

Holista Colltech Appendix 4C and Quarterly Update

ASX Announcement

29 April 2021

Highlights

- Significant improvement in net operating cash outflow vs. previous corresponding period (pcp) and 4QFY2020
- Strong cost control and material improvement in most of Holista's businesses contributed to the result
- Ovine Collagen sales jumped 312%, Healthy Food Ingredients increased 64% and Dietary Supplements gained 32% vs. pcp
- Drop in Infection Control Solutions division expected to reverse in coming quarters due to strong rebound in iGalen's performance
- Total operating expenses improved by 34% vs. pcp and 25% vs. previous quarter
- Positive outlook with sustained growth momentum expected through 2021

Holista Colltech Limited (ASX: HCT, "Holista" or "the Company") wishes to provide the following quarterly update and commentary on its Appendix 4C for the three months to 31 March 2021.

Summary of cash position

The Company's cash and cash equivalent holdings at the end of the quarter was \$2.4 million as net operating cash outflow improved significantly to \$17,000 compared with an outflow of \$514,000 in the previous quarter and \$798,000 in previous corresponding period (pcp) (ie 1st Quarter of Financial Year 2020).

Holista's total available cash at 31 March 2021 stood at \$2.9 million and the Company had access to \$538,000 in unused debt facilities.

The improvement in operating cash flow is driven by good cost discipline, while three out of four of Holista's divisions recorded stronger sales receipts when measured against the pcp.

Holista believes its net operating cash position will continue to improve over the coming quarters, and that based on the current run rate, Holista's cash holdings will be sufficient to support its growth agenda for at least the next year, if not beyond.

As outlined in the latest investor presentation released to the ASX, Holista aims to :-

1. increase global sales of GI Lite™ bread,
2. launch Natshield™ nasal sanitising balm and wipes,
3. introduce new health supplements under its market leading Pristin® brand,
4. launch its 80less™ cocoa milk and
5. complete the launch of its water-soluble vitamin D solution range under iGalen in the US

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$121,000 in relation to overhead reimbursement costs, consulting fees and directors' remuneration to related parties and associates.

Operating activities

Stronger operating margins bolstered Holista's operating cash flow as net operating cash outflow improved by \$781,000 to \$17,000 in the 1Q2021 when compared to the pcg.

Holista's Ovine Collagen division was the standout as it recorded the biggest percentage turnaround of all four divisions. Compared to the pcg, sales of the Company's proprietary collagen product used by cosmetic manufacturers improved by 312% to \$74,000 during the quarter as customer orders increased following a period of weak demand due to COVID-19.

Sales from Holista's Healthy Food Ingredients division also increased by 64% to \$356,000 compared to the pcg, which was largely driven by sales of GI Lite™ to Costanzo's Bakery Inc., while the Company's Dietary Supplements business (the largest contributor to Group revenue) recorded a 32% improvement to \$1.5 million compared to the pcg due to increased demand from consumers.

Sales from Holista's Infection Control Solutions division declined to \$7,000 from \$166,000 compared to the pcg, due primarily to the restructuring of iGalen, Holista's global distribution partner.

However, the performance of iGalen has recovered significantly since the business was relaunched in August last year with the business recording total sales in excess of US\$500,000 since September 2020, as detailed in this month's investor presentation.

The improvement in iGalen should translate to a materially stronger result for Holista's Infection Control Solutions business over the coming quarters, particularly as Holista looks to launch its nasal balm and M3® industrial solution.

Product Manufacturing and Operating Costs of \$677,000 and Staff Costs of \$768,000 were the largest expenses during the period. Significantly, total operating expenses declined by 34% in the pcg and 25% from the 4QFY2020.

Positive operating conditions are expected to persist through 2021 and global trends are supportive of growth across all of Holista's four business divisions.

Investing and financing activities

The \$8,000 cash outflow from investing activities related to the purchase of fixed assets during the quarter.

The change in cash flows from financing activities reflected the net cash outflow of \$268,000 for the repayment of bank borrowings.

This announcement has been approved by the Board of Directors.

-Ends-

About Holista Colltech Limited

Holista Colltech Ltd (“Holista”) is a natural wellness company with the following divisions:

- Dietary Supplements
- Food Ingredients
- Ovine Collagen
- Infection Control Solutions

Holista has a global collaboration with Global Infection Control Consultants LLC to use Path-Away®, a plant-based solution that is proven to kill a broad spectrum of microbes. The all-natural alcohol-free active ingredient is used in Holista’s range of disinfectant products under the NatShield™ brand.

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Appendix 4C

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

Name of entity

HOLISTA COLLTECH LIMITED (ASX: HCT)

ABN

24 094 515 992

Quarter ended ("current quarter")

31 March 2021

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	1,814	1,814
1.2 Payments for	-	-
(a) research and development	(27)	(27)
(b) product manufacturing and operating costs	(677)	(677)
(c) advertising and marketing	(227)	(227)
(d) leased assets	-	-
(e) staff costs	(768)	(768)
(f) administration and corporate costs	(153)	(153)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	8
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	(15)	(15)
1.7 Government grants and tax incentives	31	31
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(17)	(17)
2. Cash flows from investing activities		
2.1 Payments to acquire:	-	-
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(8)	(8)
(d) investments	-	-
(e) Purchase or development of intangible assets	-	-
(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) Purchase or development of intangible assets	-	-
(f) other non-current assets	-	-
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	(8)	(8)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares (Net of issuance costs)	-	-
3.2 Proceeds from issue of convertible notes (Net of issuance costs)	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	67	67
3.6 Repayment of borrowings	(335)	(335)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(268)	(268)
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,725	2,725
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(17)	(17)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(8)	(8)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(268)	(268)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
4.5 Effect of movement in exchange rates on cash held	(34)	(34)
4.6 Cash and cash equivalents at end of period	2,398	2,398

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	Year to date (3 months) \$A'000
5.1 Bank balances	587	587
5.2 Call deposits	1,811	1,811
5.3 Bank overdrafts	-	-
5.4 Other (Restricted cash)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,398	2,398

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	121
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: Includes Director fees in the amount of \$106k during the quarter. Payments to related parties in the amount of \$15k for consultancy and legal services. No other related party payments were made.</i>	

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.
Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 Total financing facilities

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
442	442
633	95
1,075	537

7.5 Unused financing facilities available at quarter end

538

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.

Loan Facilities

The term loan is repayable over 240 monthly instalments (principal plus interest) of \$2,866 (2019: \$5,119) which commenced on 1 October 2020. The term loan bears interest rates of 3.77% (2019: 5.77%) per annum and is secured by the following:

- First-party absolute assignment of all rights, interest, title and benefits in and to property beneficially owned by a Subsidiary Company;
- Corporate Guarantee by subsidiary company; and
- Personal Guarantee by a Director of the subsidiary company.

Credit standby arrangements

The bankers' acceptance bears interest of 3.7% (2019: 5.23%) and is secured by the following:

- Pledge of fixed deposits with licensed banks;
- Execution of a fresh letter of authorisation, memorandum of Deposit and letter of set off;
- First-party assignment over the office lots of the Company; and
- Joint and several guarantees from a Director of the Company

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(17)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,398
8.3	Unused finance facilities available at quarter end (item 7.5)	538
8.4	Total available funding (item 8.2 + item 8.3)	2,936
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	173

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.

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
	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
	Answer: N/A
	8.6.3 Does the entity expect to be able to continue its operations and to meet its business
	Answer: N/A

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.

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.

Date:29 April 2021.....

Authorised by:By the Board.....
(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.