toddlers and kids have been approved by the Oklahoma Women, Infants, and Children (WIC) program. This authorization comes on the heels of the Company's recent achievements of product approvals in Arizona and under US federal insurance billing, reflecting the continued execution of its strategic vision to broaden the accessibility of plant-based nutrition products across the United States.
- 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 decrease its manufacturing costs, beginning in 2H23.
- Expected to launch kids ready to drink products in 2H23 in USA and Canada, and adult ready-to-drink products in 2024.
- The Company plans to enter Western Europe in 2H23. 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 2H23. 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, "2Q23 was another step forward in our mission to become a global leader in the plant-based nutrition arena. We are continuing to expand our points of distribution among various geographies and channels. Else has now become a national brand in North America, and we are now being sold in prominent retailers such as Walmart, CVS, and Shoppers Drug Mart. We expect to reach over 15,000 retail locations by the end of 2023.

Our two new manufacturing facilities in the US and Europe are now operational, more than tripling our production capacity, allowing us to properly meet our customers' growing demands and mitigating the risk of future out-of-stock situations. In addition, our new facilities have made our production more efficient and cost-effective, and we expect to realize a lower cost of production leading to higher margin in upcoming quarters.

While we have now rightsized our production and inventory levels, there is still work to do to remedy the effects caused by our production issues. After approximately nine months of diverting inventory from e-commerce channels in favor of brick-and-mortar customers, we are now in the process of rebuilding our sales velocity in e-commerce channels which should lead to increased growth in 2H23.

Our sales to retail stores remain robust as retailers are seeing healthy sales of our products and we continue to grow our store count. Importantly, major retailers are expanding the number SKUs. As an example, we recently announced that Walmart has added both Toddler Organic and Toddler Omega to its shelves alongside the already available Super Cereal and Kids Shake products.

Our international expansion remains on track. Our launch into the Canadian market in 3Q22 was above our expectations, and the consumer enthusiasm has continued. Furthermore, we are excited at the prospect of entering Western Europe and Australia in 2H23.

Our growth objectives in 2023 and beyond remain intact. However, given the challenging capital markets environment, we are now even more focused on expense management, capital efficiency and being good stewards of capital. In recent months we have reduced expenses across all areas of our business and implemented significant efficiencies. Total Operating expenses in 1H23 decreased 17% versus the same period last year, despite our revenues increasing 35%. We believe that our revised expense structure combined with our anticipated top-line growth and margin expansion will allow us to reach cash flow breakeven during 2H2024.”

## **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 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 preclinical studies results as well as the infant growth study protocol to the FDA for review and is in discussion with the FDA for the infant formula optimization prior to the clinical study initiation, 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 August 14, 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/nlg7JVIWQPG>

A replay will be available after the call, in the Investors section of the Company's website at <https://app.webinar.net/nlg7JVIWQPG>

### **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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