



ASX ANNOUNCEMENT

28 February 2019

## **BUSINESS OPERATIONS UPDATE**

### **Highlights:**

- Candy Club's wholesale (B2B) business doubled the number of retail outlets carrying its product line; led by repeat customers and several leading national retailers testing the product line
- Candy Club's D2C subscription business announces successful launch of Verizon partnership
- Candy Club named in the Interactive Advertising Bureau (IAB) Top Brand Disruptor's list; #9 in Food/Beverage/Household/Pet category
- Candy Club releases 2018 Consolidated Financials (unaudited) and Management Discussion

Melbourne, Australia, 28 February 2019 – Candy Club Holdings Limited (ASX: CLB, "Candy Club" or "the Company") a leading premium confectionery business, is pleased to provide the following business operations update:

### **B2B Performance Update:**

Candy Club's wholesale business, which launched in July '18 and was carried in just over 1,000 retail locations in Q4 '18, has more than doubled the locations which carry the Company's product line to over 2,000 retail outlets in Q1 '19.

"While we are happy with the 100% quarter over quarter growth in retail outlets carrying our products, this is still just a fraction of the thousands of other retail outlets the Company is targeting to carry its high-end specialty confectionery," said Keith Cohn, founder and CEO of Candy Club.

Candy Club continues to expand its retail partnerships with both national and independent retailers. The Company is having success selling to a wide range of verticals, including department stores, women's apparel shops, hotels and resorts, gift stores and candy outlets. The Hallmark Stores, MGM Resorts, Candytopia, Lord & Taylor are just a few of the recognizable retailers who currently carry the Company's confectionery products.

"Strong retail sell through in 2018 and an aggressive sales push in Q1 2019 are combining to expand the number of retail partners carrying our confectionery products," Cohn continued. "Our rapid expansion into the retail marketplace is further validation of our strong product market fit. Given the size of the addressable market, this is only a small fraction of where we believe our products will ultimately be sold."

### **D2C Performance Update:**

Candy Club's D2C subscription business today announces a marketing partnership with Verizon, an American telecommunications provider, who began offering Candy Club D2C subscriptions to its high-valued customers in February 2019. These partnerships are part of the Company's new customer acquisition strategy as it looks to diversify away from traditional paid media sources in favor of more cost effective corporate partnerships. It is noted that a significant number of new subscribers for the D2C subscription business in February 2019 came through this program, which is a key factor in the Company's improved customer acquisition expense being \$28 month to date in February 2019.

Also, Candy Club is proud to announce its inclusion in the IAB's 2019 list of the top 250 most important Disruptor Consumer Brands, placing #9 in the Food/Beverage/Household/Pet category.

### **2018 Preliminary Financial Results (unaudited) and Management Discussion:**

Candy Club released its 2018 profit and loss statement from October 24, 2018 to December 31, 2018 with operating results consolidated from November 12, 2018 to December 31, 2018. During that period, revenue was \$1,010,126 and losses before income tax expense was (~\$1,271,665).

During this consolidated period there were a number of non-operating, one-off, non-recurring expenses related to an ERP implementation, recruiting fees, taxes, year-end inventory adjustments, professional service fees for legal and accounting work and stock compensation expense totaling over \$250,000.

More importantly it should be noted that in Q1 '19 Candy Club implemented an operational restructure as it continues to invest in its wholesale business, optimize its D2C subscription business and reduce expenses wherever possible. As such the Company estimates that margin improvements due to an optimized business combination of its wholesale and D2C businesses, coupled with reductions to salaries, customer acquisition expenses and external services costs, will reduce monthly losses in Q1 '19 by over \$300,000 per month from Q4 '18 levels.

"With the IPO process complete and restructured operations that are now fully aligned with our strategic priorities, we look forward to building Candy Club into a leading specialty confectionery company with a true path to profitability," states Cohn.

### **Outlook:**

The opportunity to build a large specialty market confectionery business exists because of the sheer size of the market opportunity in the US and lack of category leaders in the space. The US confectionery market is expected to grow to US\$40 billion by 2023<sup>1</sup>. Candy Club will continue to meet the needs of both retailers and consumers as it executes on an omni-channel strategy by onboarding new retail accounts and consumer subscriptions and builds out its overall business strategy of becoming a leading specialty market confectionery company.

"Candy Club continues to execute well in all segments of our business. We are off to a strong start in 2019 in both the wholesale and D2C segments of our business. With the recent IPO complete, the addition of a few key hires and several cost containment measures in place, we now turn our full attention to building

the best specialty market confectionery business in the industry,” says Keith Cohn, founder and CEO of Candy Club.

<sup>1</sup> Data according to the USA National Confectioners Association 2017 annual report

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**About Candy Club:**

Candy Club is a leading specialty market confectionery company which operates a wholesale (B2B) business and a direct-to-consumer subscription business. Founded in 2015 by serial entrepreneur Keith Cohn, the Company is executing on an omni-channel strategy with a vision to become the world’s leading specialty market confectionery company. The Company is headquartered in Los Angeles, CA.