

Stuart Smith Op...: Good afternoon. My name is Stuart Smith, and I will be your operator today. At this time, I would like to welcome you all tonight Foods, business update conference call. All lines have now been placed on mute to prevent any background noise. At this time, I'd like to turn the call over to Tirth Patel. Tirth, please go ahead.

Tirth Patel: Thank you. And good afternoon everyone. This is Tirth Patel with LHA Investor Relations. Welcome to Nightfood September, 2021 business updates conference call. Prepared remarks will be followed by a question and answer session. During this call, management we'll be making forward-looking statements regarding Nightfood's expectations and projections about future events. Generally forward looking statements can be identified by terminology such as expect, anticipates, believes, or other similar expressions. These statements are based on current expectations and are subject to a number of risks and uncertainties, including those set forth in the company's periodic filings with the Securities and Exchange Commission. No overlooking statements can be guaranteed and actual results may differ materially from such statement. In particular, there is significant uncertainty about the duration and contemplated impact of the COVID-19 pandemic. This means results could change at any time and the contemplated impact of COVID-19 on Nightfood's operations, financial results, and outlook is the best estimate based on the information for today's discussion.

I also caution that the content of this conference call is accurate only as of the date of this broadcast September 8th, 2021. Nightfood undertakes no obligation to revise or update comments made during this call, except as required by law. With that said, I'd like to turn the call over to Sean Folkson Nightfood's chairman and chief executive officer. Sean.

Sean Folkson: Thank you, sir. And thank you to our shareholders, listeners, and participants for joining today's Nightfood business update conference call. On today's call, we'll be providing an update on our commercial progress, strategic initiatives including the successful hotel test, what it means for our direction over the next 18 months, and a review of activities from the most recent fiscal year and its highs and lows. I'm happy to be joined on today's call by Jill Rigsbee, founder and CEO of Ideal Hospitality Group. Jill is going to be sharing her thoughts on Nightfood in the hotel vertical and will also be available to answer questions during the Q and A. On our last call, I said that 2021 would be a transformative year. The news release this morning is expected to be transformational to our company and transformational also to the night snack category. It's a big vision to pioneer what projects to be a billion dollar segment of the snack market, delivering sleep friendly snacks at a time when unhealthy snacking is so prevalent and food quality is really a bigger problem now than ever night.

Nightfood is not just an ice cream company, it's not just a snack company. We're pioneering change on a massive scale, potentially altering the landscape of the snack industry and things will not always go in a straight line. As you listen to this call, hopefully you'll appreciate the impact hotel distribution is expected to have not just on sales and profits, but on the category itself and in direct support of our supermarket business, which can elevate us from a middle of the

road player into a top seller. Before I discuss the hotel news, I want to touch on supermarkets. In April, Walmart brought Nightfood's into over 1000 of their stores. We're learning, we're optimizing, we're identifying our top performing flavors and geographies and seeing what's working best and what's not working as well to identify the adjustments that we should make or that we're going to recommend for next year.

One of our supermarkets, Harris Teeter will be rotating us out of distribution for 2022. We look forward to re-establishing a relationship with them down the road. We're also happy to report that Nightfood is growing in same store unit sales and same store dollar sales in our other major accounts. And while the category as a whole is down significantly compared to the 2020 COVID spike, our growth which seems modest at 6% has us outperforming the category which is down over 12%, has us outperforming the category by almost 20% in those stores over the last 26 weeks. Launching consumer products, there's a tremendous amount of experimentation and optimization and not everything we test is going to work. Most importantly, we're listening to our consumers. We're working with our partners to continually grow and optimize. After the big Q4 Walmart load in we project lower Q1 revenues as is common when launching into a new retailer, there's no new supermarket chains coming on board at this time of year and in this present quarter to bring about the kind of revenue spike that we've discussed in prior quarters when big chains were added.

We continue to fulfill Walmart orders on a regular basis. And we're excited about the new supermarket chains we expect to be adding in early 2022. There's been tremendous enthusiasm surrounding the hotel test and its potential impact on the company. In fact, the category managers we've been meeting with, supermarket category managers, are excited about having Nightfood at retail with potentially thousands of hotels supporting that distribution. We believe that people in the industry understand the power of leveraging this kind of non-traditional distribution into mainstream supermarket sell-through success. Two of the very prominent successful consumer brands over the last few years were built on this kind of nontraditional distribution. Oatly, which used coffee shop distribution as the foundational component for supermarket launches in markets around the world.

And our X-bar of course did the same thing with gyms and CrossFit facilities. And we believe Nightfood can do the same thing in hotels. It's a proven game plan that's capable of driving strong supermarket sales velocities. And most importantly, we expect hotel distribution to accelerate the category. We're happy to announce the test results from the hotel exceeded our expectations. And based on the strong test sales, the chain has now confirmed their decision to launch Nightfood into their lobby shop freezers with an expected start of fourth quarter of 2021 or first quarter of 2022. And we expect this to lead to distribution in several of their largest banners, which represents several thousand properties. Without the COVID 19 Delta variant, I'm pretty sure we'd have already launched. The distribution paperwork though has already been completed with Vistar so the rollout can be quick once the updated timeline is finalized.

We're already talking to other hotels on the heels of this confirmation, and it is possible that another brand or chain could actually launch Nightfood before or at the same time as the testing chain of we're expecting a lot of onboarding activity coming here in the next few months. Hyper adoption like this happens frequently in the hotel industry. New innovations very quickly become standard and brand standards because of intense competition. Hotel rooms didn't always have hairdryers, irons, upgraded beds, coffee makers, this kind of change can happen fast. And we expect the same thing to happen with snacking. We believe this first chain is the first domino and that Nightfood will be in multiple additional chains over the next two quarters. Launching, operating, and scaling in hotels projects to be much less expensive and much more cash efficient than supermarkets.

There's no slotting fees. There's no ad spend and there's no need to run price discounts. And for a growing brand, these are three of the biggest line items that challenge and delay profitability. And doing business without any of those line items that's why the hotel vertical can be so much more profitable and cash efficient than supermarkets. As we mentioned in the mornings release, I think people will be surprised that we project to sell as many pints weekly in a single hotel as we would in a single supermarket location. Of course a supermarket sells much more ice cream every week than a hotel does, but in supermarkets Nightfood might only have three or four skews out of four or 500 on the shelf. So we may account for 1% or less of their total ice cream sales. Whereas in hotels, the entire assortment would typically contain just a handful of pint skews.

And based on the test results, we anticipate accounting for 50% or more of the total hotel ice cream pint volume and that really adds up when you're running projections for thousands of locations. And for consumers in countering Nightfood in thousands of hotels, we believe will serve as a defacto endorsement by the hotel industry, which would accelerate credibility both for the brand and more importantly for the entire concept of sleep friendly snacks in the night snack category. So effectively our thousands of hotel placements can serve as profit generating paid sampling and marketing stations across the country, generating both awareness and trial. And we expect this to provide the foundational support for more efficient and more effective supermarket expansion than we've been able to achieve to date and really than we'd ever likely be able to achieve without that kind of hotel support. As we continue to experiment and find our footing in supermarkets, we have a product that has a grown track record now of strong sales and hotels, going back to our limited hotel distribution pre COVID.

So my competence in the success of this hotel rollout is based on more than hope or wishful thinking or just my vision of the future. It's grounded in the sales results that we've seen in the past and now during this test. And to help us navigate and quickly expand within this high growth, high margin hotel vertical we've engaged as we announced today, Ideal Hospitality Partners Group led by hospitality industry veteran, Jill Rigsbee who's on the call with me today. Ideal focuses on introducing and scaling innovative hospitality related products within the hotel and hospitality market. So I'd like to turn the call over now to Jill so she

can expand upon the idea of partnership, how we intend to leverage the hotel pilot results to forge partnerships with additional hotel chains, and to rapidly expand national distribution of Nightfood snacks. Jill.

Jill Dean Rigsb...:

Thank you for that introduction, Sean. I'm glad to be here on today's conference call with you and we're very proud to be working with Nightfood. We feel like you have one of the most compelling and fitting products we've seen for the hospitality industry. Ideal is ultra selective about the companies we represent and we actually turn away more business than we take on because our client's products should be profoundly innovative while having a rational, clear, and demonstrated means for commercial viability. We only introduce products and services that are designed to make the hotels business better. We've had many food and beverage companies approach us about getting into lobby shops, but Nightfood stood out because there's a unique problem in hotels that no brand other than Nightfood solves. I'll never forget when I first spoke to Sean, he said, "Hotels spend billions of dollars on sleep but retail grab and go only have sleep disruptor snacks available." He's right.

We know what hotels need and want as they continue to innovate in providing better guest experiences because everyone here at Ideal Hospitality Partners Group have been in the hospitality business for decades. Nobody in our group has less than 15 years of experience in hotels. We help innovative suppliers, like Nightfood through our decades of well-maintained relationships at the owner, group purchasing, GPO, franchise, and corporate level. It is important to know who makes the decisions and we know them at all levels. Our team operates down two highways. One team does sales directly with hotels and management companies and the other team directly with GPO's and hotel brands. When a partner has an innovative product like Nightfood, we want to secure a partnership at the hotel brand level and establish a standard that can be adopted and implemented from the top down like Sean has already done with one of our partners.

Once the first chain puts Nightfood in we believe it will set the standard in the industry. It's our job to make sure all the other chains fall in line and help Nightfood manage that growth. Nightfood's longterm vision is to secure placement in all of the estimated 20,000 hotels in the United States, which sells snacks in lobby retail shops. At Ideal, our mid range goal is to have the brand in over 7,500 hotels by July of next year. We think that's a perfectly reasonable goal based on where we're at with the testing brand and based on our ongoing conversations with other decision makers in the space.

It sounds ambitious and it is, but we've seen both the internal and external forecast, we love the product, and we're confident the need exists. We see the need for hotels to extend their sleep efforts outside of the guest rooms and into the lobby shop and the need for hotel brands to keep up with the competition when innovation like this sweeps over the industry. With that, I'll turn it back over to you Sean. I would also like to add that I'll remain on the call to help answer any questions during the Q and A. Thank you. Sean.

Sean Folkson: Thank you, Jill. So sharing the results of our hotel tests and providing clarity on this potential is the primary theme of today's business update call. Again, we believe it marks a point of transformation for us, but before we move on to Q and A, I'd like to remind everyone of some of the major accomplishments that we've attained so far in 2021. We established a highly credentialed board of directors, including venture capitalist Nisa Amoils, Dr. Thanuja Hamilton, a nationally recognized physician and authority in sleep medicine, and Tom Morse, the original co-founder of five-hour energy. We also strengthened our balance sheet with a refinancing back in April, which allowed us to eliminate all corporate debt and the vast majority of our payables. We secured distribution of course in Walmart and we're coming off our successful hotel test, and we now have a path to national hotel distribution.

We also completed our biggest sales year to date. We're still working through the annual audit review for the fiscal year, ended June 30th, 2021 with our annual report on form 10K to be filed in the coming weeks. This information I'm about to reveal was also in the news release that went out this morning. Initial unaudited reports show sales of Nightfood exceeded 360,000 pints of ice cream in the 12 month and the June 30th, 2021, which is up from 262,574 for the previous year. That's an increase of over 37%. Gross sales are expected to be over 1.1 million, an increase of approximately 25% from the previous year. And net revenue is expected to exceed 600,000 an increase of approximately 150% from fiscal 2020. I'm extremely proud of what we've been able to accomplish here in 2021 already. And I'm even more excited about what widespread hotel distribution would mean for the future of our brand and again, the future of the category. And so with that update, let's jump into the question and answer portion of the call and I turn it back over to Tirth.

Tirth Patel: Okay, great. Thank you, Sean. The first question today comes from David, "How are sales in Walmart going?"

Sean Folkson: So we're seeing good results in certain flavors in certain states. Some regions and flavors are performing below average. When Walmart originally suggested testing the pickle flavor in their store, we agreed after considering the high level of curiosity interaction it was getting in our online ads. At the time, we weren't counting on it to be a repeat seller, a big repeat seller, but we were counting on it to drive curiosity and attention to our other flavors. Having it as our most widely distributed flavor and to have three or fewer flavors in 70% of our distribution points with pickle being one of them which is a surprise to us, we would have started things differently. But that's how Walmart wanted to start with the brand and learn from there. So this is kind of part of the learning process that I was speaking about earlier and knowing that not everything is going to work when you're trying to do something that's never been done.

We learn, we communicate, we optimize. We've been introduced in a few new Walmart stores in the last couple of months. We've been taken out of others. We're now in just the low 1000 stores. When we originally launched, we were just above 1000. What we're seeing is the cookies and dreams is doing well as expected, that's our best seller. Bed and breakfast is a nice surprise. I think

California and Florida are our strongest state. The feedback we're hearing from consumers, we survey a lot of consumers, is that they would buy more frequently if more traditional flavors were available in Walmart, such as chocolate, vanilla, and cookie dough. So we're pushing to get five or six of our top flavors into Walmart, even if it means trading off for a lower store count. Let's get some geographic focus, nail the flavor mix, and build from there for greater expansion in 2023.

Tirth Patel: Thanks, Sean. Our next question comes from Steven, who writes, "I still can't get Nightfood anywhere within 300 miles. When can we expect more supermarket distribution? And what stores are you talking to?"

Sean Folkson: Yeah, we're talking to many chains, regional and national. We definitely expect some great new supermarket partner to have us on the shelf for their spring resets. Can't name names of who we're talking to, but hopefully we'll be near you Stephen. And if we're not in a supermarket, hopefully soon, they'll be plenty of hotel distribution near you. So you can get it that way as well.

Tirth Patel: This question came in from Pat who asks, "Are you already talking to other chains in addition to the testing chain? If so, how is the product being received so far?"

Sean Folkson: Yeah. I'm directly involved in those discussions. I do get updates from time to time from Jill and the team, but I'll ask her to answer this one herself.

Jill Dean Rigsb...: Sure. We are definitely speaking to other chain and GPO's. They both do go hand in hand. And GPO is a group purchasing organization, which manages the contracts and sales for manufacturers and distributors through the chain of hospitality. So we have some very significant discussions going on. Again, I can't name who those are with, but so far very favorable discussions that are leading to second meetings and so forth in the coming weeks.

Tirth Patel: Thank you, Jill. The next question comes from Amanda, who writes, "Congratulations on building the board. I know there was talk of uplisting to the New York Stock Exchange or NASDAQ. Can you provide an update on that?"

Sean Folkson: Yeah, we're working diligently and preparing the company to qualify for a credit exchange, including building the board was a part of that, strengthening the balance sheet, and growing operations. An uplist is definitely something we're looking forward to achieving at the appropriate time. And we expect, and our shareholders can expect us to continue to take concrete steps in that direction.

Tirth Patel: Our next question is from John. He asks, "You've mentioned other snack products a couple of times recently, what's next?"

Sean Folkson: Well, we certainly always plan to be more than a one product company, one format, which being the ice cream pints. And I've been speaking about this for years. And that's not really possible, or even advisable for a brand this young to try to do in supermarkets for many reasons, multiple lines of slotting, and managing different relationships, and having to drive consumer foot traffic into

different parts of the store. But expanding to other formats makes perfect sense in hotels, it's a different environment. We know that not everybody walking into that hotel lobby shop is looking for ice cream. In fact, I would argue that most people probably are not. So being able to capture hotel snack revenue from the people that are in there looking for whatever, cookies, chips, candy, that revenue and those sales would be complimentary and incremental resulting in potentially significantly higher revenue per property per day for Nightfood. So having additional snack formats in the hotel lobby would both strengthen the brand and accelerate the growth of the category. And that's something that we're working on.

Tirth Patel: The next question comes from Jeff, who writes, "I had a question about the article about the category on Friday on just food. It seems like there were some mixed opinions. How do you respond to the people who think foods for sleep category will develop slowly and remain small?"

Sean Folkson: Yeah, so the author that wrote that article has interviewed me in the past. And he reached out and got comments from Nestle, I think Unilever, and Pepsi for that article as well as my comments so that puts us in some pretty good company. Obviously those companies seem to think there's something important going on where we are. I think the article touched on my conviction pretty clearly as I guess every conversation I have does. But we'll post the link again. We'll post the link in our telegram group and we'll see if we can get one in this transcript and on my LinkedIn profile so everybody can read it. But there was one person quoted in the article who was actually the least bullish on the category and he referred to the products... It basically said something like if sleep friendly, snacking is going to catch on the product needs to make sense to the consumer and that he believes that the category would grow very slowly without making sense and without that context.

And actually, I think he was a hundred percent correct. And that's part of what we've been wrestling with in the supermarket. Does the idea of ice cream before bed for people that are going to snack at night that can help support better sleep, does that really jive? But the hotel rollout would really fix that problem because again, sleep friendly snacks in the context of that hotel lobby shop I think that just makes perfect sense for the consumer. Consumers will understand it and then they can take that understanding and that acceptance of the premise of the category and bring that with them to the supermarket when they get back from their trip.

And with that, the category can emerge more quickly. Maybe it'll come around seemingly overnight and seemingly out of nowhere. We've seen it happen with other categories before Greek yogurt, energy shots, coconut water. And in those situations, I think all the hard work behind the scenes, all the ups and downs in case over the last five years or so, that all becomes invisible to most people when you have that kind of overnight success and that's okay. But that's the power that I think that this hotel deal can bring for us.

Tirth Patel: Thanks, Sean. That was the last question. Did you have any closing remarks today?

Sean Folkson: Absolutely. So I believe that hotel distribution is going to change the way that we compete and the way we grow, as I just mentioned. Nestle and Unilever and Pepsi and others, they're paying attention to the category. I think everybody sees the potential here. We know that Nightfood sells in the hotel environment. We expected that going in. The test confirmed it, an independent test with one of the largest hotel chains in the world. And having seen their post-test forecast, has me confident in what this company can look like in 2022 and beyond. And now that we're preparing to launch into our first major hotel chain, I want to lay out the simple 18 month roadmap for everybody. First roll into hotels. It's inexpensive and cash efficient to expand there compared to supermarket. Placement seems to immediately equal sell-through.

So we intend to be adding hotels hopefully by the thousands between now and June 30th at the end of our fiscal year, June 30th, 2021. Second, want to work with our supermarket partners to continue to explore, experiment, and optimize within that vertical learning how best to leverage the hotel placements that we expect to be coming to drive supermarket sales growth. And then third, we want to build a sales team and prepare for a major supermarket push that would start in mid 2022. And we believe that that is the next wave of supermarket expansion, which would be coming from a position of strength, a position of much broader consumer demand and consumer awareness, which will be based on and build on our hotel presence. It's a simple, straightforward plan to continue the transformation, grow the night snack category to its full potential in the coming years with of course Nightfood leading the way.

And with that, I want to say thank you to Stuart. Thank you Tirth. Thank you, Jill, for all that you are doing for us. And I'd like to thank everybody, listening for their attention and for their participation. And I want to wish everybody a great evening.

Stuart Smith Op...: [inaudible 00:19:59].