A photograph of laboratory glassware, including an Erlenmeyer flask and a beaker, both containing clear liquids. A green, feathery plant is placed in the Erlenmeyer flask. The background is a blurred laboratory setting with blue and white tones.

# **Zoono Group Limited (ASX:ZNO) Full Year FY21 results**

*26 August 2021*

# Full Year FY21 Performance Snapshot

Revenue

**\$27.1M**

-29.2%  
vs FY20

Gross profit

**\$16.1M**

-43.2%  
vs FY20

Reported NPBT

**\$5.9M**

-71.1%  
vs FY20

Reported NPAT

**\$4.6M**

-72.2%  
vs FY20

Total Assets

**\$31.7M**

-8.6%  
vs FY20

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# Highlights

- ➔ Revenue performance down in the current year due to high stock over-ordering of NZ\$11M particularly in April 2020
- ➔ Solid earnings performance, balance sheet and cash flow - despite margin erosion & investment in new subsidiaries
- ➔ Capitalising on direct B2B relationships



# Full Year FY21 Financial Review

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# Full Year FY21 profit and loss summary

*Reported revenue down due primarily to over-ordering in April 2020*

NZ\$M	30 JUN 2021	30 JUN 2020	Variance \$	%
Total revenue	27.1	38.3	(11.2)	(29.2%)
Gross profit	16.1	28.3	(12.2)	(43.2%)
Operating expenses	(9.8)	(7.6)	(2.2)	(28.9%)
EBITDA	6.3	20.7	(14.4)	(69.6%)
Amortisation ROU assets	(0.26)	(0.15)	(0.11)	(173.3%)
Depreciation & amortisation	(0.10)	(0.05)	(0.05)	(100.0%)
EBIT	5.9	20.5	(14.6)	(71.2%)
NPAT	4.6	16.7	(12.1)	(72.4%)
GM	59.3%	73.9%		(14.6%)
EBIT margin	21.8%	53.8%		(32.0%)

## Revenue

- Down 29.2% in face of COVID-19 impacts and reduced trading in some sectors around the globe and lots of customers over-ordering and stock piling especially in April 2020 (NZ\$1.1M)
- US Revenue growth was NZ\$2.5M in its maiden year as a Group subsidiary

## Gross margin

- Reduced revenue and margins from large B2B customers
- Margins impacted by higher freight charges
- Gross Profit decreased 43.2% (vs PCP) on lower revenues and margins

## Operating costs

- Higher overheads despite revenue contraction caused by higher regulatory costs and additional staff in the UK and the new US operation
- Doubtful debt provision of NZ\$552k for Clear Facilities – NZ.
- US Regulatory progression costs NZ\$370k
- Increase in marketing costs of NZ\$392k due to:
  - Additional marketing programs for the US and UK

# Balance sheet

*Stable balance sheet, reflecting reinvestment in growth initiatives*

NZ\$M	30 Jun 2021	30 Jun 2020
Cash	4.9	10.3
Trade & other receivables	5.3	9.2
Inventories	12.9	13.2
Property, plant & equipment	0.7	0.2
Lease ROUA	2.0	1.5
Intangibles	5.7	0.03
Other	0.2	0.3
<b>TOTAL ASSETS</b>	<b>31.7</b>	<b>34.7</b>
Trade & other payables	2.2	8.4
Current tax liabilities	0.7	3.8
Lease liability	2.0	1.5
Provisions	5.7	-
<b>TOTAL LIABILITIES</b>	<b>10.6</b>	<b>13.7</b>
<b>NET ASSETS</b>	<b>21.1</b>	<b>21.0</b>

## *Working capital management*

*Efficient management of receivables & inventory*

*Decrease in payables*

*Payment of Dividend of \$5.1M*

*Payment of income taxes \$4.3M*

*No debt*

## *PPE & leases*

*Growth in-line with business expansion into other locations*

## *Intangibles from acquisitions*

*US operation acquisition*

## *Provisions*

*Contingent consideration for the US operation payable over time*



# Cash flow

## Decline in operating cash & cash conversion

Statutory cashflows NZ\$M	30 JUN 2021	30 JUN 2020
Net cash provided by operating activities	1.5	8.1
Acquisition of subsidiary, net of cash	(0.8)	-
Purchases of property, plant and equipment	(0.6)	(0.1)
Net cash used in investing activities	(1.4)	(0.1)
Proceeds from the exercise of options	0.2	-
Dividends paid to shareholders	(5.1)	-
Repayment of borrowings and lease liabilities	(0.3)	(0.2)
Net cash used in financing activities	(5.2)	(0.2)
Net change in cash and cash equivalents	(5.1)	7.8
Effects of foreign exchange on cash balance	(0.3)	(0.6)
Cash and cash equivalents at beginning of year	10.3	3.1
Cash and cash equivalents at end of year	4.9	10.3

- Operating cashflows in FY21 down due to payment of taxes of \$4.3M and higher operating costs with the acquisition of the US operation
- Acquisition investing outflow (\$0.8M), due to:
  - US Stock purchased \$0.6M
  - deferred earn-out consideration payment of (\$0.2M)
- Dividends paid out of \$5.1M

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# Strategy, Operations & Outlook **ZOONO®**





# Strategic framework for growth

## Operations, process & capacity

- *Inventory logistics management systems in place around the globe (the systems talk to each other) to ensure adequate capacity and forecasting*
- *Leveraging cost base to deliver margin expansion on incremental revenue*
- *Large stock holdings to meet demand*

## Increase B2B Customers

- *Additional BDMs and Sales reps being secured for expansion and driving growth in FY22*
- *Additional targeted marketing spend to secure large key corporates in key markets*
- *Utilise current reference sites to attract key corporates*

## Product and service expansion

- *Private label strategy – commenced with Fine Hygienic and rolling out to 80 countries*
- *New sites opening up and further planned – i.e. Shanghai*
- *Further international testing confirming Zoono's efficacy as required*

**Target = earnings growth and shareholder returns**

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*Delivering leading market products to secure large corporates*

# Driving regional growth in FY22

*Capitalising on the COVID pandemic to deliver expansion in key markets*

## *Significant market opportunities*

- *COVID rates surging in regional growth corridors*
- *Hand and surface sanitisers becoming increasingly important to fight against current, and future diseases*
- *Large corporates looking to add additional protection to staff in their working environments*
- *Air conditioning systems utilized as a dispenser to protect surfaces and prevent diseases through cleaning the air*
- *Successful trials in spraying on cardboard packaging for fruit and vegetables preventing mould resulting in longer lasting fresh fruit and vegetables*

## *Potential Air conditioning Opportunity*

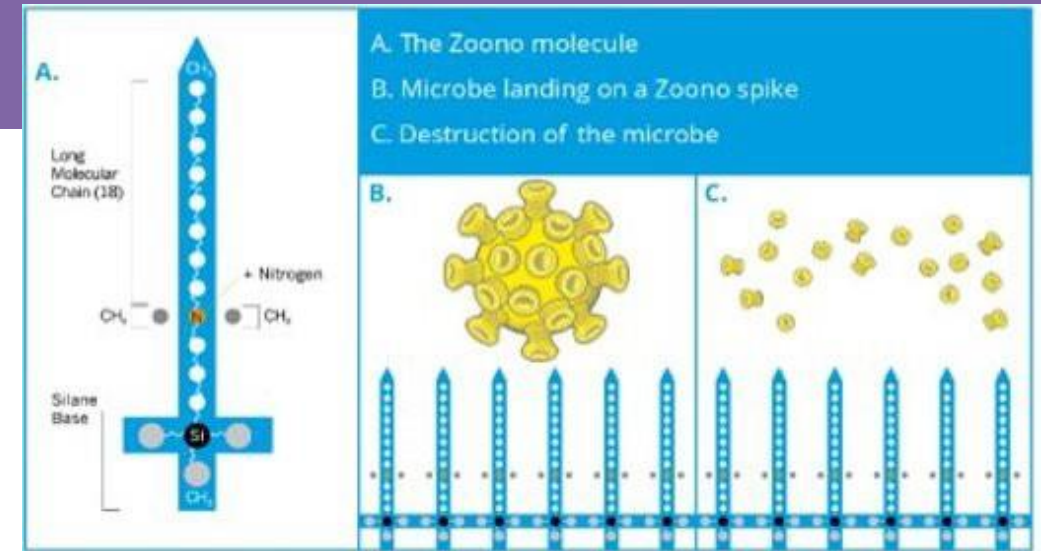
- *150 buildings utilizing 400 litres per month (speaking to an interested party but contract not finalized yet)*
- *If the contract is secured could result in NZ\$11.5M revenue per annum*
- *Safeguards employees and customers*
- *Interest is already coming in from other building operators*



# Zoono Animal Health

## ZAH Expects Sales Volumes to increase over the next 6 months

- Foundations around the globe built over the last 24 months
- Strong interest from pig, poultry and veterinary industries
- Zoono products have demonstrated feed efficiency and growth rate production gains in poultry
- Pig productivity trials to establish economic benefit are progressing well in both Australia & the US with excellent results obtained
- Trials commenced with a large UK poultry producer of 300 million birds per annum. To date, results have shown increased bird weights, overall better production performance and improved bird health
- Trials are at a 6 month midpoint with a large poultry producer in Central America. The first trial was successful and the second trial is showing further improvement again
- Many trials take up to a year before a commitment is made from the producer. Overall trials to date have been outstanding, and the expectations are that on completion, sales will increase and continue over time, building momentum throughout the industry.



## Innovative proprietary sanitiser and disinfectant

- Provides ongoing mechanical activity (length of time against animal pathogens currently subject of trials)
- Demonstrated effectiveness in global trials against a range of viruses including COVID-19 surrogate, Avian influenza, African Swine Fever, PEDv and PRRSv.
- Range of products including Z-71 Microbe Shield – applied to surfaces via fogging or spraying
- Range of products listed by the various regulatory bodies in Australia, USA, and Canada.



# FY22 Outlook

- Pursue large corporates with large selling teams and presence in many countries to drive B2B sales
- Increase mould remediation presentations to large fruit, meat and vegetable producers in target markets
- Target large commercial building owners for building sanitization to help protect employees and customers
- Increase sales and earnings for FY22 over FY21

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