ASX CCO | 18th OCTOBER 2026

The Calmer Co initiation report

The Calmer Co is building a broader kava business through supermarket distribution, more accessible product formats and international ingredients supply. Recent developments strengthen the case for an investment as the company moves from establishing channels towards increasing sales through them. If consumer adoption, repeat orders and production volumes develop together, CCO could become a larger, more diversified business with greater capacity to cover its operating costs.



FZZR promotional image; Fiji Kava 50g instant powder; company sourcing photograph. Image credits: CCO, Fiji Kava

Australian demand is building ahead of the FZZR launch. Coles has placed its initial order for the Piña Colada 10-pack, with ranging across 583 stores and rollout started in October. Sales of the established range increased 27% at Coles and 33% at Woolworths in the September quarter compared with June, excluding FZZR. This gives the new product a stronger starting point than a launch into an untested retail relationship, while leaving the next stage of growth dependent on customer trial and replenishment.

International growth can come through both consumer brands and ingredients. US retail development provides a route beyond online customers, while supplying other beverage and wellness businesses allows CCO to participate in their product sales. These activities could reinforce each other through brand awareness, greater purchasing volumes and more consistent demand for kava inputs, although each channel must demonstrate attractive economics in its own right. The opportunity is to combine these routes to growth while keeping production and working capital aligned with actual orders.

The investment case is increasingly about converting market access into earnings. Higher volumes could improve utilisation and support a broader revenue base, with margin recovery providing an additional benefit if pricing, product mix and processing efficiency improve. The following analysis expands the Australian and international opportunities, uses audited FY26 results as its financial base and shows what selected growth scenarios could mean for gross profit. The view is constructive and speculative, with no new formal price target adopted.

AUSTRALIA AND SUPERMARKET EXPANSION

Australian growth through distribution and repeat demand

Australia provides CCO with an established platform for product expansion, because Fiji Kava already has broad ranging across Coles and Woolworths. The commercial opportunity now extends beyond adding outlets to increasing the sales generated by each existing retail relationship. If more shoppers become familiar with the brand and purchase regularly, higher sales per store could create a more valuable business without requiring a proportionate expansion of the distribution network.

October 2026 announced ranging	Stores	Network
Coles FZZR Piña Colada 10-pack	583	66%
Coles root powder 150g	837	94%
Coles noble root powder 50g	788	89%
Woolworths noble root powder 50g	1,006	90%

Counts relate to each product and overlap across stores; they are not additive unique outlets.

The latest announcement provides several encouraging signs that the existing range is gaining traction. Coles has increased the 150g product's distribution from 815 to 837 stores and the 50g product from 761 to 788, while Woolworths now ranges the 50g product in 1,006 stores. Management reports that Woolworths sales have increased in every quarter since the national launch in June 2025, with September 2026 the strongest month since that launch. These trends are consistent with a business building both availability and consumer awareness, although the disclosed growth is not a same-store sales measure.

The September-quarter increases of 27% at Coles and 33% at Woolworths are particularly relevant because they occurred before FZZR's contribution. Australian retail revenue grew 30% in FY26 and represented 45% of group revenue in the June quarter, giving the channel an increasingly important role in group performance. If momentum continues, the established powders could provide a recurring base of demand while FZZR adds a new opportunity for growth, rather than requiring the new product to carry the entire expansion case.

How stronger retail demand could benefit the business

More consistent replenishment could help CCO plan inventory and production with greater confidence, reducing the uncertainty associated with large initial range-fill orders. If sales grow while product availability remains reliable, the company may also be in a stronger position to discuss additional formats, promotional activity and future range reviews with retailers. These benefits would become more valuable if the extra gross profit exceeds the cost of retailer support, distribution and any promotional discounts.

The national footprint also gives successful product innovation an efficient route to consumers. Once a product demonstrates repeat purchasing in an existing retailer, CCO has evidence it can use in discussions with other channels and overseas partners. That creates a possible progression from Australian trial to repeat demand and then broader distribution, with each stage providing more information about the product's appeal and economics before further capital is committed.

NEW FORMATS AND INTERNATIONAL RETAIL

Product innovation and the US consumer opportunity

FZZR broadens the ways consumers can engage with kava by combining a Piña Colada flavour with an effervescent format that can be dissolved in water, taken directly or chewed. Alongside the familiar powder range, it gives CCO a product proposition built around convenience, portability and flavour. The company describes it as a listed complementary medicine on the ARTG, while the investor opportunity rests on whether those product features translate into consumer trial and repeat purchasing.

If FZZR attracts shoppers who would not otherwise buy traditional powders, it could expand the brand's customer base rather than simply shift purchases between existing products. Retail exposure could also introduce consumers to the wider Fiji Kava range, creating opportunities for repeat customers to choose different formats or pack sizes according to their preferences. Further flavours or formats would represent possible extensions of the platform, rather than launches assumed in the current financial analysis.

The announced 583 store Coles range gives relatively modest sales per store the potential to become meaningful volume. At an illustrative three packs per store each week, annualised volume would be 90,948 packs; at five packs, it would be 151,580. These examples assume a full year of availability across all ranged stores and are not forecasts or guidance. Revenue would depend on CCO's realised net price, while the earnings contribution would also reflect product costs, promotions, returns and any substitution away from existing products.

Building on an established US online business

The US strategy starts with products already available to online customers, including instant and traditional powders, capsules and multiple pack sizes. Fiji Kava's US website offers instant powder in 50g, 150g, 250g and 500g formats and describes local fulfilment from Portland, Oregon, providing a practical base from which the company can serve different customer preferences. If shoppers remain with the brand as their purchasing habits develop, that breadth could support repeat orders and customer value, although no increase in retention or average order size is assumed here.

CCO has appointed VDriven to support expansion into US natural, organic and specialty retail, while management's June update estimated approximately 10% of Amazon USA's kava category from internal analysis. That estimate is specific to Amazon, rather than the total US market, but it gives the company an existing online track record to present in retailer discussions. The next opportunity is to translate that presence into named store listings and repeat consumer sales, with launch timing and retailer commitments still to be demonstrated.

If physical retail entry succeeds, CCO could reach consumers who do not currently find its products online and build awareness through more frequent exposure to the brand. Online and store based channels could then support each other through product discovery, customer reviews and repeat purchasing. The positive financial outcome would depend on incremental gross profit exceeding broker, distributor, fulfilment and promotional costs, so a measured rollout with evidence of repeat demand could be more valuable than store numbers alone.

WHOLESALE DISTRIBUTION AND MANUFACTURING

International ingredients and a broader product platform

The ingredients strategy gives CCO another way to participate in international kava demand, supplying other brands rather than relying solely on its own finished products. Customers may incorporate extracts into beverages, supplements and other wellness formats, allowing their distribution and marketing activity to support demand for CCO's ingredients. If these relationships become recurring sources of orders, the company could build a more diversified business with different sales drivers from its supermarket and e-commerce channels.

The August agreement grants a multinational distributor exclusive rights across Australia, New Zealand, the United States, Canada and ASEAN markets. Retaining exclusivity requires purchases of approximately A$25 million over the initial three years, including A$5.5 million in the first agreement year. These thresholds create a substantial opportunity if converted into deliveries, but they remain tied to exclusivity and should not be treated as unconditional sales guarantees. The first agreement year also differs from FY27, making actual shipment timing important when assessing annual revenue.

The separate February US beverage agreement covers CO2 extracted kava over 24 months, with expected sales of about A$2 million annually and a disclosed minimum commitment of A$1.582 million across the full term. The customer does not have a quarterly minimum purchase requirement, despite stipulated inventory arrangements, and must purchase any commitment shortfall by the end of the term. If orders become regular, they could improve production visibility; until schedules are clearer, the February expectations and August thresholds should not simply be added together as incremental revenue.

How international orders could support operating scale

Recurring ingredients demand could support longer production runs, more planned raw material purchases and better utilisation of processing capacity. If these efficiencies reduce unit costs while selling prices remain attractive, a greater proportion of additional revenue could become gross profit. The resulting cash benefit would depend on payment timing and the inventory required to fulfil orders, so the strongest outcome would combine larger sales volumes with disciplined delivery schedules and collection of customer payments.

IPW describes reserved supply of 10 tonnes of noble kava each month from Papua New Guinea and Vanuatu, without a minimum purchase obligation for CCO. That access could support a larger order book while allowing purchases to follow demand, and the cited A$8.65 million annual supply value relates to potential inputs rather than customer revenue. Geographic sourcing diversity may also improve flexibility if availability varies between origins, provided consistency, traceability and customer specifications are maintained.

The Kaiming manufacturing framework adds potential processing capacity for kava, ginger and turmeric extracts, providing a possible route into a wider botanical product offering. If implementation milestones are completed, CCO could access partner-supported production while retaining its focus on brands, formulations, raw material procurement and commercial relationships. Ginger and turmeric therefore represent additional product opportunities rather than revenue assumed in this report, with the financial benefit dependent on customer demand, definitive arrangements, commissioning and acceptable conversion costs.

CAPITAL AND FINANCIAL POSITION

Funding growth and strengthening the operating base

Funding has a direct commercial role in CCO's development because larger retail and ingredients orders require raw materials, processing and inventory before all customer receipts arrive. If the company secures sufficient usable capital and matches purchasing to delivery schedules, it could fulfil orders more reliably and reduce the risk of losing sales through stock shortages. That would allow management to concentrate on execution while giving retailers and wholesale customers greater confidence in continuity of supply.

The September entitlement-offer outcome was reported at A$1.818 million before costs, including approximately A$1.241 million of entitlements and A$0.577 million of shortfall applications. Directors intended to continue placing the remaining shortfall over three months, while noteholder participation of A$365,000 reduced the relevant outstanding notes to A$1.035 million. These figures do not establish the amount of new cash available for growth, which depends on note offsets, fees and repayments, and the remaining shortfall has not been verified as closed.

Audited position at 30 June 2026	A$m
Cash	0.669
Borrowings excluding leases	3.026
Current liabilities less current assets	1.150
Net liabilities	0.451

Historical balances precede subsequent capital actions and are not an October cash snapshot. The annual report discloses a 31 December 2026 contractual maturity for the secured notes.

If further placements provide sufficient working capital after debt requirements are addressed, the positive effect could be both operational and financial. CCO would have more capacity to purchase against confirmed demand, support product launches and manage the interval between production and customer payment. Demonstrating that funding is translating into delivered orders and cash receipts could also improve investor confidence, particularly if the business reduces its reliance on repeated capital raisings over time.

The role of the proposed share consolidation

Management's intention, as relayed to Vestra, is to close the rights issue shortfall before proceeding with a share consolidation. A public ratio, approval and timetable have not been verified, so the proposal is treated as an intention rather than a completed corporate action. If implemented, consolidation would reduce the share count and increase the equivalent price per share, with proportional ownership broadly unchanged before rounding or other capital changes.

Its relevance to the investment case would be stronger if it accompanied sufficient funding and improving business performance. A consolidated share structure could change trading characteristics, but the lasting benefit to shareholders would come from better earnings prospects, more dependable cash generation and an appropriate financing mix. The opportunity is therefore to strengthen the operating business alongside any capital restructuring, giving investors a clearer basis on which to assess its progress.

AUDITED RESULTS AND ILLUSTRATIVE SCENARIOS

How product growth could translate into earnings

The audited FY26 result provides the appropriate base for assessing the next stage of growth. Revenue reached A$8.116 million and operating cash outflow reduced by approximately 32.8% to A$2.937 million, while gross margin was 35.3%. The business therefore has scope to benefit from both higher sales and improved profitability per dollar of revenue, with the latter depending on product mix, pricing, procurement and processing economics.

Audited metric	FY25	FY26
Revenue / A$m	8.035	8.116
Gross profit / A$m	3.414	2.866
Gross margin	42.5%	35.3%
Net loss / A$m	(3.992)	(3.808)
Operating cash flow / A$m	(4.370)	(2.937)

Gross margins are calculated from audited gross profit and revenue; parentheses show losses or cash outflows. These results supersede the preliminary FY26 estimates in IPW's August research.

If supermarket replenishment, FZZR adoption and ingredients deliveries lift revenue, CCO could spread parts of its existing operating cost base across more sales. If product margins also recover, gross profit could grow more quickly than revenue and provide greater capacity to cover employment, marketing, corporate and financing costs. The examples below illustrate the financial relationship without assigning probabilities or a delivery year to the outcomes.

Illustrative annual outcome	Revenue	Margin	Gross profit	Extra vs FY26
Sales growth and margin recovery	A$10.0m	40%	A$4.00m	A$1.13m
Greater scale at the same margin	A$13.0m	40%	A$5.20m	A$2.33m
Greater scale and further recovery	A$13.0m	45%	A$5.85m	A$2.98m

For example, A$13 million of annual revenue at a 40% gross margin would generate approximately A$2.33 million more gross profit than FY26. If operating expenses increased more slowly than that gross-profit gain, losses could narrow materially and the business could move closer to operating profitability. These are sensitivities rather than guidance or net-profit forecasts, because overheads, financing, taxes and working-capital movements would still determine the final earnings and cash result.

IPW's historical base case projected revenue of A$13 million in FY27, A$21 million in FY28 and A$31 million in FY29, with positive operating cash flow from FY28. Those forecasts have not been refreshed for this report, and their margin and financing assumptions require reassessment against the audited base. Their usefulness is to illustrate the scale of the earlier growth thesis, while the scenarios above show that useful progress can be examined without assuming IPW's entire forecast path is delivered.

VALUATION PERSPECTIVE AND DISCLOSURES

Investment outlook and milestones for shareholders

The case for investment improves in CCO as the following opportunities mature into 2027. Successful FZZR adoption could expand the Australian customer base, stronger US distribution could broaden demand, ingredients orders could improve the use of the sourcing and manufacturing network and production capacity growth in the Fiji processing plant. If these developments produce repeat business at attractive margins, the company could build a more dependable revenue base and move closer to funding a greater proportion of growth from its own cash generation.

IPW's August research valued the shares at A$0.0028 in its base case and A$0.0045 in its bull case, equivalent to 0.28 cents and 0.45 cents before any consolidation. It used a 50:50 blend of discounted cash flow and comparable company analysis, with an 18% cost of capital, 3% terminal growth and about 7.274 billion pro forma shares, including assumed financing. These remain historical values rather than a new target, because the audited results and final funding outcome change the basis on which future earnings and per share value should be assessed.

The most useful milestones are repeat FZZR orders, named US retail commitments, ingredients deliveries and a clearer picture of cash after capital actions. If those milestones demonstrate that distribution is converting into profitable sales, investors may gain greater confidence in the durability of earnings and apply a smaller discount for execution and financing risk. The constructive investment view is therefore tied to measurable commercial progress, with the potential benefit coming from a stronger business rather than a change in share structure alone.

While CCO remains loss making as it invests in growth, consumer interest in kava based beverages and their appeal as functional alternatives to alcohol provide an encouraging opportunity. If broader distribution and product awareness translate into repeat purchases and higher sales volumes, supported by improving margins and disciplined cost management, CCO could move closer to sustainable profitability. Successful execution across these priorities, alongside sufficient working capital, could strengthen the quality and resilience of the business and build shareholder confidence over time.