



Cellmid Investor Newsletter



Message from the CEO

Dear Shareholders,

As we enter FY2020 with significant momentum we continue to execute on our core strategic objectives and progress towards the separation of the consumer health and biotech portfolios. With record sales in the last quarter of FY2019, expansion of our e-commerce capabilities and an increased geographical footprint, we are targeting profitability for our consumer health business this financial year.

In May 2019 we announced that Bart Wuurman would be joining the Cellmid group as the CEO of our wholly owned subsidiary, Lynamid. In this investor newsletter Bart explains why he took on this new role, the potential future applications of the midkine drug portfolio and the different options for unlocking shareholder value.

In June 2019, we recorded our highest ever sales day with QVC Japan, which resulted in \$1.14 million wholesale revenue to our business, up from \$1.1 million at a similar event in December 2018. With two major sales events annually QVC has become a significant revenue source in Japan, and we are exploring opportunities with other members of the QVC franchise internationally.

We have been expanding our brand awareness in the US through a proactive public relations campaign targeting lifestyle and beauty magazine editors as well as bloggers and influencers. We have built a strong reputation as experts in hair biology, anti-aging hair care and hair health, underpinning the authenticity of evolis as a first-in-class, best-in-class premium hair care brand.

Over the past few months we have seen strong growth in our online sales, both in Australia and in the US. We are planning to boost investment into this channel and grow our direct to consumer business substantially in the coming year.

Our operational momentum is expected to continue throughout FY2020 as we drive towards profitability.

Best wishes,

Maria Halasz
CEO and Managing Director

CONSUMER HEALTH NEWS

Record June sales day on QVC Japan closed our best quarter yet

The special sales day of the Company's Jo-Ju® branded FGF5 inhibitor hair loss product on 16 June 2019 on Japanese television shopping channel, QVC, delivered \$1.14 million wholesale revenue to Cellmid. This is the fifth time Cellmid's products have featured in a full day promotional campaign, the 'million-dollar day', on QVC and sales from the event continue to increase. This latest sales event set another record, exceeding sales from December. Normally December is considered to be a better shopping month, hence this result is particularly encouraging. Gross margins have also improved on the Jo-Ju® products since last year, as expensive glass bottles have been replaced with more cost-effective plastic ones. With a reduction in manufacturing lead times from nine months to less than four, plus less expensive packaging, the Jo-Ju® brand has become more profitable.

With the QVC event in June, we expect to close 4Q FY2019 with sales of around \$2.45 million, pending final exchange rate calculations. This compares with \$1.34 million in sales during the same period last year. This result means that we expect to book a strong consumer revenue growth for the full FY2019.



E-commerce expansion

Over the past three months we have made significant progress in executing on our strategic objective to grow our direct to consumer business. We have expanded our e-commerce capabilities with a new CRM, auto-replenishment and a VIP program. We have started an online brand awareness campaign in Australia, which has shown immediate results in website visits and sales.

The online, direct to consumer, channel enables a data-driven targeted marketing spend and personalised customer relationships. This business model has led to the recent rise of independent beauty brands with strong customer loyalty. A brand's online customer base is now the most important metric in valuing these consumer businesses and has been the basis for VC investments in 'beauty unicorns' such as Glossier, with valuations in excess of \$1 billion even before profitability is reached.

Cellmid's e-commerce strategy has three important pillars:

1. A clinically proven brand in a large market that attracts a significant repeat customer base;
2. A premium brand positioning belonging to the 'affordable luxury' category; and
3. A strong e-commerce platform ready to be utilized through increased digital marketing expenditure.

We are already seeing the early results of our e-commerce activities, which will require additional campaigns including sampling and product giveaways, to optimize growth. This strategy is scalable and works in all geographies.



Evolis® is creating excitement in the US beauty scene

We have been focused on building brand awareness of the evolis® Professional range in the US by an active public relations outreach. We continue to see momentum building through coverage in influential publications. In Q4 FY2019, we had one of the best quarters to date with **135.2 million potential impressions in 23 publications** including Instyle Magazine, Allure Magaine.com, Marie Claire Magaine.com, New Beauty Magazine.com, Byrdie and Mane Addicts. In addition, our Chief Scientist, Dr. Dominic Burg, was quoted in The Zoe Report, Domino Magazine.com and Cosmopolitan Magazine (June issue).



Our PR strategy is to partner with beauty bloggers and influencers as their trusted source of information on hair biology and hair care generally. After two years of partnerships our Chief Scientist, Dr Dominic Burg, is one of the most sought-after opinion leaders on hair in the US.

Both long lead and short lead publications regularly contact us for his input on various hair related topics. evolis® is invariably recommended by these publications amongst the top anti-aging hair care products. We expect that this will continue to contribute to increased traffic and will support an aggressive e-commerce campaign in the US.

Our thought leadership is not simply related to evolis®, but other hair topics including hair biology and hair growth, scalp protection, eye lash and eye brow growth and understanding different types of hair.

According to Colleen Mathis, CEO and founder of absolute R relations, Cellmid's US PR representatives for the evolis® range, media and consumer demand for the anti-aging hair care products is still growing and is expected to remain strong for some time.

"We are continuing to see strong growth in the 'affordable luxury' brand category as discerning beauty consumers demand natural, healthy products that actually work. evolis® is becoming a trusted premium brand in the hair care segment, and this is reinforced by the robust scientific foundations of the product, and the brand's thought leadership position on hair science and treatment."

In the new financial year, media outreach will focus on the new dry shampoo launch and men's hair loss tips. The evolis® dry shampoo will be stocked in all Neiman Marcus stores and online and media outreach will be key to ensuring its success.

Neiman Marcus Conclave – evolis® attended by invitation

evolis® was invited to attend the biggest annual event in the Neiman Marcus calendar – the Conclave - where 150 of their store managers discuss market trends and get introduced to new products. evolis® had a prominent position at the event and we were able to provide personalised product presentations to groups of 10-12 managers and conducted interactive evoliscopes sessions for most of the attendees. The evolis® product presentations, given by Dr Dominic Burg, our Chief Scientist, were followed by meetings with department managers to grow brand footprint.



Progressing toward approval in China

Fukangren BioPharm, Cellmid's Chinese distribution partner, has been actively pursuing regulatory approvals for the evolis® lotions and shampoos. Preparation of the documentation was completed, and files were submitted in late 2018 with expectations that the approval will take approximately 12 months for the lotions, and less for the shampoos. Next steps will involve safety testing by the Chinese FDA, for which products have already been shipped.

Trademarks granted

Our brand building strategy is supported by practical pillars such as technology, know-how, patents and trademarks. The evolis® application for a trademark in the US has been allowed by the US trademark office. In March 2019 Advangen filed an international trademark application for evolis® using the Madrid protocol. Applications were filed in strategic jurisdictions worldwide and are now awaiting examination. Following from this our trademark for the EU was accepted on 26th June.

Lyramid CEO, Bart Wuurman to unlock value in midkine

What attracted you to the role of CEO of Lyramid?

When looking at Lyramid's midkine portfolio, I noticed several very interesting early stage assets with the potential to take to the next level of development and commercialisation. Over 30 years' experience in drug development and biotech financing, including several successful exits and licensing deals, have taught me what to look for, and I see potential for several of the midkine assets. We are now undertaking a detailed review of the midkine portfolio, involving key medical opinion leaders, to focus on the indications that are most likely to unlock shareholder value.



What is interesting about the midkine science?

Before joining Lyramid, I carefully looked at the midkine science as this is a new and innovative area of drug development in which Lyramid has a "first-in-class" position. I find it interesting that the midkine antibodies in some cases appear to work on multiple problems in a disease. For example, in auto-immune diseases, midkine appears to reduce inflammation whilst also protecting the heart. Similarly, in specific cancer applications where bone loss is a big problem, midkine antibodies might reduce the tumour and protect the bone at the same time. In the longer term, it is possible that midkine may have a role to play in reducing chronic low-level inflammation, like in atherosclerosis, which is obviously a huge potential market.

Cellmid has publicly stated that its strategy is to separate the biotech assets from the consumer health business. From your perspective, what are the options in separating these two businesses?

There are several commercialisation and value creation options available, and we are exploring all options for separation, including selling the midkine asset portfolio to an interested party or positioning the company for funding by European or US-based life science venture capital investors. In the meantime, we are also looking to license some of our assets to pharma companies. The timing of any transaction depends on many factors. However, my mandate is to accelerate partnering discussions and explore all opportunities to fully exploit the midkine assets.

FSGS is no longer an orphan indication

The US FDA has advised that it no longer considers FSGS (Focal Segmental Glomerulosclerosis) an orphan indication, due to the increased diagnosis of the disease over recent years. An orphan disease is defined as a condition affecting less than 200,000 people in the USA, whilst the FDA estimated that the number of FSGS sufferers is now around 250,000. As a result, Lyramid's application for an orphan designation has not been successful.

The Company is not considering additional work on the FSGS program until a full review of the midkine asset portfolio by new Lyramid CEO, Bart Wuurman. However, a new application may be submitted in the future should there be additional therapeutic data available for a subset of the FSGS patient population.

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Actual results could differ materially depending on factors such as the availability of resources, the results of clinical studies, the timing and effects of regulatory actions, the strength of competition and the effectiveness of the Company's patent protection.

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