

ASX Announcement
30 July 2020



WNB Q4 FY20 APPENDIX 4C & COMMENTARY

Highlights:

- **Positive operating cashflow in challenging COVID-19 trading environment (Q4'20: positive cashflow of \$0.27M vs Q3'20 negative cashflows of \$2.125M)**
- **Human resource restructure and operational expenditure savings deliver significant cost reductions**
- **Strengthened balance sheet with \$1.5M cash equity raising, the conversion of \$1.4M convertible notes, and a 16-month extension of \$1.6M of convertible notes with redemption date now October 2021**
- **MICRO19 JV license agreement established - with strong future sales pipeline**
- **Immersion Clinical Spa network closed in COVID impacted environment. Options to extract value being explored**
- **New sales channels and expanding distribution support growth in FY21**
 - Jbronze to be sold in 800 Coles stores from mid-August. Forecast annualised FY21 sales of \$2M+
 - \$1.7M in purchase orders for ELLE & MICRO19 ranges in Asia via new distributor

MELBOURNE: 30 July 2020: Wellness and Beauty Solutions Limited (ASX: WNB) ("WNB" or "the Company") provides the following notes to its Appendix 4C Quarterly Cash Flow report for the fourth quarter of the 2020 financial year (Q4'20).

- **Positive operating cash flow in challenging COVID-19 trading environment**

Cash receipts for Q4'20 were \$1.917M (\$3.06M in Q3' 20) with lower receipts across WNB's products division and services division.

While sales from The Giving Brands Company (GBCo) were adversely affected by the impact of COVID-19 on lifestyle products and the difficult retail environment, WNB launched its proprietary hand sanitiser and room spray brand MICRO19 in March 2020. WNB established a 50/50 JV with strategic partners to facilitate the manufacture of MICRO19 in Australia, while WNB provided the management and distribution services. First cash receipts were received for MICRO19, and the company is confident of sustained contribution in the future as consumers embrace the 'new normal' of personal hygiene.

True Solutions Australia and the Immersion Clinical Spa network were impacted by COVID-related restrictions on their customers and clinics respectively during the period. The clinic network was closed accordingly which materially reduced the cash outgoings of the group.

Net operating positive cashflows for Q4'20 were \$0.3M, a significant improvement on the previous quarter (Q3'20: negative cashflows of \$2.1M) due to cost reductions during the quarter.

Payments noted in Section 6 of the accompanying Appendix 4C relate to Director's fees and salaries for the quarter.

- **Lower cost operational model**

As advised in Q3'20 WNB's Board has implemented a program focussed on cost reduction and efficiencies across the Company. In Q4'20 operating cash outflows were \$1.6M, a significant reduction from Q3'20 comparable operating cash outflows were \$5.2M.

Significant savings were generated across all areas of the business most significantly in the areas of production, personnel, marketing and professional services. A management focus on optimal levels of production occurred in prior quarters to ensure appropriate inventory levels are maintained – it is expected production levels will increase in Q1 FY21 to respond to purchase orders. In addition, personnel cost savings were achieved due to the consolidation of some aspects of the GBCo and True Solutions businesses as well as the Federal Government's *JobKeeper* program. The Company continues to address cost savings, which are inclusive of its plans to consolidate marketing, digital and online retail channels. This will allow for direct selling through B2C and B2B, thereby improving profitability at a gross profit level.

- **Strengthened balance sheet with \$1.5M capital raising & varying of convertible note terms and conversions:**

During Q4'20 WNB undertook a \$1.3M placement to institutional and sophisticated investors and raised a further \$0.2M via a Share Purchase Plan (Capital Raising). An additional 191M fully paid ordinary shares (Shares) were issued through the Capital Raising with an issue price of \$0.008 (0.8 cents) per share.

On 27 April 2020, the Company announced that it had entered into a Deed of Variation and Conversion with holders of unlisted convertible notes (Notes) for the conversion of the outstanding liabilities to Shares. A total of 1,405,000 Notes were converted to 93.67M Shares with an additional 2.25M Shares issued to settle accrued interest amounts on the Notes.

On 9 June 2020, the Company announced that it had entered into a Deed of Variation (Deed) with the majority of remaining holders of Notes to extend the term of the Notes from June 2020 to 15 October 2021 (principal value \$1.6M). In accordance with the Deed, WNB will redeem 10% of the Notes every quarter, beginning 15 October 2020 until the final redemption date.

The Capital Raising and variation of Convertible Note terms were important steps for WNB in strengthening its balance sheet and financial position and to enable continued investment and growth of the business.

Cash on hand as at 30 June 2020 was \$1.04M up from \$0.29M as at 30 March 2020.

- **MICRO19 licence agreement established with strong future sales pipeline**

WNB has made significant progress with the launch of its proprietary MICRO19 hand sanitiser range during Q4'20. It also entered a Joint Venture agreement (MICRO19 JV) to assist in securing components and raw materials required for production. . WNB holds a 50% interest in the JV.

WNB is confident that demand for hand sanitiser will be a long-term feature of global customer behaviour and that significant growth opportunities remain for a premium branded product within the category.

- **New sales channels & expanded distribution for Jbronze, ELLE & MICRO19**

During Q4'20, GBCo has successfully focussed on expanding distribution and sales channels for its core product ranges. In May 2020, it executed an exclusive agency agreement with BRIMAG PTE LTD (trading as Thurston Agencies) to represent and sell the ELLE Makeup, ELLE kids and ELLE Baby ranges as well as the MICRO19 ranges in the markets of Singapore, Malaysia and Hong Kong. The agreement contains a minimum sales threshold for exclusivity to be maintained. GBCo received \$1.7M in purchase orders in the period with the relevant ELLE stock already dispatched and in transit to Asia. Singapore regulatory registration to sell the brands was received from the Singapore Health Services Authority (HSA) at the end of Q3.

Additionally, in June 2020, WNB announced that Jbronze by Jennifer Hawkins (Jbronze) will be sold in 800+ Coles stores from mid-August 2020. WNB expects the brand will achieve annualised sales of over \$2M in FY21.

- **Outlook**

While COVID-19 continues to pose uncertainty and challenges for the economic and retail landscape, both in Australia and globally, WNB remains committed to its business strategy to expand sales and distribution of its core GBCo and TSA product ranges to drive business growth in FY21.

The need to balance sales growth and investment opportunities against the Company's cash position will continue to be a key focus of the Board. Careful cost management will also continue in FY21 as WNB moves toward a lower-cost and sustainable business model.

WNB is assessing options to extract value from its non-core Immersion Clinical Spa network, following extended closures and will keep shareholders updated as developments arise.

-- ENDS --

This announcement has been approved for lodgement by the Board of WNB.

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About Wellness and Beauty Solutions Limited

Wellness and Beauty Solutions Limited has a suite of owned and licensed wellness, beauty and lifestyle brands and a network of nine *Immersion Clinical Spas* in Australia.

Our suite of brands is sold to the professional and retail markets via our wholly owned subsidiaries The Giving Brands Company (GBCo) and True Solutions Australia (TSA).

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

WELLNESS AND BEAUTY SOLUTIONS LTD

ABN

43 169 177 833

Quarter ended ("current quarter")

30 June 2020

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	1,917	11,020
1.2 Payments for		
(a) research and development	-	(1)
(b) product manufacturing and operating costs	(919)	(8,262)
(c) advertising and marketing	(109)	(1,028)
(d) leased assets	-	-
(e) staff costs	(606)	(5,747)
(f) administration and corporate costs	(72)	(1,828)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	5
1.5 Interest and other costs of finance paid	(130)	(501)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	150	150
1.8 Other (provide details if material)	43	185
1.9 Net cash from / (used in) operating activities	274	(6,007)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(91)
(d) investments	-	-
(e) intellectual property	-	(70)
(f) other non-current assets	(40)	(108)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	103
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	(40)	(166)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,528	7,528
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	(78)	(438)
3.5	Proceeds from borrowings	183	2,620
3.6	Repayment of borrowings	(806)	(2,838)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Payment of lease liabilities	(312)	(854)
3.9	Other (provide details if material)	-	150
3.10	Net cash from / (used in) financing activities	515	6,168

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	292	1,046
4.2	Net cash from / (used in) operating activities (item 1.9 above)	274	(6,007)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(40)	(166)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	515	6,168
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,041	1,041

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	1,041	292
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)	1,041	292

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	73
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	355	355
7.2 Credit standby arrangements	-	-
7.3 Other (refer to details below in 7.6)	5,899	3,524
7.4 Total financing facilities	6,254	3,879
7.5 Unused financing facilities available at quarter end		2,375
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.		
Unsecured Loan from Hennessy Capital Partners - \$172,040 Secured Facility of \$4.0M with Timelio Pty Ltd for debtor and trade finance. Secured Convertible notes (Notes) were issues in 2017 to a total value of \$3,300,000 (Face value of \$1 per Note). During the quarter, the Company converted 1,405,000 Notes to equity. The Company also extended the terms of the remaining 1,625,000 Notes to 15 October 2021 during the quarter. (Refer to ASX Announcements of 27 April 2020 and 9 June 2020). Unsecured loan - Creative Capital \$182,500 facility used to finance manufacturing – 12% pa matures October 2020 Unsecured finance from Fee Synergy - \$4,585.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	274
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,041
8.3 Unused finance facilities available at quarter end (item 7.5)	2,375
8.4 Total available funding (item 8.2 + item 8.3)	3,416
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>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.</i>	
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: N/A	
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: N/A	
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: N/A	
<i>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.</i>	

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.

30 July 2020

Date:

By the Board

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.