

Zoono Group Limited (ASX:ZNO)

ASX ANNOUNCEMENT

21st January 2019

Zoono Expands Global Operations and Achieves Improvement in Cash Receipts in December Quarter

Investment Highlights

- **Successful product trials are resulting in more orders in the USA.**
- **Featured on morning television in Canada in conjunction with launch of online store.**
- **Underwent successful product testing and commenced franchise launches and sales the in UK.**
- **China sales approx. \$180k for the quarter.**
- **Receiving strong interest from the Middle East and India which continue to show great potential as new markets.**
- **Approved as a 'FOCUS700 company' by New Zealand Trade and Enterprise who are assisting in global expansion and business development support**
- **Received an initial deposit of NZ\$375,000 from the new Dubai distributor, Sky Scrapers General Trading LLC.**
- **Business being transitioned to a higher-margin direct sale to end users model.**
- **Continuing negotiations with several large multinational corporations.**
- **Zoono is well-funded to execute its strategic growth plan in FY19 and beyond.**

Global biotech company Zoono Group Limited (ASX: ZNO) ('Zoono' or 'the Company') is pleased to provide an overview of its activities for the quarter ended 31 December 2018 (Q2FY19).

Global operations update

Global online sales continue to increase as brand awareness grows and the monthly product subscriptions for businesses continue to improve.

Zoono Baby and All Purpose wet wipes will be available in 60 and 25 pack sizes for sale online in February, with more products under development. New distribution agreements are under negotiation in several Asian, Central/South American and African countries.

The following updates are for each region Zoono is currently active in.

USA

Trials

- CVS Pharmacy commenced stocking two new products, Zoono ULTRA and Zoono Wound Cleanser, in its 8,000 stores.
- Harmon Cosmetics, a division of Bed Bath and Beyond, commenced an in-store test (15 stores) with both Zoono ULTRA and Regular Hand. The company has a dispenser providing free trials at the storefront and, if successful, Zoono products will be sold in 1,100 Bed Bath and Beyond and 57 Harmon stores nationwide.
- Trials were conducted at a major US Airport to assist with an odour/bacteria problem. The four week comprehensive trial resulted in the elimination of odour and a 72% reduction in bacteria count after a four week period.

Orders

- Visiting Nurses Association New Jersey have placed an initial order for Zoono's surface product to maintain the hygiene of their tablets and cell phones.
- A leading automotive insurance and car-related technology platform provider with connections into major automotive channels purchased 1,500 mini foggers to sell into the auto rental and RV markets.
- Zoono USA Internet sales have performed very well, reaching \$135K, a 404% increase year on year (Amazon and Zoono web sales combined).

Canada

- Zoono featured on morning television in Canada, coinciding with the launch of the Canadian online shop. Very strong sales were reported. The television appearance is viewable at <https://www.chch.com/24-hour-protection/>
- Subsequent to the television programme lifting the profile and awareness of Zoono technology, Zoono Canada is negotiating several countrywide distribution agreements.

UK/EU

- Zoono is launching a franchise services business in the UK specialising in applying and selling Zoono services in the domestic and commercial markets.
- Zoono has been tested in a renowned UK laboratory. All testing was to EU Standards and had a high threshold of success. Zoono surface, hand and foot products met all standards and expects to shortly have UKAS Approval.
- Zoono made its first product sales to a UK NHS Hospital.
- Several distribution agreements in the UK and EU are currently being negotiated. These are expected to be completed by the end of Q4.
- The launch of online sales platform in the UK and EU using a strong affiliate program is being finalised. Zoono will engage affiliates to promote the products and expects this initiative to drive online sales over a period of time.

- Zoono CEO, Paul Hyslop, will be attending the Infection Prevention Conference in London from 27-28th February where Zoono products and technology will be on show.

India/Middle East

- The Middle East and India continue to show great promise as new markets for Zoono products.
- More approvals are imminent in India for the Zoono skin contact products.
- The Indian online sales platform continues to be developed.
- Zoono CEO, Paul Hyslop, will also be participating in the Clean India Trade Show in Bangalore from 13-15th February where Zoono products and technology will be on show.

Asia Pacific

- A local Zoono distributor is launching a services business in China specialising in applying and selling Zoono services in the domestic and commercial markets. Several state franchises have already been sold.
- New Distribution agreement negotiations underway with several Asian countries.
- Korea continues to show promise and new pet products are under development at the request of a large retail chain of pet stores.
- The Company is working closely with NZTE (New Zealand Trade and Enterprise) and has been approved as a 'focus 700 company'. Through their network of offices, NZTE are assisting in global expansion and business development support.

Evolution of Zoono business model

The major focus of the Company in the current financial year is the evolution of its business model to include direct sales to end user customers. Through the Company's sales channel, which is in addition to its network of distributors in key countries and/or regions, the Company is targeting increased and repeat sales at better margins from longer term direct contracts with its larger and multinational customers. Several new contracts are currently under negotiation.

Financial update

Significant investment in expansion, primarily in the UK, together with a seasonally quiet quarter softened Q2 results. Zoono recorded unaudited revenue and other income for the quarter of NZ\$420,553. While this was lower than expected, it was an improvement over the previous quarter, and was mainly due to the Company's focus on its business model and cementing the European launch. Zoono anticipates these initiatives will be very positive for the Company in the longer term and that revenues will increase in subsequent quarters.

The net cash used (outflow) in operating activities was NZ\$414,000 in the December quarter, which was an improvement over the previous quarter by NZ\$682,000, despite the costs of running the UK operations.

Customer receipts for the quarter were NZ\$617,000, an improvement of NZ\$491,000 for the quarter. The difference between unaudited revenue and other income (NZ\$420,553) and receipts (NZ\$617,000) in the Appendix 4C is primarily due to an increase in income in advance due to the deposit of NZ\$375,000 from the new Dubai distributor, Sky Scrapers General Trading LLC.

Product manufacturing and operating costs for the quarter were down, primarily as a result of improved margins. Staff costs were up, mainly as a result of the two new sales representatives hires for the UK operation. Administration and corporate costs were lower for the quarter.

Zoono is well-funded to execute its strategic growth plan in FY19 and beyond. At the end of the quarter, the Company had NZ\$4.5m cash at bank plus NZ\$673,000 in stock, including NZ\$238,000 of stock held in the UK warehouse.

Managing Director and CEO Paul Hyslop: “We are very pleased with the progress we made in the December quarter. Zoono has a significant global pipeline of business. Zoono is currently making significant investments in expanding and transitioning its business model to facilitate higher sales margins and future growth. The negotiations with large multinational corporations are progressing nicely and we look forward to further updating the market on developments in this area.”

For further information, please contact:

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About Zoono

Zoono Group Limited is a global biotech company that develops, manufactures and distributes a suite of scientifically-validated, long-lasting and environmentally-friendly antimicrobial solutions. Zoono’s mission is to improve health and well-being through innovative, safe, non-toxic and durable germ protection.

Zoono produces sprays, wipes and foams suited for skin care, surface sanitisers, and mould remediation treatments. The products are based on the ‘Zoono molecule’, a unique antimicrobial molecule that bonds to any surface and kills pathogens including bacteria, viruses, algae, fungi and mould.

Zoono's products have received numerous regulatory approvals and the company's technology claims are supported by independent testing conducted in laboratories worldwide. Zoono is headquartered in New Zealand and its products are available globally. To learn more, please visit: www.zoono.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Zoono Group Limited (ZNO)

ABN

73 006 645 754

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$NZ'000	Year to date (6 months) \$NZ'000
1. Cash flows from operating activities		
1.1 Receipts from customers	617	743
1.2 Payments for		
(a) research and development	-	(3)
(b) product manufacturing and operating costs	(147)	(441)
(c) advertising and marketing	(51)	(133)
(d) leased assets	(35)	(49)
(e) staff costs	(319)	(554)
(f) administration and corporate costs	(563)	(1,169)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	86	101
1.5 Interest and other costs of finance paid	(2)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(414)	(1,510)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(27)	(32)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$NZ'000	Year to date (6 months) \$NZ'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(27)	(32)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
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	-	-
3.6	Repayment of borrowings	(4)	(16)
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	(4)	(16)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,996	6,096
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(414)	(1,510)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(27)	(32)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(4)	(16)
4.5	Effect of movement in exchange rates on cash held	(35)	(22)
4.6	Cash and cash equivalents at end of quarter	4,516	4,516

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 \$NZ'000	Previous quarter \$NZ'000
5.1 Bank balances	2	4
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other –		
Overseas Bank Balance	514	408
Overseas Call Deposit	4,000	4,584
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,516	4,996

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$NZ'000

179

-

Payment of accrued director fees, consulting and other services provided to the consolidated group at normal commercial rates.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$NZ'000

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$NZ'000	Amount drawn at quarter end \$NZ'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$NZ'000
9.1 Research and development	43
9.2 Product manufacturing and operating costs	500
9.3 Advertising and marketing	51
9.4 Leased assets	14
9.5 Staff costs	270
9.6 Administration and corporate costs	510
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	1,388

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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.



Sign here:
(Director/Company secretary)

Date: 21 January 2019

Print name: Elisa Hansen

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.