



5 August 2020

FY20 Overview

The \$7.46 million profit before tax is 2.2 times higher than the pre-tax profit result from FY19 on the back of a 46% increase in sales revenue despite the negative impact of COVID-19 on last quarter sales, with many customers deferring their purchases to FY21. When you consider major cosmetic companies in the US are all predicting negative growth for FY21 and FY22, which led to some destocking, the ANO result of 2.2 times FY19 profit before tax is an excellent achievement.

Production

The Board decided to continue production to increase its level of finished inventory to be ready for what we all expect to be a significant growth in zinc oxide sales in FY21 and FY22. The overall sunscreen market, based on estimates by Transparency Market Research, is expected to increase to \$24 billion by FY24 from \$15 billion in FY16 with most of this growth expected to occur in mineral-based sunscreens and ANO aims to capture 2-3% of this sunscreen market for active ingredients.

Sales

Our sales are being impacted by the COVID-19 related increase in demand for hand sanitiser limiting the production capacity of manufacturers for products such as sunscreens. We have also seen increased activity in the market by Everzinc, a manufacturer of zinc-based ingredients for a range of applications including suncare. The first half nevertheless is expected to be an improvement on the same corresponding period in FY19. Based on the Board's new strategy to increase and hold finished inventory in the US and Europe, we anticipate there will be a gap in sales over the next 3 months. The reason is that our distributors, who previously purchased stock from us will sell-down their inventory holdings before placing new orders from the ANO overseas warehouses. The Board is very satisfied with this new strategy because ANO has significantly shortened delivery times-frames to five days and reduced the cashflow burden on our distributors of having to hold significant inventory in their warehouses.

Product Diversification

ANO has invested significantly into product development over the past 6 months, including equipment and materials. ANO currently has a number of development projects underway, which are expected to be commercialised over the next 12 months.

- Five new powders, including our first coated product and bulk sunscreen, based on various oils. As part of this development, we have focused on a range of vegan / organic all-natural products.
- Ten new dispersions including sunscreen concentrate. We anticipate we will have 7 new dispersions to be available for sale within the next 6 months.
- Installation of equipment to manufacture food grade zinc gluconate, emulsifier and other essential ingredients for our end formulations.
- We are currently developing a complete certified organic manufacturing area to manufacture a range of vegan / organic products.

Authorised by:

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