

PREPD

A\$2.0m Series A Raising

Overview

- PREPD is a range of hydration-enhancing drinks developed by Preserve Health Pty Limited (the **Company**).
- Backed by over 20 years of ground-breaking medical research between Flinders & Yale Universities originally focused on improving medical oral rehydration solutions.
- The research team developed a unique two-step hydration system for athletes using a special resistant starch (RS), proven to boost hydration in the gut.
- After developing the PREPD products to market-ready stage with JV partner Steric Trading (Staminade), a seed round capital raising of >\$500K was closed in June 2018.
- The products were launched in November 2018, are sold in 21 sports specialty retail stores and showed 134% month on month sales growth in Jan 2019.
- The Company is now seeking to raise A\$2.0 million through a Series A funding round (the **Raising**) to accelerate the commercial roll-out of PREPD.
- Pre-money valuation is A\$4.0 million with EOIs due 5th April 2019.

Problem

- Fluid loss of >2% bodyweight during exercise is common in most popular sports lasting for one hour or more.
- >2% dehydration reduces athletic performance by up to 30% affecting endurance output, sprint times, power, reactions, decision making & skill execution.
- Sports drinks have 2 key shortcomings: (i) most have too much sugar, which slows hydration, and (ii) they only use the small intestine, ignoring the significant hydration potential of the large intestine.

Solution

- PREPD is a revolutionary hydration enhancer proven to boost the impact of any sports drink and water, helping athletes perform at their peak longer and recover sooner.
- In 2014, a clinical trial was conducted with AFL players where PREPD demonstrated significantly better hydration compared with leading sports drinks only. Benefits included an 85% lower overall reduction in body weight (fluid) loss.
- PREPD is a two-step hydration system; 1) *PREPD Prime* is consumed 6-18 hours before intense exercise to reduce dehydration for peak performance, and 2) *PREPD Recover* is consumed immediately after

intense exercise to increase rehydration for optimal recovery.

Highlights Since November 2018 Launch

- 134% month on month revenue growth in Jan 2019.
- 21 sports specialty retailers in SA, VIC, NSW & QLD with many averaging >10x unit sales per week.
- Jan 2019 Ecommerce conversion rate: 3.18%.
- Social media engagement rate consistently >10%
- Growing portfolio of elite and rising-star brand ambassadors driven by genuine belief in, and resoundingly positive experiences with the PREPD products including 2016 IRONMAN 70.3 World Champion, Tim Reed.
- Consistently positive feedback from consumers who feel the hydration and performance difference with PREPD after their first use – see Facebook review ratings and ambassador website testimonials.
- Elite sporting clubs using PREPD including AFL & NRL teams, Pro UCI cycling teams, State and National level cricket teams.

Market Opportunity

- Global sports nutrition market was worth \$51bn USD in 2018 with a 10% pa growth rate forecast over the next 5 years.
- Other addressable markets include Defence, mining and emergency services, as well as the health and wellbeing beverage category.

Competitive Landscape

- Global brands Gatorade and Powerade dominate the mass market within the hydration sub-category of the sports nutrition industry.
- Endurance-focused brands, including Endura and SIS are differentiated by subtle formulation variations of electrolytes and carbohydrates.
- No competing sports drink or supplement incorporates the proprietary RS-based formulations and hydration-enhancing benefits of PREPD.

Board and Management

- David Vincent – Managing Director & CEO
- Sinead O'Connell – Chairman
- Ian Brown – Director
- Richard Brownie – Director
- Tim Collin - Advisor



PREPD

Growth Plan

Target Market

- ‘Serious endurance sport enthusiasts’ who train for at least 10 hrs per week.

Distribution Strategy

- Continue to grow the online business within Australia and New Zealand, before selling online in US and EU in 2020.
- Grow the PREPD distribution presence within sports specialty stores, gyms and elite sporting teams within Australia, especially along the eastern seaboard throughout 2019 and 2020.
- Expand domestic sales channels nationally into chemists and nutrition stores in mid-2020, while developing early sales to international sporting teams and building strategic manufacturing and distribution partnerships in the US and Europe to launch in 2021.

Pricing Strategy

- Premium pricing to underpin value proposition.
- RRP: \$7.50 per 350ml ready-to-drink (RTD).
- 50% price premium compared with endurance focused electrolyte drinks (\$4-\$5) and parity with premium protein shakes (\$6.95 - \$7.50).
- Gross wholesale margins >50% with potential for 15-20% cost reduction within 18-24 months with sufficient volumes for production-line automation.

Communication Strategy

- Further optimise digital marketing to drive sales through the PREPD website and online advertising through Facebook, Instagram and Google Adwords.
- Grow our brand ambassador and affiliate network of elite athletes to build awareness, credibility & drive sales.
- Targeted sponsorship, event activations and sampling to build awareness and prompt product trial.
- Conduct additional clinical hydration trials to further increase scientific credibility behind PREPD brand.
- Utilise PR to leverage ambassador performances, sponsorship and hydration trial results.
- Limited use of sales promotions to support retail partners and drive product trial.

Product Strategy

- Launch PREPD powder range in Q2 2019 including added protein in the Recover products.
- Launch 2x new PREPD RTD flavours in Q1 2020.
- Launch probiotic health drink range in Q4 2020.
- Launch PREPD Hydrate (sports drink) in Q2 2021.

Competitive Advantage

- Patent pending formulations in AU, NZ, US and EU (PCT/AU2014/050338) under very favourable worldwide, exclusive, perpetual IP license.

- Unique, strong and differentiated value proposition and brand story.
- Significant domain expertise in RS.
- Strategic manufacturing equity partnership with Steric Trading.

Use of Proceeds

The proceeds of the Raising will be used as follows:

| Item | % of Raising |
|-------------------------------|--------------|
| Sales and Marketing Personnel | 34% |
| Marketing Expenses | 34% |
| Company Overheads | 16% |
| Production | 16% |
| Total | 100% |

Exit Strategy

- Acquisition with global beverage/nutrition company within 3-5 years after achieving minimum >\$10m pa in retail-level sales.
- Potential exit valuation multiplier of 4-5x revenue is expected to be achievable based on exemplar acquisitions and Company’s IP position.
- Potential acquirers include global beverage and sports nutrition companies such as: PepsiCo, Coca-Cola, Keurig Dr. Pepper, Kirin, Hormel, Glanbia & SIS.

Contact Details

Alex Sundich

Bridge Street Capital Partners – Director

P: +61 409 842 171

E: sundich@bridgestreetcapital.com.au

David Vincent

Preserve Health Pty Ltd – CEO and Managing Director

P: +61 417 827 443

E: david@prepdhydration.com.au

W: www.prepdhydration.com.au

“The first time I used PREPD I performed significantly better in my controlled sub maximal cycling tests. I didn’t quite believe the improvement so I retested many times over two months until there could be no doubt whatsoever that the hydration enhancing effects of PREPD are very real and was absolutely improving my performance.”

-Tim Reed (2016 IRONMAN 70.3 World Champion)

