LiveVerdure

ASX Release
29 July 2022

LV1 June 2022 Quarterly Review & Appendix 4C

Live Verdure Ltd (ASX: LV1) ("LV1", "Live Verdure" or the "Company") is pleased to release our quarterly activities report and Appendix 4C for the three months ended 30 June 2022.

June Quarter Highlights

- Record revenue of $1,912,000 for FY2022 (unaudited) an increase of 215% over FY2021.
- Cash Receipts from customers of ~$511,000 for the quarter.
- Sales through the Amazon US channel continue to scale - increasing ~81% relative to the March 2022 quarter.
- Company-wide focus on efficient marketing spend to drive profitable customer acquisition – with cash burn for the quarter reduced by ~23% from the previous quarter.
- Subsequent to period end, the Company has seen return on advertising spend (ROAS) increase by ~60%
- Acceleration of inorganic growth pathway driven by strong inbound partnership & acquisition enquiries.

Online Sales and Cash Receipts

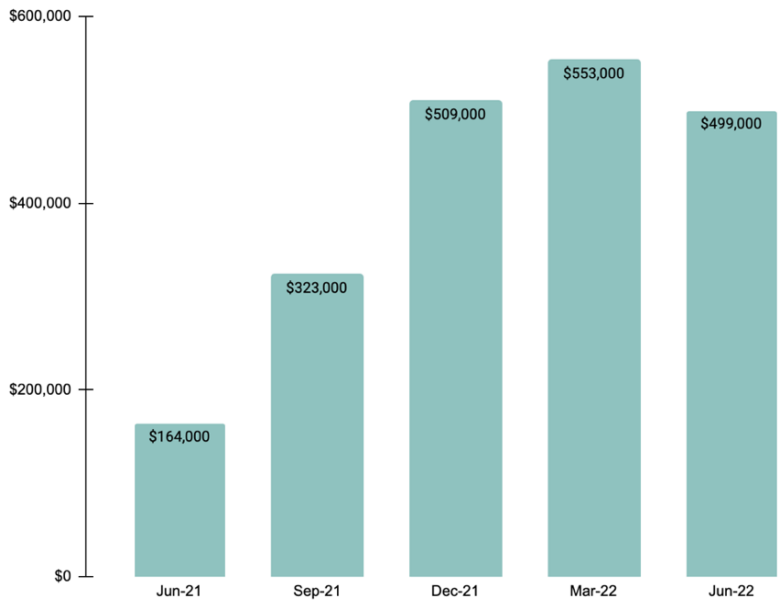
The Company is pleased to advise that we have delivered unaudited sales for the quarter of **~$503,000,** representing an increase **of 182%** from the corresponding quarter in 2021.

Live Verdure also advises that we have **recorded** cash receipts of **~$511,000** during the quarter, excluding government grants.

In line with Live Verdure's DtoC business strategy, online sales of ~**$499,000** made up ~**99**% of total sales for the quarter.

LV1 continued implementing the profitable customer acquisition strategies outlined in the March 2022 quarterly review. These strategies resulted in only a 2% decrease in the number of orders but delivered significant cost reductions.

Since quarter end, Live Verdure has continued to optimise our online advertising strategy, reducing spend even further. These steps have significantly improved the cost of acquisition (CAC) and resulted in a profitable ROAS.



Graph 1: Summary of Online Sales by Quarter

Marketing Optimisations Successfully Implemented

Live Verdure continues to optimise our cost base and implement the strategic initiatives outlined in the March 2022 quarterly review, such as:

- Completed works to bring the media buying function in-house to ensure reduced agency and headcount costs, whilst also achieving an improved quality of content.
- Integrating content creation within the media buying function to achieve a more cohesive and streamlined workflow.
- Identifying synergies within the marketing team to improve efficiency and further reduce costs in future quarters.

The above initiatives have positively impacted Live Verdure's operations and performance. Some examples of these improvements include:

- Optimising continued revenue growth across all channels – including Amazon.

- Optimised media buying activity to deliver a significantly improved return on advertising spend in June and July, with ROAS improving by ~15% in June and ~60% in July.
- Online Marketing spend reduced by 11% (compared to the previous quarter).
- Initial staff and agency headcount reductions delivered a 59% saving (compared to the previous quarter).

We expect to see further positive impacts of these initiatives reflected in subsequent quarters.

Inventory Management

Company management remains cognisant of global supply chain issues impacting all aspects of business, including but not limited to shortages of raw ingredients and packaging availability. We are pleased to report that so far, LV1 has successfully navigated these supply chain disruptions to ensure we have sufficient inventory to meet future customer demand.

We currently have in excess of ~$579,000 of inventory on hand.

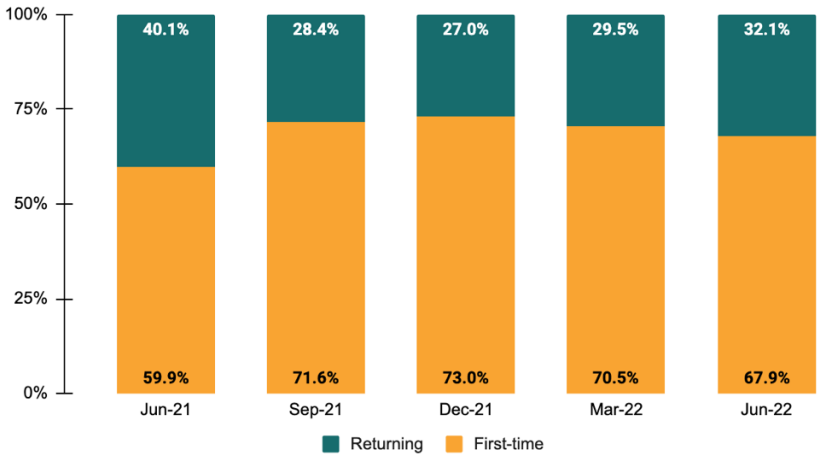
Key Direct to Consumer Metrics

In addition to increasing online sales, LV1 committed to driving improvement across several additional key categories – with particular emphasis on Repeat Customer Rate to drive improved ROAS. These improvements are outlined in the table and discussed in further detail below.

	For the 3 months ended:				
	June 2021	**Sept 2021**	**Dec 2021**	**Mar 2022**	**June 2022**
Online Sales	~$164,000	~$323,000	~$509,000	~553,000	~499,000
First Time Customer Average Order Value ("AOV")	~$79	~$94	~$95	~$97	~$84
Repeat Customer Average Order Value ("AOV")	~$93	~$114	~$116	~$117	~$111
Repeat Customer Rate	40.1%	28.4%	23.7%	27.2%	32.13%

First-Time vs Returning Customers

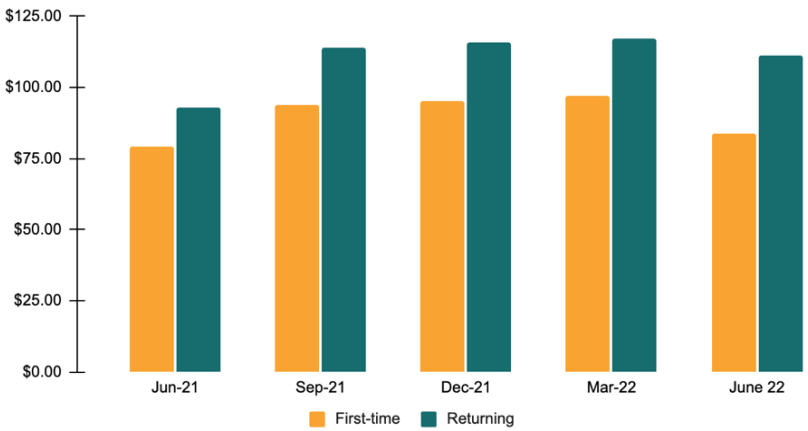
During the June 2022 quarter, Live Verdure continued to attract a significant number of new customers. Relative to the previous quarter, we also increased the number of repeat customers, now representing ~32% of total customers. We find this particularly positive as existing customers maintain a higher AOV (~$111) than new customers, which drives a higher, and more profitable ROAS.



Graph 2: First-Time and Returning Customers – June 2021 to June 2022

AOV for First-Time and Repeat Customers

At $84, the AOV for first-time customers has consolidated relative to the same quarter in the prior year. AOV for repeat customers also improved compared to June 2021 quarter. LV1's conscious steps to achieve these improvements include marketing higher-value items and bundles of products sold together to improve average order value.



Graph 3: AOV for First Time Customers and AOV for Repeat Customers

During this quarter, the AOV for repeat customers was ~$111, which remains exceptional.

Strong Inbound Partnership & Acquisition Enquiries

During the quarter, the Company fielded a significant number of inbound inquiries regarding companies looking to partner with or be acquired by LV1.

In light of this interest, the Board has resolved to explore all opportunities further and, therefore, has engaged a specialist M&A corporate adviser. This strategy aligns with LV1's long-term strategic objectives, as well as significantly enhancing our medium-term goals of growth and becoming EBITDA positive.

The initial M&A focus is on profitable, small to midsize companies with an established product suite in the Health and Wellness, and Skincare sectors. Our target companies will be founder-led and have established and engaged audiences, ensuring future scalability and continuous growth. Live Verdure will naturally explore any potential synergies.

The Board is confident that we are well-positioned to take advantage of any consolidation in the sector - especially during the current broader market downturn – and leverage our DtoC capabilities and valuable relationships.

Live Verdure will keep the market updated in accordance with our continuous disclosure obligations.

Management of Cash Position

Live Verdure continues to monitor our cash and liabilities position. We are actively taking steps to improve our cash position and reduce our cost base without negatively impacting revenue or the success and growth of our brands.

During the quarter, LV1 significantly reduced online spend and improved ROAS. Further initiatives to be implemented in future quarters will include savings related to; software subscriptions, 3PL and shipping.

During the June 2022 quarter, Live Verdure's expenditure included ~$98,000 on employee benefits, ~$779,000 on advertising and marketing expenses, ~$85,000 on research and development expenses, and ~$154,000 on product manufacturing and operating costs. This expenditure is in line with budget expectations.

Additional Information

The table below illustrates the expenditure comparison against the Company's 'Use of Funds' table in the Prospectus dated 26 October 2020:

Use of Funds	Amounted Budgeted in Prospectus	Actual Amount Spent to Date
Expenses of the Offer	$483,000	$514,000
Sales and marketing	$1,280,000	$3,314,000
Raw materials and packaging supplies	$1,175,000	$1,443,000
Administration costs	$1,857,000	$1,932,000
Research and development	$700,000	$403,000
Total	**$5,495,000**	**$7,606,000**

The variances in the sales and marketing, raw materials and packaging supplies and administration costs categories are due to additional investment required to sustain the growth in revenues of the Company.

The amount of $78,000 included in section 6.1 of the accompanying Appendix 4C (payments to related parties) relates to Directors fees and superannuation payments for the June 2022 quarter.

In accordance with conditions to the Listing Rule 1.1 condition 12 waiver in the Company's announcement of 11 December 2020, the Company confirms that 5,000,000 performance rights with a nil exercise price were issued to the Managing Director and Non-executive Chairman. These performance rights remain on issue and have not been converted.

As previously announced, the company achieved three consecutive months with revenues over $150,000 per month during the current quarter. The Company has notified the Managing Director and Non-executive Chairman that the vesting condition on a total of 2,500,000 performance rights has been achieved in accordance with the Company's IPO Prospectus, and the performance rights may be converted. The performance rights have yet to be exercised.

-Ends-

For further information, please contact:

Gernot Abl
Non-Executive Chairman
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This announcement has been authorised for release by the Board of LV1.

About Live Verdure (ASX:LV1)

Live Verdure Ltd (ASX:LV1) ("LV1" or the "Company") is an Australian Direct to Consumer (DtoC) plant-based food, nutraceutical and skincare company that owns fast-growing hemp consumer brands "13 Seeds" and "8 Seeds", with Tasmanian hemp as its hero ingredient.

LV1 is built based on a deep understanding of our consumers' purchasing behaviour, focusing on building long-term relationships where consumers return time and time again to shop for more wellness products.

APPENDIX 4C

QUARTERLY CASH FLOW REPORT FOR ENTITIES SUBJECT TO LISTING RULE 4.7B

Name of Entity

Live Verdure Ltd

ABN	**Quarter ended ("current quarter")**
28 614 347 269	30 June 2022

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	511	1,919
1.2	Payments for		
	(a) research and development	(85)	(315)
	(b) product manufacturing and operating costs	(154)	(1,015)
	(c) advertising and marketing	(779)	(2,786)
	(d) leased assets	-	-
	(e) staff costs	(98)	(362)
	(f) administration and corporate costs	(249)	(786)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	34	149
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(820)**	**(3,196)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) 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)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
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	-	76
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)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**76**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,360	3,658
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(822)	(3,196)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	76
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**538**	**538**

5.	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	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	538	1,360
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**538**	**1,360**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	78
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.

7.	Financing facilities *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.*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

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.

N/A

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(820)
8.2	Cash and cash equivalents at quarter end (item 4.6)	538
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	538
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	0.65

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.

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: Yes, but expenditure on discretionary expenses have been and will continue to be curtailed as needed, dependent on available cash reserves.

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: The Company has undertaken preliminary discussions regarding a potential future capital raising and is confident it can raise sufficient capital as and when required to fund its future operations.

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: Yes, as set out in section 8.6.2.	

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.

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.

29 July 2022

Date: .....

The Board of Directors

Authorised by: .....
(Name of body or officer authorising release – see note 4)

Notes

1. 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.

2. 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.

3. 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.

4. 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".

5. 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.