



ASX Announcement
30 October 2020

WNB Q1 FY21 APPENDIX 4C & COMMENTARY

Summary:

- True Solutions cash flow positive despite significant impact of COVID.
- Acquisition of Organic Nation expands True Solutions portfolio; appointment of highly experienced founder as Head of Innovation.
- Giving Brands Company expands portfolio securing exclusive distribution for Novalent Shield+ in Australia & NZ.
- Cash receipts and operating cash flow impacted by difficult COVID-19 trading environment; particularly Stage 4 restrictions in Victoria, however significant operating cost benefits achieved
- Divestment of Immersion Clinical Spa Network to focus on core Wellness Beauty and Lifestyle product segment
 - \$1.1M total cash consideration, with \$550K due on completion (expected mid-November)
 - Reduced operating expenses of \$2.5M (annualised basis)
- Trade and debtor finance facility to provide ~ \$800K-\$900K of cash inflow in Q2'FY21
- Cash receipts and revenues expected to strengthen in Q2'21 as the Victorian economy reopens and new product & distribution channels make increasing contribution with significant cost base reductions to flow through over FY21

MELBOURNE: 30 October 2020: Wellness and Beauty Solutions Limited (ASX: WNB) ("WNB" or "the Company") provides the following business update and notes to its Appendix 4C Quarterly Cash Flow report for the first quarter of the 2021 financial year (Q1'21).

BUSINESS UPDATE

WNB is a consumer products business delivering innovative products and exceptional consumer experiences across the lifestyle, beauty, and wellness sectors. The company's brand portfolio includes:

- True Solutions Australia (TSA) - the leading anti-ageing, wellness and medspa supplier to the professional beauty aesthetics' market; and
- Giving Brands Company (GBCo.) - a proudly Australian, consumer brand development house.

Both divisions have been significantly impacted with continued retail restrictions due to COVID-19, particularly in Melbourne which remained under Stage 4 restrictions for the entire quarter.

Irrespective, the company has made significant progress in readying the business for scale and improving the cost base. The following provides a business update on operations for Q1'21.

True Solutions Australia (TSA)

TSA, as a supplier to the professional beauty aesthetics' market was particularly affected by the closure of beauty businesses but did however generate net operating cash flow of \$11K in Q1'FY21.

Of note was the launch of the high performing Omnilux Contour mask which has a high consumer profile and is expected to drive significant revenue as beauty clinics move to full capacity.

In addition, restructuring initiatives were put in place with a warehouse and workforce consolidation as well as a reorganisation of the NZ division. This is expected to generate cost savings of \$100K per quarter, and NZ sales likely to grow more strongly under new distribution arrangements. The consolidation of resources allowed for a complete inventory system upgrade that enables instant online payment, in-time and on-time order processing and improved marketing promotional features to increase conversions through new B2B and B2C platforms.

Importantly, the company continued to progress its commercial strategy of expanding its portfolio in readiness of business recovery.

Organic Nation acquisition

WNB announced the acquisition of the Organic Nation cosmeceutical range in August 2020. Organic Nation is a leading organic range and its products are currently sold in 100 clinics across Australia and Canada. Organic Nation's products are now also being sold via WNB's extensive TSA distribution network.

WNB expects Organic Nation to contribute around \$250K to FY21 revenue with the potential to grow to around \$1M in annualised revenue over the coming years given the significant benefits associated with being the "owner-distributor" of the brand.

Initial consideration for the acquisition was \$250K of WNB scrip and a cash payment to acquire all stock in two tranches, of which \$75K was paid in August 2020 and a further \$35K will be payable at the conclusion of Victoria's Stage 4 COVID-19 restrictions. An additional cash payment will be payable to the vendors of Organic Nation in 1-year, equal to 15% of the gross sales value of product sold during the period (capped at \$300K).

One of Organic Nation's founders, Mr George Jilly - a highly experienced industry leader, has also commenced with WNB as Head of Innovation.

Giving Brands Company (GBCo)

The depressed retail environment continued to impact GBCo, however, the company is confident that early signs of retail recovery and warmer months ahead position the division strongly for rebound.

Novalent Shield+

Subsequent to Q1'21, WNB announced GBCo has been appointed the exclusive distributor of Novalent Shield+ in Australia and NZ. Novalent Shield+ is owned by Novalent, a US biotechnology company.

Novalent Shield+ is an innovative alcohol-free, anti-microbial hand sanitiser product that uses patented technology to deliver significant protection from germs. It is a complementary product to WNB's MICRO19 hand sanitiser range and is ideal for consumers looking for a single daily application product that is gentle and suitable for children or those with sensitive skin.

This agreement expands WNB's presence in the hand hygiene segment which is expected to be a long-term feature of consumer behaviour, following the COVID-19 pandemic.

WNB has now launched Novalent Shield+ in the Australian market and will expand into the NZ market as soon as possible.

ELLE

In August, ELLE Makeup, ELLE kids, and ELLE Baby was cleared for sale in Singapore following successful registration from the Singapore Health Services Authority (HSA). Thurston Agencies were appointed the exclusive Agent to sell ELLE and MICRO19 into Singapore, Hong Kong, and Malaysia.

Sales campaign have already commenced via leading e-commerce sites such as Lazada, Zalora and Amazon as well as across their strong network of pharmacy, health and beauty retailers, and supermarket chains.

Under the agreement Thurston Agencies have minimum sales targets with orders already received for \$1.7M with further orders expected in Q2.

In Australia ELLE Makeup, ELLE kids, and ELLE Baby plan to launch online in Q2 on Amazon, Catch of the Day, E-bay, and two other leading marketplaces nationally. A significant push into re opening of trade, specifically in Victoria will see an escalation of consumer spend pre-Christmas.

MICRO19

MICRO19 is currently available in retail, online and via distribution agreements into specialist B2B markets, to consumers via ecommerce and retail stores, and new geographies.

In August 2020 WNB announced that GBCo had executed an exclusive distribution agreement with CARE Distributors to supply MICRO19 to the transport and infrastructure industries, which includes a minimum sales target of \$3M for the 3 year term. With return to work programs underway across Australia, expected growth in revenue because of worksafe protocols and restoring public confidence.

During the period WNB was also advised MICRO19 was cleared for sale in Singapore under the distribution agreement with Thurston Agencies.

With an over-abundance of international hand sanitisers, receipts in Q1'21 fell below expectations. However, GBCo is responding to growing overseas demand for Australian made product as the northern hemispheres moves into winter which will augment local sales.

Tanning products

The tanning category is poised for recovery coming into the Australian summer and with easing of COVID restrictions

New orders have been received with strong marketing activities with Coles and Woolworths underway to support sales projections.

Jbronze was successfully launched in Coles and tracking to budget.

Immersion Clinical Spas

Inline with the company's strategy to build and focus on WNB's wellness and lifestyle business and to realise the value from non-core assets the company signed in September a Binding Agreement to sell the Immersion Clinical Spa Network to Aesthetica Group Ltd.

The sale of the Immersion Clinical Spa Network will deliver significant cash flow benefits to WNB. The Company will receive a cash payment of \$1.1M with \$550K to be received on completion of the divestment and the remaining \$550K to be received in July 2021. In addition, WNB estimates reduced operational expenditures associated with the Immersion Clinical Spa Network of approximately \$2.5M per annum across areas such as leases, employment costs and consumables.

Completion of the divestment is expected to occur in mid-November.

FINANCIAL PERFORMANCE

Cash receipts & operating cash flow impacted by difficult COVID-19 trading environment, however 52% improvement in net operating cash on PCP (Q1'20)

Cash receipts for Q1'21 were \$1.693M, 11.7% below Q4' 20 (\$1.917M) with lower cash receipts across both GBCo and TSA business segments as the impact of COVID-19 adversely affected demand for beauty and lifestyle products.

GBCo reported operating cash flow of \$(463)k in Q1'21, with cash receipts of \$611K reflecting significant growth vs PCP (Q1'FY20 - \$25K).

TSA reported operating cash flow of \$11K in Q1'21 with cash receipts of \$1,065k.

WNB's Immersion Clinical Spa network remained closed during Q1'21, ahead of the execution of a Binding Agreement to divest the business, which occurred late in the period (refer below for further detail).

WNB total net operating cash flow for Q1'21 was \$(0.926)M, a decline from \$0.270M in Q4'20 due to the reduction in cash receipts outlined above as well as increased investment in the MICRO19 and ELLE product ranges in order to fulfil growth in demand expected into FY21.

There were however significant improvements to the Company's net operating cash flow performance compared to PCP - Q1'20: \$(1.943)M – due to the significant progress the WNB Board & management have made in restructuring the operating cost base of the Company over the past 12 months.

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

Outlook

Cash receipts and revenues are expected to strengthen in Q2'21 as the Victorian economy reopens and new products and distribution channels continue to make a growing contribution. Tanning product revenues are expected to increase as strong marketing activities with major retailers are in place to support growth.

WNB is also in final discussions to become the exclusive distributor with two new International brands houses to further expand the TSA portfolio.

Elle Kids and Elle Baby is being formally being launched in November 2020 in Singapore with plans to leverage the 11.11 Singles day, the largest one day selling event in the world.

With the success of the Agency agreements GBCO and Thurston agencies are looking to expand the partnership to include three further brands into the Singapore market with obvious growth expected.

In the coming weeks, WNB will also draw-down on its trade and debtor finance facility to realise an additional \$800K-\$900K of cashflow and expects to receive an additional \$550K of cash consideration in mid-November from the Immersion Clinical Spa Network divestment. This divestment will also significantly reduce the Company's cost base in future periods.

-- ENDS --

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

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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. It has entered into an agreement to divest its 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). Our expanding brand portfolio includes, MICRO19,

Novalent Shield+, ELLE Makeup, ELLE kids, ELLE Baby, Jbronze, TANNED, Organic Nation, Aesthetics RX, Glo Skin Beauty, Priori, Nanopore, Ilcsi, Lightfusion, and OMNILUX.

Disclaimer

All statements other than statements of historical fact included on this announcement including, without limitation, statements regarding future plans and objectives of the Company or any of the other parties referred to herein, are forward-looking statements. Forward-looking statements can be identified by words such as 'anticipate', 'believe', 'could', 'estimate', 'expect', 'future', 'intend', 'may', 'opportunity', 'plan', 'potential', 'project', 'seek', 'will' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on assumptions regarding future events and actions that are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of WNB that could cause actual results to differ from the results expressed or anticipated in these statements.

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 September 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,693	1,693
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,746)	(1,746)
(c) advertising and marketing	(142)	(142)
(d) leased assets	-	-
(e) staff costs	(503)	(503)
(f) administration and corporate costs	(343)	(343)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(83)	(83)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	101	101
1.8 Other (provide details if material)	95	95
1.9 Net cash from / (used in) operating activities	(926)	(926)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(24)	(24)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	51	51
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	27	27

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	-	-
3.5	Proceeds from borrowings	511	511
3.6	Repayment of borrowings	(84)	(84)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Payment of lease liabilities	(52)	(52)
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	375	375

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,041	1,041
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(926)	(926)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	27	27

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	375	375
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	517	517

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	517	517
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	101
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>		

Ref 6.1: Wages and Directors fees

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	736	736
7.2 Credit standby arrangements	-	-
7.3 Other (refer to details below in 7.6)	6,038	2,038
7.4 Total financing facilities	6,774	2,774
7.5 Unused financing facilities available at quarter end		4,000
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.		
<p>Secured Facility of \$4.0M with Timelio Pty Ltd for debtor and trade finance.</p> <p>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).</p> <p>Secured loan - Creative Capital \$682,500 facility used to finance manufacturing – 12% pa matures October 2020</p> <p>Unsecured finance from Premium Funding for business Insurances (Macquarie, Iqumulate & Attvest) - \$55,930</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(926)
8.2 Cash and cash equivalents at quarter end (item 4.6)	517
8.3 Unused finance facilities available at quarter end (item 7.5)	4,000
8.4 Total available funding (item 8.2 + item 8.3)	4,517
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.88
<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 October 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.